

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

COMMISSION

Fifth

GENERAL REPORT

on the

Activities of the Communities

1971

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

Mr President,

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

In accordance with Article 122 of the Treaty establishing the European Economic Community, the Commission also prepares a Report on the Social Situation in the Community as an annex to the General Report.

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

Brussels, 8 February 1972

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INTRODUCTION

Presentation of the General Report for 1971 and programme of the Commission for 1972

Address to the European Parliament on 8 February 1972
by Franco Maria Malfatti, President of the Commission
of the European Communities

As I stand before the House today to present our report on the year just over and our programme for the year ahead, I would like to say first of all how very happy we are that the Treaty admitting the United Kingdom, Ireland, Denmark and Norway to membership of the Community has now been formally signed, in Brussels on 22 January. This is undoubtedly the most important development for European unification that I have to record as regards both the immediate past and the future of the Community.

Accession

The Community's enlargement was logical and necessary—logical in order to eliminate an arbitrary division between the countries of Western Europe, and necessary as giving the Community the dimensions needed to achieve its political aims.

The emergence of the Community of Ten is primarily a success due to the will of Europeans, a political achievement which reflects our determination to organize our future, to form a full European selfhood, as a basic factor of freedom and prosperity for our peoples and the most constructive contribution which each and all of our countries can make to international peace and more balanced international relations. It is for this reason that the signature of the instruments of accession has been received by public opinion in our countries—and not in them alone—with such high hopes.

The Commission is awaiting this transformation of the Community in a confident mood, the same mood that has inspired it in the last few years, during which it has made enlargement the mainspring of its political action; it finds encouraging, moreover, the way and the spirit in which enlargement has been brought about.

The work that was carried out at the Accession Conference was highly exacting, as regards both quantity and quality. The arrangements arrived at were fair and proper. What made this possible, and enabled the negotiating difficulties to be overcome, was that the political aims of enlargement were never lost sight of—those aims which right from the outset, throughout the course of the negotiations, even in their toughest and most difficult moments, we continued unflinchingly to affirm.

The new members have accepted the Community's common stock in its entirety, and subscribed to its political aims and to the options already taken for its internal development. The chapter we have begun to write will very soon be unfolding. Developments on the international scene and the unrest in society are serving to highlight the Community's true and natural calling, which is to serve peace, cooperation, and economic and social progress, in Europe and in the world.

Singleness of Community representation was maintained in accordance with the pattern of dialogue between the institutions required by the Treaties. This time the negotiations were conducted, highly successfully, by the Community as a Community, and this success was in part due, as all recognize, to the role played by the Commission.

For this reason the Commission, while welcoming the fact that the Final Act of the negotiations was signed not only by the Member States but also by the Community, has expressed regret to the Council that it (the Commission) was not able to sign likewise, so that a notable Community custom was not followed. There are times when prejudice replaces judgement, when an academic, legalistic approach replaces considerations of what is politically desirable. Sometimes, too, there is uncertainty where there should be clarity. I am only drawing attention to what is,

I repeat, a departure from past custom, for which the Commission felt bound to be critical of the Council.

A year ago I said in this House that the importance of the political implications of enlargement required the collaboration of all those in a position of power, in particular those that represent the will of the peoples. Hence the Commission had a specific interest in maintaining close contacts with the European Parliament and its committees during the negotiations, and a clear duty to do so. These contacts proved profitable. And I shou'd like to add that all those who toiled to make enlargement a reality were spurred on by the certainty that this major transformation of the Community is bound to be accompanied by an increase in the role of the European Parliament. In my speech at the signing of the instruments of accession I wished to emphasize the need to safeguard and strengthen our institutions in a democratic framework, and the importance of efforts by all the Member States of the new Community to reinforce the democratic features and powers of the European Parliament. So I thought it well to stress, right from the political birth of the Community of Ten, the built-in democratic slant of the Community; I spoke of the problems urgently demanding to be overcome in this connection to reinforce the powers of the European Parliament and secure its election by universal suffrage, of the uniqueness of the Community institutions, which must be safeguarded and enhanced to prevent the downgrading of the Community to a mere intergovernmental agreement and ensure for it the full executive competence, streamlined decision-making and essentially political character of the independent institution that acts as watchdog of the Treaty and discharges the vital function of initiating proposals.

Presentation of the 1971 Report

1971 saw major progress towards the achievement of the objectives agreed at The Hague, and at the same time monetary events such as to constitute a grave danger to the Community—a fact we strongly emphasized in our letter to the Heads of State or Government.

As regards monetary developments, a number of points on the credit side must be noted. The Council, acting on a proposal from the Commission, in September adopted a common position in regard both to the principles of the reform of the international monetary system and to the substance of the matters to be thrashed out, as a top priority, in the Group of Ten, and the Six together with the United Kingdom maintained this position in the talks with the United States. The Community, and in particular the common agricultural market, continued to function despite the difficulties caused by the monetary disarray, and thus demonstrated the soundness of our structures.

The fact remains that external events have shown the Community's internal cohesion to be insufficient to deal with matters so serious as these, and that there is still a long haul ahead before more effective arrangements for coping with international monetary problems are achieved.

The exceptional attention paid in 1971 to the two priority subjects—the enlargement negotiations and the monetary issues—has sometimes overshadowed the progress that has none the less been made in other fields, which is described in detail in the Report.

I would just mention the momentum imparted to the structural reform of European agriculture by the Council's adoption of the First Guidelines on the subject, and in the social field by the adoption of the decisions needed to bring the reformed Social Fund into operation.

I might also mention the application of the new budget procedure and the progressive introduction of the system of "own resources", and the holding of specialized Council meetings on sectors not yet tackled in their own right, as for instance the meetings of Ministers of Justice and of Ministers of Education.

Again, I might point to the introduction of the system of generalized preferences—a step that the Community can be proud of having taken ahead of all the rest of the industrialized world. But I confine myself to this one general observation: in a year which has seen the European and the world political pattern change

swiftly and strikingly—I need only instance the admission of the Peoples Republic of China to the United Nations—and major changes within the Community too, it is upon the Community that the construction of Europe has continued to centre, thus bearing out the statement in the Hague communiqué that “the Communities remain the original nucleus from which European unity has been developed and intensified”.

Programme for 1972

1972 is undoubtedly going to be a year of transition. In it the procedures for the ratification of the Accession Treaties will go forward; so too will the movement towards economic and monetary union (on which, as you know, the Commission submitted detailed proposals on 12 January), and the Summit Conference of Heads of State and Heads of Government will take place, it is hoped, this autumn, by which time the future new member countries will be in a position to participate fully.

So far as the Commission's programme is concerned, we mean to concentrate mainly on two pressing points—to push ahead with the building of the Community, by proceeding with the scheme for economic and monetary union, so essential to the Community's very survival, and meantime to bear in mind in all our actions that we are now a Community of Ten. In this latter connection I would stress the great importance the Community attaches to the procedures for consultation with the acceding countries. Above and beyond the technical aspects, these consultations have a very definite political significance, as both accustoming us to working together and increasing our understanding of one another's problems and purposes.

Economic and monetary union

As regards economic and monetary union, my task today is greatly simplified by the fact that Vice-President Barre has already, at the January session, set forth the Commission's thinking on the matter, and told you of the proposals we submitted to the Council on 12 January. I would like today to repeat, with

emphasis, what I said to the Council on 1 February. What we need to do now is not only to adhere to the purpose we formally set ourselves on 9 February 1971, when we decided to embark on the process that is to bring us to full economic and monetary union by the end of the decade : we need also to establish our own monetary and financial set-up, if we are to preserve all that we have built up to now and to preserve the Community from outside monetary and economic developments over which we could otherwise exert no influence. The Washington agreements reached in December are certainly of value in that they have restored some measure of security in international monetary and trade relations. But it has to be realized that they have by no means disposed of all the problems involved; in particular they have in practice strengthened the privileged position of the dollar by widening the margins of fluctuation, notwithstanding the dollar's inconvertibility.

Our proposals of 12 January to the Council you already know. The Commission does not intend to confine itself purely to these in preparing for the important Council meeting of 28-29 February, to be attended by the Ministers of Foreign Affairs, Finance and Agriculture. Convinced as we have always been that the processes of monetary and of economic union must move in parallel, we plan also to submit an overall document not only embodying the main proposals already put forward but seeking to indicate what further advances could and should be made in the coming months in order to make progress with the common policies, and more particularly with short-term economic policy, regional policy and social policy.

The monetary crisis of 1971 obliged us to defer taking the initial steps towards better-organized monetary and financial relations within the Community, but—though this seems to have been overlooked in some quarters—it did not halt the movement towards closer coordination of the member countries' economic policies that was begun in February 1971. The Council Decision of 22 March, according to which the Ministers responsible must examine public expenditure policy in Council three times a year, has been scrupulously observed, whence the first annual report on

the economic situation in the Community, which was approved by the Council in October.

At the same time, the Commission has carried on with its work in the field of tax harmonization, one of the most important sectors in the first stage of economic union. It is planning to submit a number of proposals to the Council, more particularly on the alignment of principles of assessment for VAT purposes and the harmonization of certain taxes on consumer goods.

But now we have to go further, for we face two pressing facts. The first is that we can wait no longer to institute our own system of monetary and financial relations in the Community countries. With exchange rates between one Community currency and another fluctuating by anything up to 9% there is no longer any possibility of a common agricultural policy based on uniform market prices, nor indeed, in many cases, of a common market for industrial products. So unless and until this situation changes—as the Community's very survival requires it to—there is no hope of progress towards economic union. The second fact is that we remain firmly convinced that worthwhile progress in the field of monetary union cannot be made or maintained unless we move forward across the whole range of the common policies.

Social policy

The most important field is undoubtedly that of social policy, in which our attention will this year have to be focused above all on the problem of employment.

The Community has already demonstrated, a year ago, its political will to become a Community of stability and growth, and one therefore in which full employment is a key factor.

What are the main features of the action the Commission intends to take in this regard? First, method: all the common policies are to be devised and implemented with due allowance for their impact on employment policy, and this of course neces-

sitates proper knowledge of the circumstances and problems. That is the indispensable starting-point.

While the Commission's initial proposals, to be submitted in 1972, will be concerned mainly with the study and analysis of the Community's social problems, obviously the Community will have to set about helping to tackle these actively. What are the main weapons at our disposal?

Social Fund

First and foremost, the reformed Social Fund. This year the Community will be making this weapon of the common social policy operational, thus moving from the planning stage to the stage of practical action on the factors governing employment. This year too, on the basis of work already in hand, the Commission intends to propose a Community action programme on vocational training, in direct application of the general guidelines endorsed by the Council in July 1971.

I fully realize that these weapons are limited in scope and insufficient to deal fully with the structural difficulties we have inherited from the past and with the short-term economic problems, which are no less serious.

Other means are therefore necessary, and will become more and more so, if we are to achieve an "active" employment policy. As progress is made towards the final objectives of the strengthening of the Community, common means of action will have to be created in the social field, wherever they are found to be needed, to replace or supplement the operation of the national armouries.

Regional policy

The Council has repeatedly and rightly stressed that the achievement of economic and monetary union and the implementation of the common policies will be seriously endangered

unless a Community drive is undertaken to help the more backward areas. Although regional policy was not actually dealt with as such in the negotiations with the applicant countries, we all know, and the discussions now going on in those countries bear out the fact, that that policy will be a matter of major importance in the enlarged Community.

The Commission is convinced that on the basis of its proposals, of which the House knows, and of the Council's and the Parliament's activities it will be possible to reach agreement in the near future to equip the Community with these necessary means of action. In any event the Commission is resolved to leave no stone unturned to get a start made on putting in hand an active, Community-wide regional policy.

The common agricultural policy

The Commission has been active in proposing to the Council measures designed to complete the common agricultural policy and bring it more into line with the socio-economic requirements of European agriculture, and it intends to press ahead in this direction.

We are firmly convinced that a common agricultural policy that takes fuller account of the need for structural modernization, that offers alternative employment outside agriculture to some of those at present on the land, that affords some classes of farmers the opportunity to give up farming, that introduces arrangements for "upping" incomes, and that restores to the pricing policy its function as a real means of orienting production and ensuring market stability, is an absolute essential, a duty the Community cannot shirk given its own importance in the world economy and the importance of agriculture to the internal balance of the whole Community set-up.

Such is the background to the agricultural price proposals for 1972-73 recently submitted by the Commission to the Council of Ministers.

These proposals, embodying some changes from the previous ones, represent in themselves a long stride towards the aims proper to a more balanced common agricultural policy, including as they do provision for a new method of determining prices, a "hierarchy" as among the price levels for the different agricultural products, and grants to make up earnings to a reasonable level on farms which it is impossible to modernize. At the same time, we realize that the state of affairs in this all-important sector requires to be gone into and talked over further.

Accordingly, the Council will need to go into the Commission's new proposals, but the great thing is that it should reach a decision, both as to the directives on structural improvement—and that with the absolute minimum of delay—and as to the fixing of prices. For as the Commission sees it all the measures of agricultural policy now up for discussion form a single connected whole, if not from the strictly legal, at any rate certainly from the political angle.

Actually, it seems likely, and we certainly hope, that the international monetary situation will force decisions to be taken, both at Community and at Member State level, more particularly as regards the fixing of the new parities. In that event, as regards agriculture it will be essential at the same time to take steps both to restore the single market for agricultural products and to ensure the farmers suffer no loss of earnings.

As is clear, then, 1972 also will be an important year as concerns the establishment of the common policy.

Industrial policy

In the industrial policy sector the proposal as to the general organizational structures to be instituted is still getting no further by reason, yet again, of radical differences of opinion on the institutional issues, and in particular on the question of the institutional role of the planned Industrial Policy Committee. Despite these difficulties, the Commission intends to continue in 1972 to put to the Council specific proposals on the operational

implementation of the strategy outlined in its Memorandum on Industrial Policy of March 1970: in this connection, it will continue working for the full implementation of the programme to eliminate technical obstacles to trade, and will in the very near future be proposing an extension of the programme to include, in particular, environmental conservation. Another new proposal we shall be putting forward concerns Community development contracts in the high-technology industries; others again will set forth the outlines for an overall Community policy on tenders and awards, development policy, finance and structural conditions in these same industries.

New horizons, we may hope, will be opened up for Community industrial policy, in the context of the new social needs developing and the new world responsibilities incumbent on the enlarged Community, at the conference to be held in Venice in April on "Industry and Society in the European Community".

Competition policy

An important element in any Community industrial policy is an active policy on competition.

Competition policy will be examined in the first special report the Commission will be submitting at the end of February, as the House asked it to do in its resolution of 7 June, and will accordingly be the subject of further detailed debate.

Research and development policy

In the field of research and development policy, the Council's inability, in December, to agree upon a multiannual programme for the Joint Research Centre once again underscores how necessary it is that the Community should evolve a broader strategy on scientific and technical research, in which the Joint Research Centre can take its proper place. In this regard the enlargement of the Community offers a great opportunity, involving as it does the bringing-in of Britain's contribution in the sphere of science and technology. In the months ahead the Commission

plans to submit specific proposals to the Council concerning the organizational structures needed to work up a more comprehensive science and technology policy and the basic lines to be followed in this European policy on research and development.

In the Commission's view, to evolve the common strategy—so vitally important—it is not in fact necessary to centralize the actual conducting of research and development work, nor to increase the appropriations for this purpose: what *is* necessary is to lay out the appropriations more efficiently, by rationalizing and concerting the activities being undertaken in the European countries, at present so scrappy and uncoordinated, and by securing genuine competition between industries in different countries.

Against this wider background, appropriate proposals will have to be put forward for promoting a renewal of activity by the Joint Research Centre.

Environmental policy

With regard to environmental policy also—a matter I consider of the highest importance—the Commission intends to submit within six months, as a follow-up to its first Memorandum, a plan of action setting forth the general principles to be adopted and proposals for specific measures to be taken; the reactions of the Member States and the view of this House, of the Economic and Social Committee and of the two sides of industry will be borne fully in mind in preparing these proposals.

In addition, the Commission will this year be submitting to the Council proposals for Community-level action to help control the drug menace, in close coordination with Member States' own efforts in this direction.

Energy policy

Developments in the past year have made it more and more obvious how essential it is that concrete progress be made in the matter of a Community energy policy. Europe's dependence on imported energy increased still more; in the oil sector the nego-

tiations between the producer countries and the companies once again brought home the fact that the traditional supply structures may well undergo major changes in the future.

In particular, the Commission intends to devote special attention to preparing further proposals for a Community policy on hydrocarbon trading and procurement. At the same time it is working to reduce the ever-growing import demand by enabling a larger share of the requirements to be covered by nuclear energy. But this, obviously, requires an early decision on the installation of enrichment plants.

Transport policy

It is to be hoped that the quickening in pace in the Council's work on the common transport policy in the second half of 1971 is indicative of a change of approach which will enable the Community to begin or to complete various projects under distinctly more favourable conditions than a year ago.

In a recent memorandum on transport policy to the Council, the Commission took a line on the matters involved which was at once comprehensive and forward-looking. It laid down the guidelines for orderly evolvement of the common transport policy, and a schedule of measures to be taken over the next five years. 1972 should see the first tangible progress in this general direction. The new measures given priority rating for 1972 concern reinforcement of the machinery for coordinating infrastructure investment, initial action in the matter of road safety, and the coordinated tackling of problems in connection with technological progress.

To sum up, we are well aware of the limiting effect on our action in regard to the common policies of the process of transition from a Community of Six to a Community of Ten. But we are even more aware of the cumulative timelag that built up in earlier years, when there were no such limiting factors. The limitations—in the fields of energy, transport, industrial policy, regional policy, research policy, tax policy, even agricultural policy—are extremely serious.

Those who fear lest the Community be eventually watered down into a free trade area should first of all remember that a customs union is not in itself enough to make a Community. Those who wonder about deterioration in the activity of the Community institutions should consider whether the root cause of this regrettable trend is not the weakness of the general political design and programme. Those who are amazed at non-involvement in the splendid and exciting work, so vital to our countries, of building Europe, should ask themselves whether it is not caused by the lack of vision and courage, the "easy way" of obscuring the basic policy issues with a mass of technical detail. For these are the issues on which democracy truly operates—the interplay of ideas, the real political contest, the real involvement of the public as a whole.

The Community in the world

The Community's forthcoming enlargement will give it a greater role in the world, but at the same time heavier responsibilities: as the Commission wrote in its Opinion to the Council of 21 January 1972, on the conclusion of the negotiations, "Enlargement, while safeguarding the Community's internal cohesion and dynamism, will enable it to play a fuller part in the development of international relations."

While the reactivation of the economic and monetary union will be our first concern this year, at the same time emphasis must be laid on the importance of our external relations. I should like to consider with you first of all the impending developments directly connected with enlargement.

The non-applicant EFTA countries

As the House is aware, it will be necessary in 1972 to settle the relations between the Community and the EFTA countries which have not applied to join it.

In the next few months the Commission will be continuing, and expects to complete speedily, the negotiations with Switzerland, Sweden, Austria, Finland, Portugal and Iceland.

We are most anxious to conclude agreements with them before the summer, and we feel that the Community is offering good terms and that it is in nobody's interest to drag out the negotiations.

The Commission's views as to the nature and scope of these agreements were largely endorsed by the Council at the end of November. While allowing some latitude for possible adjustments later, the agreements will be essentially concerned to regulate the trade side, ensuring as far as possible that no new trade barriers are created in Western Europe. This can be done only by extending the EFTA free-trade arrangements for industrial products to the whole of the enlarged Community, on, of course, a bilateral basis.

There are two fundamental points to be borne in mind here. First, the Community's autonomous decision-making and autonomous development must be preserved absolutely intact: in particular there must be no possibility of the future agreements giving rise to distortions *vis-à-vis* the Community rules which could endanger the Community's own solidarity.

Secondly, the agreements must be in conformity with the Community's and its partners' international obligations, and more particularly their obligations in GATT. From past experience the Community is certain that these agreements will afford a new stimulus to world trade.

The industrialized countries

As to the Community's relations with the major industrialized countries, the Commission, intends to approach these in the general context of the improvement and reconsideration of international economic and trade relations.

This is the spirit that informs the declaration of intent which, upon a proposal from the Commission, the Council adopted in December, pointing the way, with resolve and vision, to a free world economy, to be reached by further multilateral negotiation so conducted as to ensure freer and better-organized world trade

and appropriate arrangements for dealing with the urgent needs of the developing countries.

The Commission, needless to say, warmly welcomes the declaration, since it has long been striving to secure a clear and definite stand by the Community on this basis, as a vigorous reaction to the protectionist tendencies that have for some time now been causing us serious concern. I may remind you in this connection of my own series of talks with the Foreign Ministers of the Member States in March before my visit to the United States, of which you will remember that I gave the House a full account. I mention the date because in politics time plays a fundamental role, and the Community does not seem always to abide by this fundamental rule of political good sense.

USA

The Commission trusts that the current trade negotiations with the United States can be brought to a speedy conclusion. Provisional results have in fact already been achieved, but have not yet been approved by the Council.

The agreement that does finally emerge from these negotiations will need to restate our undertaking to join in a multilateral reconsideration of international economic relations.

In our negotiations with the United States so far we have been guided by two principles. Firstly, we cannot hope to dispose of all the problems involved, so we have endeavoured to settle those matters that are capable of settlement now and left the broader issues to be dealt with by the multilateral negotiations in 1973. Secondly, we have gone on the principle that all negotiations should be conducted in a spirit of reciprocity and mutual benefit : in this way, we feel, we have laid the foundations for a comprehensive and amicable review of our respective positions, free of all recriminations, which will serve to encourage both ourselves and the United States to continue working for that all-important aim, fuller and fuller freedom of trade.

And in this same spirit we intend to approach our trade relations with all the other countries in the world.

Japan

For this reason we continue to regard it as vital to reach a trade agreement with Japan which by restoring normal conditions will open the door to freer trade and closer ties, in realistic acceptance of appropriate safeguards.

Developing countries

It is in this same spirit, but at the same time in awareness of our increased responsibility, that we conceive of our relations with the developing countries and the countries bordering on the Mediterranean.

The prospect of enlargement gives yet more immediacy to the Community's responsibilities to the developing and the Mediterranean countries, both those with which we already have agreements and those with which we are still negotiating them.

I would note that the Commission will have during 1972 to work out in detail the arrangements to be offered in 1973 to many developing countries already associated with the Community or likely to become associated eventually in one way or another.

During the accession negotiations it was agreed that the enlarged Community will offer to twenty independent Commonwealth countries in Africa, the Indian Ocean, the Pacific and the Caribbean a choice of relations based on one or other of the following formulas :

- (i) Participation in the same association convention as the Associated African States and Madagascar;
- (ii) Conclusion of one or more association conventions providing for reciprocal rights and obligations in respect, *inter alia*, of trade;
- (iii) Conclusion of trade agreements.

The countries which choose to negotiate for the first type of relationship will be invited to take part along with the AASM in the negotiations on the convention which will replace the Yaoundé Convention of 29 July 1969.

This will entail a good deal of fact-finding and sounding-out with all the countries concerned, so that both sides can establish more clearly what the aims and prospects are as regards framing a future association policy, while safeguarding the Community's very considerable existing achievements in this connection. Obviously, it is for these countries to make their own entirely free and independent choice; as obviously, Europe will be able to make all the greater a contribution, as equal to equal, to economic and social development and to African unity.

But the Community must not allow its present and future association policy in Africa and Madagascar to obscure the broader aspects of its general policy on development aid.

In the Memorandum on the common policy for development cooperation which it has forwarded to the other Community institutions, the Commission proposes a number of guidelines and measures designed to render more consistent and effective the policies followed up to now, in demonstration of the increased Community solidarity in this exceedingly important field.

We are resolved to push ahead with the generalized preferences even if some major countries are not prepared to do so. I would remind you in this connection that the questions still outstanding as to the beneficiaries of the general preferences must be settled by 1 July next.

The Commission will be making active preparations for the Community's participation in UNCTAD III, which is to be held in Santiago de Chile in April and May.

To the developing countries, the Community is a very real and important thing, and it is therefore politically essential that it shoulders its responsibilities by taking up a constructive common stand at this important international encounter.

And I would remind you, too, of the role the Community, with its own experience of integration, can and ought to play in fostering the development of forms of regional cooperation and regional integration, both in South America and in Asia.

The Eastern European countries

Still in the same outward-looking spirit, the Commission is likewise considering possible new forms of Community trade and economic cooperation with Eastern Europe, and has already offered its own initial contribution to the preparation for the European Security Conference so far as concerns the Member States of the Community. The Community, inherently and by choice, is not a closed bloc but is open to cooperation. And it is logical besides that in all the fields where cooperation is developing between the Europe of the Community and the Eastern European countries the Community should act as such in the sectors for which it is competent.

More broadly, we may ask ourselves, what better balance could be achieved in the European continent without the basic ingredient of the Community as it is now and as it might develop.

Institutional problems

Institutional matters will be much to the fore in 1972. The Commission intends to tackle its tasks in this regard with realism and vigour. In particular, it is required by the Treaty of April 1970 to submit proposals by the end of 1972 for increasing the powers of the European Parliament. This point links up with the broader debate on the strengthening of the Community's institutions in general. I should like therefore to dwell on these matters for a little, and at the same time to speak of the coming Summit Conference of the Heads of State or Government.

The summit

For clearly the summit is the most appropriate occasion for establishing the broad outlines of the institutional reinforcement now so essential for the Community of Ten.

I have already had occasion to tell the House—and a few days ago I was speaking on the subject to the Political Affairs Committee also—just why the Commission has come out so strongly in favour of a summit in 1972. The exceptional circumstances of the present time demand that we give evidence of a political will at the very highest level. I do not at all mean that the summit should usurp the role of the Community institutions, but it should, in face of the great acts of choice now before us, provide the necessary guidance and a medium-term political programme for the institutions to put into effect. The three great issues at the summit will be more resolute progress on economic and monetary union and the common policies, the role of the Community in the world, to East and to West and *vis-à-vis* the developing countries, and the functioning and reinforcement of the institutions of the enlarged Community.

The Commission, as I have said before, intends to make every possible contribution to the preparation of the summit. Obviously, the preparation will proceed discreetly, to begin with at all events, but I would add right away that we consider it essential that this discretion should not interfere with the normal functioning of the institutions and should not in practice produce junior-partner relationships seriously impairing the institutional balance prescribed by the Treaties.

As regards the agenda, I say straight out that the taking of decisions on the Commission's proposals for resuming progress towards economic and monetary union must be done before the summit; this was why we submitted those proposals to the Council on 12 January. The summit itself will have to establish clearly what institutional framework is best calculated to enable genuine and rapid progress to be made in the further construction of that union.

As I told the Political Affairs Committee the other day, the Commission is devoting much thought to its contribution to the summit. I mentioned specially that we mean to submit our proposals on the institutional aspects to the House, and in particular to submit our proposals on increasing the Parliament's powers some time during May, for debate at the June session. The

Commission's main theme will be the need to preserve and enhance the unique character and balance of the institutions, it being our firm conviction that, while the institutions cannot press forward with the unification of Europe unless the political will of the Member States is there, the political will alone cannot yield practical results without appropriate Community institutions. Our work in this connection is, I may say, already well advanced.

Such then is the twofold task that awaits us in this year of transition and of taking stock—to establish the bases for the forthcoming summit Conference of Heads of State and Heads of Government to provide the enlarged Community with a political programme to work to and a stronger institutional structure to work in.

This will be the last Report to be presented to the House by a President of the Commission in the Community of the Six. Our programme for this year of transition is, I feel, at once a realistic and a far-reaching one. Our task is to carry it out in full, in order to pass on to the new Community a sound and solid fabric: what was the final stage in the construction of the Six now becoming a vigorous new beginning for the Community of Ten.

Neither letting imagination run riot nor casting nostalgic backward looks ever did anyone any good. We have come to a stage which for all the undoubted successes that lie behind still none the less is not without its shadow side; we are, too, on the threshold of a new start, which for its part is not without light, and potentialities, and boundless hope.

If Europe manages to be thoroughly pragmatic, to look facts in the face and not take refuge in dubious prejudices, then Europe will show itself equal to the times we live in and able to shoulder its full responsibilities both towards its own peoples and in the world at large.

CHAPTER I

THE DEVELOPMENT OF THE INSTITUTIONS

1. The year 1971 was marked both by important steps towards implementing the Hague Conference communiqué and by events capable of calling into question the level of integration already reached. Among the first must be mentioned the decision on economic and monetary union, progress in political cooperation between the Member States, and the enlargement of the Community, negotiations for which ended in January 1972. On the other hand, events in the monetary sphere revealed certain weaknesses in the decision-making capacity of the Community.

The past year therefore revealed opportunities as well as risks for the building of Europe. This made clear the need for the Community to extend its powers and to complete its structures, in order to be in a position to meet internal and external challenges and also gradually to become a political entity.

Towards reform of the structure of the institutions

2. The Hague communiqué already puts on record that the Community had reached a turning-point in its history. As President Malfatti has stressed, we are witnessing a movement away from a sectoral concept of the building of Europe, formerly justified by objective reasons, which no longer suffices alone to solve all the problems facing the Community. These problems are so interdependent that the need for integrated political management appears more and more pressing every day.

It is becoming vital to strengthen the institutions and to start implementing a Community political strategy which will make it possible to achieve completely the political objectives laid down in the Treaties of Rome.

The need for a political organization, proceeding from an overall vision based on the Community concept, has once again been placed on the agenda by President Pompidou's declaration, together with those of Chancellor Brandt, Prime Ministers Heath and Werner and other statesmen. These attitudes, which express the common desire gradually to set up a European government, embody the awareness that the building of Europe, basically centred on the Community, is a political datum which has proved itself.

Political unification

3. Following the Hague Conference, during which the Heads of State or Government had assigned to their Ministers of Foreign Affairs the task of "studying the best way to make progress towards political unification", the Governments of the Member States, when they adopted the Luxembourg decisions of 27 October 1970, set foot on the road of organized cooperation in foreign policy. Three consultations at ministerial level have taken place at six-monthly intervals. Before the end of 1972 the Ministers will have to submit a new report on political unification. For all subsequent development in matters of political cooperation it will be essential to keep in mind how much the problems affecting the building of Europe are interdependent and interwoven. Political cooperation imposes on the partner States a great responsibility, that of ensuring the convergence of the process of strictly political unification, and the process of building the Community, into which political cooperation will have to fit, while safeguarding the character of the present edifice and developing it further.

The first links between these two processes already exist. The Community institutions are involved where Community aspects are affected in the work on political cooperation. The Commission was represented by its President at the ministerial meetings which have dealt with these questions.

4. The Luxembourg report makes provisions for six-monthly meetings between the Minister of Foreign Affairs and the members of the Political Affairs Committee of the European Parliament, with a view to "giving a democratic character to the building of the political union". Following this provision there have been three colloquia, with the President of the Commission in attendance, between the President-in-office of the meeting of Foreign Affairs Ministers and the members of the Political Affairs Committee of the Parliament, during which the various topics relating to political

cooperation were broached. The President of the Council delivered his annual statement to the Parliament on the stage reached in the work of political unification. Association of the European Parliament in the work for political cooperation as provided for in the Luxembourg arrangements, was therefore achieved for the first time in the course of 1971.

5. As the Council made clear on the occasion of the enlargement negotiations,

“the Community considers that it is not possible at present to prejudge the nature of the institutional framework in which political cooperation will develop. However, it has always been understood that there was a correlation between membership of the European Community and participation in activities by which progress may be achieved in the field of political unification. The result is that Community action constitutes an inseparable whole and that the willingness of all the Member States and all the applicant States to work for the constant development of the common policies and for progress in political cooperation, no matter what form is finally agreed, is essential for the success of the European task, to which the Community remains unwaveringly committed.”

The powers of the European Parliament

6. The allocation to the Communities of resources of their own naturally calls for institutional developments. The new budgetary procedure specified in the Treaty of 22 April 1970 was applied for the first time in 1971. In this framework the rights of the European Parliament were increased to include greater budgetary powers with effect from 1 January 1971. The application of the new provisions also led to a more meaningful dialogue between the Community institutions.

7. Budgetary cooperation between Council and Parliament, as agreed in November 1971 after an exchange of letters between the President-in-office of the Council and the President of the Parliament, relates to the three stages of the budget: its establishment, examination and adoption. In the first stage (establishment of the budget) the Council, upon receipt of the advance draft budget from the Commission, officially submits it to the Parliament, thus permitting the latter to subject it to a preliminary political examination. The Council can thus learn the Parliament's first views on the general trend of the advance draft. To this end, provision is made for an exchange of views between the President-in-office of the Council

and a parliamentary delegation, in which the Commission takes part. In the second stage (examination of the draft budget by the Parliament) the President-in-office of the Council presents the draft budget to the Parliament at the October session. The President-in-office or other Council members attend the meetings of the Committee for Finance and Budgets of the Parliament, convened to examine the budget. The President-in-office of the Council is present during the debate and the vote on the draft budget in a plenary session. In the third stage (adaption of the budget by the Council) a delegation from the Parliament may explain to the Council the reasons which have led the Parliament to propose amendments. The Council must inform the Parliament of its decisions, either by letter or through a representative, and give its reasons if it has not acceded to the changes proposed by the Parliament.

Although it does not satisfy all the Parliament's wishes, this procedure nevertheless grants it greater influence than before.

Apart from the aforementioned participation of the Parliament in the work of political cooperation, another notable innovation in 1971 was the fact that the Council consulted the Parliament for the first time concerning the annual report on the economic situation in the Community, as called for by the Council decision on the achievement by stages of economic and monetary union. In addition, Parliament was asked to give its Opinion on the multiannual budget forecasts for the financial years 1972-1974 inclusive framed by the Commission and showing the financial implications of Community measures in force of proposals before the Council.

8. In accordance with the Hague communiqué the Council was to continue examination of the question of the election of the European Parliament by direct universal suffrage. The Council therefore exchanged views on this matter at its sittings of 26 July and 20/21 September 1971, although no decisions were taken. No concrete progress could therefore be recorded in this field.

9. The Commission has undertaken to make proposals before the end of 1972 on the extension of the European Parliament's powers. In order to establish its platform, and taking into consideration the importance of the problems in question, the Commission set up a working party, consisting of highly-qualified independent experts, to study the problems of the Parliament's legislative and budgetary powers. This panel, chaired by Mr Georges Vedel, is expected to present its findings at the beginning of April 1972. These findings will cover in particular all the consequences for the other institutions of an increase in the Parliament's powers.

Economic and monetary union

10. The achievement of economic and monetary union involves an adaptation of the institutional structure of the Community. The resolution adopted in March 1971 lays down that

“the Community shall be endowed, in the economic and monetary field, with the necessary powers and responsibilities to enable its institutions to provide a sound basis for the administration of the union. To this end, the required economic policy decisions shall be taken at Community level and the necessary powers vested in the Community institutions.

“The division of powers and responsibilities between the Community institutions on the one hand, and the Member States on the other, shall be made according to the needs of the cohesion of the union and the effectiveness of Community activities.

“The Community institutions shall be put in a position to exercise their responsibilities in economic and monetary matters effectively and quickly.

“Community policies which are implemented in the setting of economic and monetary union shall be subject to the decisions and supervision of Parliament.

“Within the sphere of its own responsibilities the Community organization of central banks shall cooperate in achieving the Community’s aims of stability and growth”.

The Summit Conference

11. In a resolution at its June session the European Parliament asked that a conference of Heads of State or Government be convened. The Commission, too, came out in favour of a new Summit and, in September, sent letters to the Governments of the Member States, stressing the importance of a conference of the Heads of State or Government of the Ten.

The Summit Conference of the Heads of State or Government was the subject of an exchange of views at the Conference of the Ministers of Foreign Affairs on political cooperation held in Rome on 5 November 1971. The Ministers spoke in favour of convening the Summit as soon as possible in 1972 in the light of the Community’s development aims.

The Commission considers that the stimuli and decisions vital for the future development of the Community should emanate from this meeting

at the highest political level. According to the Commission, this Summit should have the following aims: to strengthen the Community by reactivating economic and monetary union, to define the role of the Community in the world, particularly as regards its relations with the United States, the east European countries and the Third World, to develop the structure of the Community institutions, and to make progress towards political unification.

12. The Community must also weld itself together politically in view of the Conference on Security and Cooperation in Europe (CSCE), preparations for which have already been the subject of consultations in the setting of political cooperation. The Commission feels that in the fields where collaboration is developing between the European Community and the east European countries the Community must act as such in all the spheres of its jurisdiction.

13. Finally, as regards the institutions, 1971 was marked by the first meetings in the Council of the Ministers of Justice and of Education.

At their meeting of 3 June 1971 the Ministers of Justice signed two protocols which, after ratification by the Member States, will grant new powers to the Court of Justice. The first protocol concerns the convention of 29 February 1968 on the mutual recognition of companies and legal persons, and the second the convention of 27 September 1968 on jurisdiction and on the execution of judgements in civil and commercial cases. The protocols grant the Court of Justice the necessary power to make a uniform interpretation of the provisions of the two conventions binding in all the Member States.

At their first meeting at Community level on 16 November 1971, the Ministers of Education dealt with the problems of mutual recognition of diplomas and cooperation in the field of education. The most salient result of the session was the agreement on the creation of the European University Institute.

The Commission is pleased that, as a result of this meeting, educational issues should be considered to be of common interest and that it has been agreed to seek Community solutions. It hopes that domestic education policies will converge with common policies already being applied in order to ensure harmonious development in the Community.

CHAPTER II

ENLARGEMENT

SECTION A

OUTCOME OF THE NEGOTIATIONS WITH THE APPLICANT COUNTRIES

1. Recapitulation

14. The Preamble of the Treaty of Rome provides for the possibility of accession to the Community by any European State. The founder members declared that they were:

“Determined to establish the foundations of an ever closer union among the people of Europe”

and

“Resolved to strengthen the safeguards of peace and liberty by establishing this combination of resources, and calling upon the other peoples of Europe who share their ideal to join in their efforts.”

Articles 237 of the EEC Treaty, 205 of the EAEC Treaty and 98 of the ECSC Treaty specify the conditions under which a candidate country's application can lead to accession to these Treaties.

Article 237 of the EEC Treaty specifies that:

“Any European State may apply to become a member of the Community. It shall address its application to the Council, which, after obtaining the opinion of the Commission, shall act by means of a unanimous vote.

“The conditions of admission and the adjustments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State. Such agreement shall be submitted to all the contracting States for ratification, in accordance with their respective constitutional rules.”

Applications for accession

15. On the basis of these Articles the British Government had formulated an official application for accession on 10 May 1967. The day after the British application, the Danish Minister for Commerce and European Integration, Mr Tyge Dahlgaard, had handed a letter to Mr Renaat van Elslande, the President-in-office of the Council of the European Communities, in which Denmark applied for admission to the EEC as a member. On 11 May, Mr John Lynch, Prime Minister of Ireland, also had a letter handed to the President-in-office of the Council, in which Ireland applied for membership of the EEC. This application stressed the need for negotiations to be held parallel to those envisaged with the United Kingdom, particularly in view of the Anglo-Irish agreement of December 1965, setting up a free trade area. On 21 July 1967 Mr John Lyng, Norwegian Minister for Foreign Affairs, addressed a letter to the President-in-office of the Council, Mr Karl Schiller, in which his Government requested the opening of negotiations, with a view to Norway's accession.

The reasons for the United Kingdom's request for accession were explained in Mr George Brown's declaration on 4 July 1967 to the Council of Western European Union meeting in The Hague, when he said: “We in Britain are conscious that this is a decisive moment in our history. The issue will shape our future for generations to come. We believe the same is true for Europe as a whole. And we believe that the present opportunity may not easily come again. Unless Europe is united and strengthened she will not be able to meet the challenge of the world today.” After mentioning the enormous economic advantages which enlargement would bring, Mr Brown said: “The advantages for all of us of this unity will reach far wider than Western Europe itself. We see this as a major step towards a reconciliation and a revival in that larger Europe which has remained too long divided between East and West.”

The British Government's most important questions concerned firstly the transition period in the various fields—these were to be “very short” for Euratom and the ECSC and longer for the obligations under the EEC Treaty—and, secondly, the major problems of the British application,

namely certain points of agricultural policy, the contribution to the Community's budgetary expenditure, sugar exports from the Commonwealth, special problems of New Zealand, and a number of other questions relating to the Commonwealth.

Commission Opinion of 29 September 1967

16. In accordance with the first paragraph of Article 237 (EEC), the Commission addressed to the Council, on 29 September 1967, a preliminary Opinion in which the chief problems involved in the enlargement of the Community were analysed.¹ This Opinion particularly stressed that the accession of new members such as the United Kingdom, Ireland, Denmark and Norway, whose political and economic structures and level of development are very close to those of the present Member States, could both strengthen the Community and afford it an opportunity for further progress, provided the new members accepted the provisions of the Treaties and the decisions taken subsequently.

First, the Commission was of the opinion that the new members should, as a general rule, accept the arrangements adopted by the founder members before extension, subject to any exceptional adjustments that may be made. In particular, they would have to accept:

- (1) The Community customs tariffs in their entirety and their gradual application to all third countries;
- (2) The basic principles of the common policies with the provisions for their implementation;
- (3) The contractual obligations of the Communities towards third countries;
- (4) The institutional machinery of the Communities as established by the Treaties, subject only to those adjustments rendered necessary by the representation of the new Member States.

Furthermore, the Commission recommended to the new members that they agree with the founder members on the solution of a number of problems of vital importance for the harmonious development of an enlarged Community. These were in particular the relations to be established with European countries—notably any EFTA countries which did not join the Community—and with the Commonwealth countries.

¹ This Opinion was published under No. 8220-1967 by the *Publications Department of the European Communities*.

Finally, the Commission considered that, if full advantage was to be taken of the opportunities which extension opened up for the Community, it was necessary that the Member States be in a position within the not too distant future to make progress along the road to political union.

The Council's work from 18 December 1967 to 22 July 1969

17. The Council session on 18 and 19 December 1967, devoted to considering the applications for membership from the United Kingdom, Denmark, Ireland and Norway, did not result in agreement to open negotiations with the applicant countries. This difference of opinion was a point of major concern throughout 1968, during which period Member States formulated a number of suggestions all aimed at making interim arrangements between the Community and the countries seeking membership.

For instance, on 19 January 1968, the three Benelux countries put a proposal before the other Member States and the Commission for the establishment:

- (a) in the economic field, of a procedure for consultation between the Community and the applicant countries;
- (b) in the political field, of closer cooperation in order to achieve the political unification of Europe.

Similarly, the meeting between the French President and the German Federal Chancellor in Paris on 16 February 1968 ended with a joint declaration in which the two Governments affirmed that, until enlargement became possible, they were willing to envisage such arrangements between the Community and the applicant countries as would help to expand trade in industrial and agricultural products and to facilitate subsequent adhesion to the Community of the countries which had requested it.

On 23 February 1968 the Italian Government drew up its own proposals, according to which the six Member States were to adopt measures to reduce the gap between the Community and the candidate countries and would, in particular:

- (a) ask the Commission to continue studying the matter of the applicants' membership;
- (b) authorize the Commission to propose suitable measures for coordinating short-term economic policies within the OECD;
- (c) reach agreement on participation of their Ministers of Economic Affairs and of Finance in the quarterly meetings of the WEU.

Finally, on 27 February 1968, the Belgian Government submitted a memorandum on technological cooperation in Europe. This document emphasized the need for joint action based on a clearly defined political will.

18. The Commission was requested by the Council to analyse the various proposals and rendered an Opinion to the Council on 2 April 1968. In this Opinion it said that the Member States would seem not to disagree on certain fundamental points, and suggested the general lines which could be followed in drafting an agreement that would pave the way to membership for the four applicant countries. The Commission believed that this agreement should:

- (a) be regarded as providing for a phase of adaptation, notably to facilitate as much as possible the rapid re-establishment of lasting economic equilibrium in the United Kingdom;
- (b) serve as a framework for endeavours to bring the Community and the applicant countries closer together, so that, not too long after their accession, they would be able to assume all the responsibilities and enjoy all the advantages of membership of the Community.

The Council session of 27 September 1968, which was devoted to this matter, was preceded by the submission of a memorandum from the German Government. This document stressed the need, so long as new members could not be admitted, for interim measures to strengthen ties between the Communities and the applicant countries and to facilitate and prepare the way for their ultimate membership. It recommended action in three fields: trade relations, technological cooperation, and permanent contacts.

Since no agreement was reached on these proposals, the matter was postponed to 4 and 5 November 1968. At this Council session, the French Foreign Minister explained the nature and limits of the arrangements he envisaged, stressing the fact that trade arrangements would not be a substitute for the procedure leading to membership.

During the first half of 1969 the work done by the Commission and Council on enlargement of the Community was mainly concerned with studies on the possibility of concluding arrangements with the applicant countries.

But from July 1969 on the task of examining the applications for membership was resumed by the Council, which asked the Commission to bring up to date the Opinion it had rendered on 29 September 1967.

Commission Opinion of 1 October 1969

19. The Commission submitted its supplementary Opinion on 1 October 1969, pointing out that the general lines and conclusions of its preliminary Opinion of 1967 were still valid.¹

However, as a result of developments since then, the Commission concluded that the close links existing between the problem of strengthening and the problem of enlarging the Community meant that it was no longer possible to deal with them separately and that they should therefore be considered simultaneously, because "only a strong Community can provide a suitable framework for receiving the applicant States."

The Commission affirmed that the aim of the negotiations should be to find solutions which would make it possible to establish conditions guaranteeing the cohesion and the dynamism essential to an enlarged Community, and expressed the opinion that these negotiations should be opened as soon as possible.

Conference of Heads of State or Government at The Hague

20. This Opinion has formed the basis of the work carried out since then, especially in preparing for the Summit Conference. On the initiative of the French Government and at the invitation of the Netherlands Government, the Heads of State or Government and the Ministers of Foreign Affairs of the Member States of the European Communities met at The Hague on 1 and 2 December 1969.

The guidelines laid down at the Conference were published in a communiqué from which the following extracts should be given here:²

... (4) ... "The European Communities remain the original nucleus from which European unity has been developed and intensified. The entry of other countries of this continent to the Communities—in accordance with the provisions of the Treaties of Rome—would undoubtedly help the Communities to grow to dimensions more in conformity with the present state of world economy and technology. The creation of a special relationship with other European States which have expressed a desire to that effect would also contribute to this end. A development such as this would

¹ This Opinion was published under No. 4001/1969 by the *Publications Department of the European Communities*.

² *Third General Report (1969)*, Annex — Documents on the Summit Conference.

enable Europe to remain faithful to its traditions of being open to the world and increase its efforts on behalf of developing countries.

... (13) ... "The Heads of State or Government reaffirmed their agreement on the principle of the enlargement of the Community, as provided by Article 237 of the Treaty of Rome.

"In so far as the applicant States accept the Treaties and their political objective, the decisions taken since the entry into force of the Treaties and the options made in the sphere of development, the Heads of State or Government have indicated their agreement to the opening of negotiations between the Community on the one hand and the applicant States on the other."

2. Negotiating positions

The Communities

21. At its meeting on 8 and 9 December 1969, the Council of the Communities, taking the view that a common negotiating basis would need to be established if the negotiations were to be effectively begun, decided to undertake the indispensable preparatory work on the following matters: the necessary adjustments to the various institutions in the light of enlargement, the transitional period for agriculture and industry, the major issues concerning relations with the Commonwealth, the problems with regard to ECSC and Euratom, and the negotiation procedure.

Accordingly, at the conference with which the negotiations opened, in Luxembourg, on 30 June 1970, the President-in-office of the Council, the Belgian Foreign Minister Mr Pierre Harmel, informed the applicants of the positions and methods the Community was adopting for the negotiations on a number of basic points. The Community posed the principle, he said, that the applicant States "accept the Treaties and their political objectives, all decisions taken since the Treaties came into force, and the options chosen in the field of development". These decisions included the agreements concluded by the Community with third countries.

For the Community, "the rule which must govern the negotiations is that the solution of any problems of adjustment which arise must be sought in the establishment of transitional measures and not in changes of existing rules".

If transitional measures should, however, prove necessary as a result of enlargement, they must not exceed the time required to complete the transition. "As a general rule, they must incorporate precise time-tables." An initial significant tariff reduction must be made by both sides upon the entry into force of the accession treaties. The transitional measures would have to be "conceived in such a way as to ensure an overall balance of advantages" for all concerned.

Similarly, "it will be necessary to ensure that the advances made in freedom of movement for industrial goods are kept in step with the establishment of the common agricultural market". The length of the transitional period must be the same for all the applicants.

If transitional measures were needed in other fields, their duration might vary with the subject matter and the applicant concerned, "provided this is possible and desirable".

Mr Harmel drew the applicant States' attention to the need for the several accession treaties to come into force on the same date.

On the relations of the enlarged Community with the developing countries, he said that the accession of new members would entail new responsibilities towards these countries, which would have to be met in appropriate ways. "With this in view, the enlarged Community must be ready to continue its policy of association with the Associated African States and Madagascar and with any other independent African countries of comparable structure and level of development which request association with a view to promoting their economic and social development." However, the enlargement of the Community and "the possible extension of the policy of association must not lead to a weakening of relations with the present Associated States".

On 30 June 1970, in Luxembourg, the representatives of the applicant countries outlined in their turn their respective negotiating positions.

United Kingdom

22. On behalf of his Government, Mr Barber, Chancellor of the Duchy of Lancaster and Minister with special responsibility for European affairs, renewed the previous Government's assurance that the Treaties establishing the three European Communities and the decisions flowing therefrom would be accepted.

While in favour of a short transitional period in the case of Euratom and ECSC, Mr Barber envisaged a longer one for Britain's adjustment to the EEC Treaty, more particularly in connection with the British contribution to expenditure from the Community budget under the financial regulations adopted by the Community, with certain points in the agricultural policy (including the common fisheries policy), with Commonwealth sugar exports, with the special problems of New Zealand, and with certain other Commonwealth matters.

Denmark

23. Mr Nyboe Anderson, the Danish Minister of Economic Affairs and European Integration, confirmed Denmark's willingness to accept the Treaties and subsequent decisions, the political objectives of the Treaties, and the choices made for the further development of the Community in the monetary, economic, industrial and technical fields. He touched on the

importance of the fishing industry to his country, on Denmark's close ties with the other Nordic countries and those of EFTA, on manpower problems in the context of the Nordic labour market, and on points arising with respect to the Faroes and Greenland. Denmark did not in fact feel a transitional period was necessary, but was prepared to accept the principle in view of the difficulties other applicant States might have to face.

Ireland

24. Mr Hillery, the Irish Foreign Minister, said his Government unreservedly shared, as it had done in 1961 and in 1967, the ideals of the parties to the Treaties of Rome and Paris, and accepted their political and economic aims and the decisions taken to implement them.

With regard to such transitional measures as might prove necessary, Mr Hillery emphasized that, while the common agricultural policy as such presented no difficulties for Ireland, the specific regulations on plant and animal health, and the Community's common fisheries policy, could create some problems. On the industrial side, in view of the small dimensions of Irish industry, transitional measures would be needed for certain sectors. Mr Hillery added that his country was most anxious to conserve the advantages of the Anglo-Irish free trade area.

Norway

25. Mr Stray the Norwegian Foreign Minister, stressed the special problems of Norwegian agriculture, which by reason of its geographical distribution called for special solutions. Other major items which would need to be carefully studied in Norway's case were fisheries, capital movements, right of establishment, and the Svalbard coalmines. Mr Stray also emphasized the importance to Norway's economy of the close ties it had developed and wished to maintain with the other EFTA countries, and the value it placed on the existence of the Nordic labour market.

3. Procedure for the negotiations

The role of the Council

26. In its opinion of 1 October 1969, the Commission drew the Council's attention to the question of the negotiation procedure and advocated dividing the negotiations into two phases:

"The first phase would be conducted on the same lines as the Kennedy Round. The Commission would be given a mandate to negotiate on behalf of the Community; it would keep the Council constantly informed and would follow the directives given it by the Council. It will be remembered that this method worked well for four years during the Kennedy Round and led to the success of the negotiations, to the satisfaction of the Council and of the Member States. This phase of the negotiations would embrace the problems posed by common policies already in operation or in course of elaboration (common external tariff, common agricultural policy and so on), for which Community-type negotiation seem particularly appropriate.

"There would then be a second phase, conducted by the Member States meeting within the Council. Once they had decided on the acceptability of the results achieved during the first phase, the Member States would devote themselves first and foremost to the more specifically, political issues, such as the general political problems resulting from the enlargement of the Community, institutional problems, and the adjustments to be made to the texts of the Treaties.

"The Commission is convinced that a procedure of this kind, which has provided its worth in the past, would allow of more coherent, more dynamic and also more rapid negotiations and that it would offer a greater chance of success. When the time comes, it would be well to discuss this procedure with the non-member countries concerned."

27. At its session of 8 and 9 June 1970, however, the Council rejected the Commission's suggestions and decided that the European Communities would employ the following "uniform procedure at all levels and for all questions":¹

"Acting on a proposal from the Commission, the Council will settle the joint position of the European Communities on all the problems

¹ *EC Bulletin* 8-70, Part Two, sec. 101.

raised by the membership negotiations. Pursuant to Article 4 of the Treaty of 8 April 1965 establishing a single Council and a single Commission of the European Communities, the relevant Council discussions will be prepared by the Committee of Permanent Representatives of the Member States.

“The negotiating meetings between the European Communities and the candidate countries will, on the European Communities’ side, be presided over at all levels by the country currently presiding over the Council of the European Communities (paragraph 5).

“In the negotiations with the candidate countries, the European Communities’ joint position will be stated and defended either by the President-in-Office of the Council or, if the Council so decides, by the Commission, particularly in cases where a common Community policy has already been adopted (paragraph 6).

“The rules set out in paragraphs 5 and 6 above will also apply where the negotiations are carried out at the level of the Permanent Representatives or of any working parties that may be set up.

“Furthermore, the Council hereby states its readiness to instruct the Commission to seek, in liaison with the candidate countries, possible solutions to specific problems arising in the course of the negotiations. The Commission will report back to the Council, which will then give it any directives required to pursue the matter further, if necessary, with a view to working out the basis of an agreement to be submitted to the Council.

“This provision will apply in particular in cases where a common policy has already been adopted.”

In the light of the outcome and achievements of the Conference, it should be said that this procedure decided on by the Council—which may sometimes have seemed somewhat cumbersome in its workings—owes its success largely to the complementary nature of the two institutions, the Council and the Commission.

The role of the Commission

28. The Commissions’ role in the negotiations proper cannot be discussed without mentioning the importance of its action which found expression in the Opinions of 29 September 1967, 1 October 1969 and 19 January 1972, and in the numerous memoranda it submitted to the Council on the

preparation of a Community negotiating position. The Commission played a vital role in this groundwork.

The absence of a negotiating mandate did not limit the scope of the Commission's activities in connection with the negotiations. The Commission's task is to reflect and to take action, and whenever the occasion arose it submitted one or more compromise solutions which provided a basis for a joint position of the Six and subsequently for an agreement with the candidate country concerned. It also had the very difficult task of explaining the scope of Community legislation to the delegations of the applicant countries. The result of these explanations was that many requests made in the Conference by these countries were subsequently withdrawn.

In the course of arduous negotiations on key political issues, the Commission was frequently instructed by the Council to sound out one or other of the candidate countries' delegations in pursuit of an arrangement acceptable to both sides. The Commission thus acted as a go-between in the process by which the Council and the candidate countries reached agreements.

In addition, the Commission was entrusted with a task of undoubted importance in both complexity and scope: in liaison with the candidate countries' delegations, it studied the technical adaptations to be made to Community rules and regulations to allow for the new situation which would be created by enlargement. The corpus of secondary Community law—covering some ten thousand pages of the *Journal officiel* which will come into force on 1 January 1973 was reviewed with the delegations of the four candidate countries. In accordance with its mandate, the Commission submitted 36 interim reports to the Council. Furthermore, the Commission was also instructed to finalize the English, Danish and Norwegian versions of the Treaties and of existing Community rules and regulations—close on 35 000 pages being involved in this case. Finally, the Commission translated the Common Customs Tariff into English, and dovetailed the customs tariffs of the United Kingdom, Ireland, Denmark and Norway into it.

4. Results of the negotiations

29. The negotiations which opened in Luxembourg on 30 June 1970 were completed in nineteen months. They comprised 13 ministerial and 38 deputy-level meetings with the United Kingdom, 10 ministerial and 17 deputy-level meetings each with Norway and Ireland, and eight ministerial and 16 deputy-level meetings with Denmark. In addition, there were the very numerous internal Community meetings to agree the negotiating position, and the multilateral meetings on specific matters, notably the adaptation of the secondary legislation and the drafting of the Treaty of Accession.

At the outset, in accordance with the Commission's statements of its views on 29 September 1967 and 1 October 1969, the Community laid down the basic principle that the applicant States should accept the Treaties and their political objectives, the decisions of all kinds taken since their entry into force, including agreements with third countries, and the choices made in the development field.

As the negotiations proceeded it became clear that this principle, which was accepted in outline by the applicant countries on the opening day, 30 June 1970, was indeed being respected. All the problems of adjustment which were raised were duly dealt with by providing for transitional measures and not by altering the existing rules governing Community affairs; moreover the majority of these measures are to run for five years or less.

30. This stand adopted by the Community from the start of the negotiations is clearly reflected in the arrangements worked out in the course of the proceedings, and in the principles governing the Treaty of Accession.

These are as follows:¹

From the date of accession, the provisions of the original Treaties and the acts adopted by the institutions of the Communities shall be binding on the new Member States and shall apply in those States under the conditions laid down in those Treaties and in this Act.

The new Member States accede by this Act to the decisions and agreements adopted by the Representatives of the Governments of

¹ Articles 2, 3 and 4 of the Act concerning the Conditions of Accession and the Adjustments to the Treaties.

the Member States meeting in Council. They undertake to accede from the date of accession to all other agreements concluded by the original Member States relating to the functioning of the Communities or connected with their activities.

The new Member States undertake to accede to the conventions provided for in Article 220 of the EEC Treaty, and to the protocols on the interpretation of those conventions by the Court of Justice signed by the original Member States, and to this end they undertake to enter into negotiations with the original Member States in order to make the necessary adjustments thereto.

The new Member States are in the same situation as the original Member States in respect of declarations, resolutions or other positions taken up by the Council, and in respect of those concerning the European Communities adopted by common agreement of the Member States; they will accordingly observe the principles and guidelines deriving from those declarations, resolutions or other positions and will take such measures as may prove necessary to ensure their implementation.

The agreements or conventions entered into by any of the Communities with one or more third States, with an international organization or with a national of a third State shall, under the conditions laid down in the original Treaties and in this Act, be binding on the new Member States.

The new Member States undertake to accede, under the conditions laid down in this Act, to agreements or conventions concluded by the original Member States and any of the Communities, acting jointly, and to agreements concluded by the original Member States which are related to those agreements or conventions. The Community and the original Member States shall assist the new Member States in this respect.

The new Member States accede by this Act and under the conditions laid down therein to the internal agreements concluded by the original Member States for the purpose of implementing the agreements or conventions referred to in the above paragraphs.

The new Member States will take appropriate measures, where necessary, to adjust their positions in relation to international organizations and international agreements, to which one of the Communities or other Member States are also parties, to the rights and obligations arising from their accession to the Communities.

GENERAL MATTERS

Interim period

31. During the period running from the close of the negotiations until the entry into force of the Treaty of Accession, joint procedures will be implemented so as to ensure that the decisions made by the Community's institutions take due account of the interests of the applicant countries as future members of the Community.

At Council level

32. Consultations will take place prior to any decisions being adopted

This procedure will also apply to any decisions to be taken by the applicant countries which might have an effect on the undertakings they have made as future members of the Community. Administrative decisions should not as a general rule involve consultation.

Consultations will take place within an Interim Committee, made up of representatives from the Community and from the candidate States.

On the Community side, the members of the Interim Committee will be the members of the Committee of Permanent Representatives or their nominees, who, as a general rule, will be their alternates. The Commission is invited to be represented on this Committee.

The Interim Committee will be assisted by a Secretariat; this will be the Secretariat of the Conference, which will be kept in being for this purpose.

Consultations will take place as a matter of course as soon as the preparatory work done at Community level with a view to the adoption of decisions by the Council of the Communities has defined common guidelines in accordance with which these consultations may usefully be held.

If the consultations should leave major difficulties still unsolved, the question at issue could be brought up at ministerial level at the request of a candidate State.

At Commission level

33. The Commission will inform the candidate States of all its proposals or memoranda which might lead to Council decisions, once these have been

submitted to the Council. Beforehand, it will have gathered all the facts necessary to assess the effects of these proposals in the light of the prospects of an enlarged Community.

In addition, in order to ensure that its own decisions take proper account of the interests of the candidate States, the Commission will consult them before adopting any decision likely to affect them as future members of the Community.

Free movement of goods

Industrial

34. Customs duties between the new Member States and the Community are to be scaled down to nil by five successive steps of 20% each, the first scheduled for 1 April 1973 and the last for 1 July 1977. The new members' tariffs *vis-à-vis* third countries are to be approximated to the common external tariff of the Community by four steps, 40% on 1 January 1974 and 20% on 1 January 1975, 1 January 1976 and 1 July 1977.

In the case of a small number of products for which there are agreed preference margins between Britain and certain other Commonwealth preference countries, Britain may defer the first tariff cut until 1 July 1973.

Following requests by certain applicant States, it was also agreed to suspend certain CCT duties and to allow tariff quotas in respect of tea, paper pulp, newsprint, unwrought lead, unwrought zinc, mimosa extract, phosphorus, plywood panels, etc. and alumina.

Agricultural

35. The Treaty of Accession lays down that, as from 1 February 1973, the new Member States shall apply the common rules and regulations concerning agriculture at both internal and external level. This means:

- (i) The implementation in the new Member States of the machinery and instruments of the common agricultural policy;
- (ii) Simultaneously, the abolition of all those measures incompatible with the market organizations and particularly quantitative import restrictions, *vis-à-vis* both the other Member States and third countries, wherever this is required under the Community regulations.

36. A number of transitional measures are to be introduced with regard to agricultural prices, to the new Member States' customs duties, and to certain fixed components.

(a) Approximation of prices: in the case of all products subject to price-fixing, the new Member States are to approximate their prices to the common level by six steps over the five-year transitional period ending 31 December 1977, following a set rate and time-table. To help enable the integration to proceed smoothly, a tolerance of not more than 10% on either side of the price adjustment for any one marketing year may be allowed (see Table 1).

To offset the effects of any price differences still remaining during the transitional period, there is to be a system of "compensatory amounts".

In intra-Community trade the charging or refunding of the compensatory amount itself will be the only arrangement applying, while in trade between the new Member States and third countries the Community levies and refunds will operate minus or plus the compensatory amount, as the case may be.

The compensatory amount equals the difference between the price that would result from the straight application of the common price level without transitional measures and the price actually applied in the new Member States at each stage of the transitional period.

(b) Tariff adjustments: for products dutiable on importation into the Community, the duties between the Member States of the enlarged Community will be phased out, while the new Member States' duties *vis-à-vis* third countries will be approximated to the CCT.

The two processes are to take place, for intra- and for extra-Community trade, as follows:

- (i) Beef and veal: five steps of 20%, each at the beginning of the marketing year;
- (ii) Horticultural products: five steps of 20%, at the beginning of the calendar year, the first on 1 January 1974 and the last on 1 January 1978, subject to a maximum 10% tolerance from 1 January 1975 onwards;
- (iii) Other products, including fishery products: as for industrial products (see Table 1), except for the first "intra" reduction, scheduled for 1 July 1973.

TABLE 1

Time-table for enlargement :
Dates of reductions or approximations

		Agricultural products							
		Price approximation				Tariff adjustments			
		Beef and veal		Horticultural products ¹		Other products		Agricultural products with fixed components for cereals, rice and fruit and vegetables sectors*	
		Proportions of differences remaining between Community member's prices in each marketing year							
Industrial products and fixed components (processed agricultural products not listed in Annex II)	extra	intra	extra	intra	extra	intra	extra	intra	extra
	—	1-4-73	20%	20%	20%	20%	20%	20%	—
	40%	1-1-74	20%	20%	20%	20%	20%	20%	40%
	20%	1-1-75	20%	20%	20%	20%	20%	20%	20%
	20%	1-1-76	20%	20%	20%	20%	20%	20%	20%
	20%	1-7-77	20%	20%	20%	20%	20%	20%	20%
		'73 1.6	'74 2.0	'75 2.0	'76 2.0	'77 2.0	'78 2.0	'79 2.0	'80 2.0
		start of marketing year	start of marketing year	start of marketing year	start of marketing year	start of marketing year	start of marketing year	start of marketing year	start of marketing year
		1	1	1	1	1	1	1	1
		31-12-77	31-12-77	31-12-77	31-12-77	31-12-77	31-12-77	31-12-77	31-12-77

1. Subject to tolerance of 10% of price or tariff adjustment for step concerned.

*. Each "start of marketing year" is for the basic products from which these are processed.

(c) The fixed components designed to protect the processing industry in respect of processed cereals, rice, fruit and vegetables are to be reduced in both "intra" and "extra" trade, and aligned in five steps on the Community components at the beginning of the marketing year for the basic products from which they are derived.

(d) On the other hand, the fixed components for the processing industry for products not included in Annex II (Regulation No. 1059/69) will move in accordance with the time-table for the industrial sector (see Table 1).

37. The application by the new Member States of the Community agricultural system in conjunction with the transitional measures will mean that as soon as these are put into effect Community preference in respect of agricultural products will extend to the whole of the Community.

Fisheries

Fishing rights

38. Notwithstanding the provisions of Article 2 of Council Regulation (EEC) No. 2141/70 dated 20 October 1970 on the establishment of a common structural policy for the fishing industry, the Member States of the Community will be authorized until 31 December 1982 to restrict fishing in waters under their sovereignty or jurisdiction, situated within a limit of six nautical miles calculated from the base lines of the coastal Member State, to vessels traditionally fishing in those waters from ports in that geographical coastal area.

Member States availing themselves of this derogation must not adopt provisions dealing with conditions for fishing in these waters which are less restrictive than those applied in practice at the time of accession.

To enable a satisfactory overall balance of fishing operations to be established within the Community during the above period, it was agreed that the Member States need not make full use of the opportunities presented by the derogation in certain areas of the maritime waters under their sovereignty or jurisdiction.

Member States are to inform the Commission of the measures they adopt for this purpose; on a report from the Commission the Council will then examine the situation and, where necessary, issue recommendations to the Member States accordingly.

The six-mile limit is to be extended to twelve miles for the following areas:

- United Kingdom: the Shetlands and Orkneys; the north and east of Scotland, from Cape Wrath to Berwick; the north-east of England, from the river Coquet to Flamborough Head; the south-west from Lyme Regis to Hartland Point (including twelve miles around Lundy Island); County Down.
- Ireland: the north and west coasts, from Lough Foyle to Cork Harbour in the south-west; the east coast, from Carlingford Lough to Carnsore Point, for crustaceans and molluscs (shellfish).
- Denmark: the Faroe Islands; Greenland; the west coast, from Thyborøn to Blåvandshuk.
- Norway: the coast between the Norwegian-Soviet frontier and Egersund.
- France: the coasts of the *départements* of Manche, Ille-et-Vilaine, Côtes-du-Nord, Finistère and Morbihan.

These provisions will not affect any special fishing rights enjoyed at 31 January 1971 by individual Member States of the Community in regard to one or more other Member States.

From the sixth year after accession at latest, the Council, acting on proposals from the Commission, will determine conditions for fishing with a view to ensuring protection of the fishing grounds and conservation of the biological resources of the sea.

Before 31 December 1982, the Commission is to present a report to the Council on the economic and social development of the coastal areas of the Member States and the state of stocks. On the basis of that report, and of the objectives of the common fisheries policy, the Council, acting on a proposal from the Commission, will examine what arrangements should follow the derogations in force until 31 December 1982.

Special protocol on Norway

39. This instrument acknowledges the very great importance of the fishing industry for Norway in consequence of Norway's special geogra-

phical situation. Fisheries and related industries constitute an essential activity for the population of a large part of the coastal areas where other possibilities of employment are limited. It adds that the Conference shares the objectives of the Norwegian Government regarding the maintenance of a satisfactory demographic balance in the areas of Norway that are essentially dependent on inshore fishing. The institutions of the Community are accordingly recommended to take particular account, in the examination of the Commission report provided for in the Act of Accession,¹ of the problems facing Norway in the field of fisheries, both in the context of its general economy and for reasons stemming from the particular demographic and social structures of the country, and so to act that the provisions then to be made are drawn up accordingly; these may include, among other measures, extension of the derogations beyond 31 December 1982, to an appropriate degree and in accordance with rules to be determined.

Common organization of the market

40. It was agreed that the institutions of the Community will adopt a number of provisions concerning, among other matters, adjustment of withdrawal prices, extension of the rules of the producers' organizations, fish meals and fish oils, deep-frozen fish, export refunds, and marketing rules in respect of certain kinds of fresh and chilled fish.

Veterinary legislation

41. The new Member States are to be allowed transitional periods running in most cases to 31 December 1977 for the application of Council Directive No. 64/432 on veterinary health inspection questions in intra-Community trade in cattle and pigs.

The Commission is to submit to the Council by 1 July 1976 a report and, where necessary, proposals, relating to developments in the veterinary field in the Community as a whole and in its various parts.

Five years is also to be allowed for the application of Directive No. 64/433 on health protection questions in intra-Community trade in fresh meat.

¹ Sec. 38.

*Other measures**Dumping*

42. Should it be found during the transitional period that dumping is being practised between the Community as originally constituted and the new Member States or between the new Member States themselves, the Commission will issue a recommendation to the offender or authorize the injured States or States to take protective measures. Ireland is to be permitted to take the necessary measures itself and then notify them to the Commission, which may decide to modify or abolish them.

As regards dumping in relations with third countries, the new Member States will be able to adopt national measures during the transitional period, as under Article 26 of the anti-dumping regulation.

Abolition of quantitative restrictions

43. Quantitative import and export restrictions between the original and the new Member States, and between the new Member States themselves, are to be abolished from 1 January 1973, except in regard to scrap, for which a transitional time-limit¹ is to be allowed. Measures of equivalent effect to quantitative restrictions are to be abolished by 1 January 1975.

Application of the CCT nomenclature

44. For technical reasons Britain, Denmark and Norway will not be applying the Common Customs Tariff nomenclature until 1 January 1974.

Also, in the case of agricultural products and of processed agricultural products covered by special trade arrangements, the CCT nomenclature is to be applied in full in trade between Member States and with third countries at the latest on 1 February 1973.

Implementation of the system of own resources

45. From 1 January 1973 the new Member States will implement the decision of 21 April 1970 on Community provisions for own resources, in particular, with respect to the allocation to the Community budget of

¹ See also sec. 53.

agricultural levies, customs duties and, in 1975, of part of VAT corresponding to 1% of a uniform basis of assessment for the whole of the Community. The new Member States' financial shares will, however, become due only gradually during the transitional period of five years (45% in 1973; 56% in 1974; 67.5% in 1975; 79.5% in 1976; 92% in 1977).

The financial contributions of the future Member States to the budget of the Communities are allocated as follows:

Denmark	2.42%
Ireland	0.60%
Norway	1.66%
United Kingdom	19.00%

These percentages have also been chosen to calculate the theoretical relative share of the future Member States in the 1972 budget. In this way, for example, the theoretical relative share of the United Kingdom in the 1973 budget will be between 19.19% (1972 share plus 1%) and 18.715% (1972 share less 1.5%) of all expenditure. However, the actual financial participation of this country in 1973 will be only 45% of the relative share thus calculated.

46. From 1 January 1978 the new Member States will be required to pay their full contributions, although the following corrective factors will be applied:

- (a) The increase in the relative financial contribution of the applicant States for 1978, the first year of post-transitional corrective factors, must not exceed two-fifths of the difference between their relative actual financial contribution for 1977 and what would have been their relative actual share if the final system of own resources had been applied in full;
- (b) For 1979, the second year of post-transitional corrective factors, the increase in the financial contributions of the applicant countries, expressed as a percentage of the Community budget, must not exceed that of the preceding year.

47. Up to 31 December 1979 the part of the Community budget which is not covered by the financial contributions of the new Member States is to be divided between the original members according to the provisions of the decision of 21 April 1970.

Institutions of the enlarged Community

The institutions of the Community will have to be adapted on enlargement.

Council

48. The Council will consist of ten members, one for each country.

1. Qualified majority with weighting of votes

The votes of the members of the Council will be weighted as follows: Germany 10, France 10, Italy 10, United Kingdom 10, Belgium 5, Netherlands 5, Denmark 3, Ireland 3, Norway 3, Luxembourg 2, total 61.

For a decision to be adopted by qualified majority on a proposal of the Commission, at least 43 votes must be cast in favour of the proposal. When the Council acts without a proposal of the Commission, a decision is adopted only if the required 43 votes in favour are cast by at least six members.

2. Simple majority

As the Community is made up of ten States, the simple majority will be six States.

3. Voting arrangements for the Council acting under the ECSC Treaty

The majority of five-sixths provided for solely in Article 95, paragraph 4, of the Treaty of Paris for the procedure known as "minor revision" will be increased to nine-tenths of the members of the Council.

Wherever the ECSC Treaty requires the assent of the Council, that assent shall be considered to have been given if the proposal submitted by the High Authority receives the approval:

- (a) Of an absolute majority of the representatives of the Member States including the votes of the representatives of two States which each produce at least 1/8th of the total value of the coal and steel output of the Community;
- (b) Or, in the event of an equal division of votes, and if the High Authority maintains its proposal after a second discussion, of the representatives of three Member States which each produce at least 1/8th of the total value of the coal and steel output of the Community.

Decisions of the Council other than those which require a qualified majority or unanimity, shall be taken by a vote of the majority of its members; this majority shall be considered to be attained if it represents an absolute majority of the representatives of the Member States, including the votes of the representatives of two Member States which each produce at least 1/8th of the total value of the coal and steel output of the Community. However, for the purposes of applying those provisions of Articles 78, 78ter and 79 quinqto of the ECSC Treaty which require a qualified majority, the votes of the members of the Council shall be weighted in the same way as shown under 1 above.

The majority of 2/3rds will be attained when seven Member States cast their votes in favour.

4. *Committees*

The number of members of the ECSC Consultative Committee will be increased to at least 60 and at the most 84.

The number of members of the Euratom Scientific and Technical Committee will be increased from 20 to 28, the United Kingdom having 5 members and Denmark, Ireland and Norway each one member.

The number of members of the committees set up under secondary Community law will be adapted to the new conditions of enlargement.

5. *Rotation of the presidency of the Council*

This rotation, which is based on the alphabetical order of the names of the Member States each expressed in the national language, will be as follows:

Belgique - België
Danmark
Deutschland
France
Ireland
Italia
Luxembourg
Nederland
Norge
United Kingdom

The Presidency will continue to be held for a period of six months.

Commission

49. The Commission of the enlarged Community will consist of 14 members, of the following nationalities: Germany, France, Italy and the United Kingdom, two members each; the other six Member States, one member each.

The number of Vice-Presidents of the Commission will be increased to five.

When the Act of Accession comes into force, the present members will cease to hold Office and the 14 members of the new Commission will be appointed for a normal term of four years. At the same date, the President and the Vice-Presidents will be appointed for a normal term of two years.

European Parliament

50. The total number of members of the Parliament will be increased to 208 representatives, allocated as follows: Germany 36, France 36, Italy 36, United Kingdom 36, Belgium 14, Netherlands 14, Denmark 10, Ireland 10, Norway 10, Luxembourg 6.

Economic and Social Committee

51. The total number of members of the Committee will be increased to 153, allocated as follows: Germany 24, France 24, Italy 24, United Kingdom 24, Belgium 12, Netherlands 12, Denmark 9, Ireland 9, Norway 9, Luxembourg 6.

Court of Justice

52. The Court of Justice will consist of 11 judges and will be assisted by three advocates-general.

Every three years there will be a partial replacement of the judges, six and five judges being replaced alternately. Every three years there will be a partial replacement of the advocates-general, one and two advocates-general being replaced alternately.

ECSC

53. The applicant countries will implement the ECSC Treaty in the following way:

Transitional provisions for the iron and steel industry

Internal customs duties applying to coal and steel products covered by the Treaty of Paris will be reduced at the same pace as customs duties in general (over a period of 4 ½ years), the basic duty being that actually in force on 1 January 1972.

The alignment on the external duties for iron and steel, for which a common tariff exists in the Community following the Kennedy Round negotiations, will be carried out at the same pace as the alignment on the Common Customs Tariff, the basic duties also being those actually in force on 1 January 1972.

For exports of waste and scrap metal of iron or steel to countries not members of the enlarged Community, acceptance of the regulations at present in force in the Community will imply acceptance of the principle that these exports are prohibited, subject to the derogation allowed for specific quantities and periods by agreement between the representatives of the Member States' Governments.

For traffic between member countries of the enlarged Community, the control over exports of such waste and scrap can be maintained during a transitional period, notwithstanding the Community rules which would normally require the elimination of intra-Community quantitative restrictions upon accession.

In this connection the applicant countries will retain the right, in the case of Ireland for five years, of Norway for three years, of Denmark for three years and of the United Kingdom for two years, to maintain existing restrictions on exports, in so far as these arrangements would not be more restrictive than those that would apply to any exports which might be made to countries not members of the enlarged Community. For reasons of reciprocity, this provision would equally apply to restrictions which the Six might impose on exports to the applicant countries.

Agreements

The enterprises of the applicant countries will, on their accession, have to fall in line with the provisions of the Treaty of Paris governing agreements, by immediately notifying any agreements referred to in Article 65. However, for practical reasons a period which may not exceed three months will be allowed for this notification to be made. Enterprises of the six Member States will enjoy the same period for notifying agreements which, as a consequence of enlargement, become subject to the

provisions of Article 65. Agreements notified will remain in force temporarily pending the Commission's decision, whereas agreements which have not been notified will be automatically void under Article 65(4).

Contributions to the various ECSC funds

The contributions of the applicant countries will be as follow:

United Kingdom	57 000 000 u.a.
Norway	1 162 000 u.a.
Denmark	635 500 u.a.
Ireland	77 500 u.a.

They are to be paid in three equal annual instalments, beginning on accession.

Euratom

54. The Euratom Treaty and consequent secondary legislation will be implemented by the applicant countries without any transitional period. It was agreed in particular that:

- (a) the Community's joint and supplementary research programmes referred to in Article 7 of the Euratom Treaty are an integral part of the Community's wealth;
- (b) a control and inspection system shall be applied in accordance with the Euratom Treaty and also any other system which is applicable in accordance with any agreement concluded between the Euratom Member States and the International Atomic Energy Agency.

For products appearing on Lists A1 and A2, customs duties within the enlarged Community will be removed and measures of alignment on the CCT will be taken at the end of 1973 and, for the products on List B, these measures of tariff disarmament and alignment on the CCT will be taken according to the time-table agreed for industrial products.

The Community will submit to the applicant countries its proposals for amendments to Chapter VI of the European Treaty before they are adopted.

Furthermore, it was decided which information the new Member States will hand over to the Community in exchange for the information which the Community has acquired and which the applicant countries will share on accession to the Euratom Treaty in accordance with Articles 12 and 13 of this Treaty.

The dependent territories of the United Kingdom will be covered by the Euratom Treaty in accordance with Article 198, except for Hong Kong, which will be excluded.

The European Investment Bank

55. Accession of the applicant countries to the EEC implies their accession to the EIB. The conditions are as follows:

Capital subscribed

United Kingdom	450 million u.a.
Denmark	60 million u.a.
Norway	45 million u.a.
Ireland	15 million u.a.

The subscribed capital will be paid up to the extent of 20% (the same percentage as for the original Member States: an average between 25% of the original capital of 1 000 million and 10% of the increase in capital of 500 million in 1971). One-fifth of the payment will be made in cash in the respective national currencies of the new Member States not later than two months from the date of accession; four-fifths will be in the form of non-interest-bearing government notes, maturing in four equal instalments, nine months, sixteen months, twenty-three months and thirty months respectively from the date of accession.

Statutory reserve and provision

The new Member States will contribute towards the statutory reserve and provisions equivalent to reserves, as at 31 December of the year prior to the coming into force of the Treaty of Accession, as stated in the Bank's approved balance-sheet, the amounts corresponding to the following percentages of these reserves:

United Kingdom	30%
Denmark	4%
Norway	3%
Ireland	1%

These amounts, expressed in units of account, will be paid by the new Member States in their respective national currencies in five equal instalments maturing on the same dates as the payments of the subscribed capital.

*Composition of EIB bodies**The Board of Governors*

Each new Member State will be represented on the Board of Governors, which will consist of 10 members.

The Board of Directors

The Board of Directors will consist of 19 directors and 10 alternates; applicant countries will be represented as follows:

United Kingdom	3 directors	2 alternates
Denmark	1 director	
Ireland	1 director	
Norway	1 director	

The Management Committee

The Management Committee will consist of five members: one President and four Vice-Presidents.

The Board of Governors, acting unanimously, may vary the number of members of the Management Committee.

*Contractual obligations**Community**Agreements with countries in the Mediterranean basin*

56. On the entry into force of the Act of Accession, the new Member States will be bound by the agreements concluded by the Community, taking into account the transitional measures which may appear necessary.

These measures will not extend beyond the period of validity of the transitional measures adopted in respect of the accession of the new members.

They will also satisfy the following criteria:

- (i) Tariff treatment applied by new Member States to products coming from countries with which the Community is bound by agreements must not be more favourable than that applied by those States to products coming from the original Member States. The applicant

States will have to endeavour to avoid the difficulties which could arise in the event of an increase in the duties of the new Member States which are shortly to be subject to reductions.

- (ii) Tariff treatment applied by third countries, parties to these agreements, to products coming from applicant States must not be more favourable than that applied by those countries to the original Member States.

In line with the procedure already laid down for the agreements envisaged with the non-candidate EFTA States,¹ the Council will decide upon the terms of reference to be given to the Commission so that it can fulfil this task during 1972.

Other agreements

57. The new Member States countries have undertaken to carry out in due time the requisite national procedures enabling them, on accession, to join the mixed agreements (concluded by the Community and the Member States), with the rights and obligations arising from them. Not all these agreements will be subject, as a result of enlargement, to adaptations and adjustments. It must, however, be pointed out that the Community institutions will, in due time, determine the details of the participation of the new Member States in the Food Aid Convention.

Certain agreements concluded by the Community on its own (tariff concessions and bilateral agreements within GATT, trade agreements with Yugoslavia, Argentina, etc.), may be the subject of adaptations or adjustments in order to take account of the enlargement of the Community. These adaptations or adjustments will be negotiated by the Community in association with the representatives of the new Member States in accordance with the procedure laid down for the arrangements envisaged with the EFTA countries not applying for membership.

In this connection, the Commission will, in due course, contact the co-contracting parties of the Community in order to examine the problems which are likely to be raised as regards this matter.

Generalized preferences

58. The new Member States will benefit from a transitional period during which to adopt the Community system, which will have to be done by the

¹ See also sec. 105.

time of the first move towards alignment with the CCT, namely by 1 January 1974. Ireland will, however, be granted an additional period of one year, i.e. until 31 December 1975, for some products.

Agreements of the future Member States with certain third countries

59. Most of these agreements which have been examined by the Commission present no difficulties since their period of validity expires before the date of accession. Extension beyond that date would have to be dealt with in accordance with the procedures laid down in the Council Decision of 16 December 1969.

It was decided at Community level that long-term agreements concluded with state-trading countries may remain in force until 31 December 1974. In view of this specified time-limit, the necessary adjustments will have to be made in respect of the period of validity of the agreements between new Member States countries and certain state-trading countries which are due to expire on 31 December 1975. The institutions of the Community will adopt the most appropriate measures to solve the problems arising in the case of contractual obligations which cannot be ended by December 1974.

Commonwealth

Independent developing Commonwealth countries

60. It was decided that the enlarged Community will offer the independent developing Commonwealth countries situated in Africa,¹ the Indian Ocean,² the Pacific Ocean³ and the Carribbean⁴ the possibility of ordering their relations with it in the spirit of the Declaration of Intent adopted at the end of the first Yaoundé Convention in 1963, according to one of the following formulae of their choice:

- (i) participation in the Convention of Association which will govern relations between the Community and the AASM when the Convention of Association signed on 29 July 1969 expires;

¹ Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia.

² Mauritius, which has already asked to participate in the Convention signed with the AASM on 29 July 1969.

³ Fiji, Tonga, Western Samoa.

⁴ Barbados, Guyana, Jamaica, Trinidad and Tobago.

- (ii) the conclusion of one or more special Conventions of Association, based on Article 238 of the EEC Treaty, comprising reciprocal rights and obligations, particularly in the field of trade;
- (iii) the conclusion of trade agreements with a view to facilitating and developing trade between the Community and those countries.

For practical reasons, the Community would like the independent Commonwealth countries to which its offer is addressed to come to a decision as soon as possible after 1 January 1973.

Arrangements in force until 31 January 1975 with the AASM, the East African countries and the independent Commonwealth countries to which the Community's offer of association is addressed

61. The relations between the Member States of the original Community and the AASM, the East African countries and the OCT, will be governed by the provisions of the second Yaoundé Convention, the second Arusha Agreement and Council Decision No. 70/549/EEC of 29 September 1970.

This implies, in particular, that the original Member States will maintain with regard to those countries and territories the same trade arrangements both for agricultural and industrial products as those they applied before accession.

Moreover, the Member States of the original Community will continue to apply the trade arrangements which they applied before accession both for agricultural and industrial products to the countries to which the Community's offer is addressed, namely the independent Commonwealth countries situated in Africa, the Indian Ocean, the Pacific and the Caribbean, to the dependent territories of the United Kingdom for which the principle of association has been accepted and to the Condominium of the New Hebrides.

The new Member States will apply the trade arrangements to products imported from the AASM, the East African countries and the OCT which they applied before the entry into force of the Treaty of Accession, it being understood that for products which will be given less tariff protection owing to their alignment with the CCT, they will apply the new rights resulting from alignment.

As regards agricultural products covered by the common organization of the market, the new Member States will apply in respect of the AASM, the East African countries and the OCT the mechanisms of the agricultural policy.

A similar solution will be adopted in respect of products to which specific rules are applicable in pursuance of Article 235 of the Treaty of Rome.

In respect of the independent Commonwealth countries eligible for membership of the association, the territories dependent on the United Kingdom for which the principle of association has been accepted and the Condominium of the New Hebrides, the new Member States will maintain the *status quo* in line with the principles set out above in respect of the AASM, the East African countries and the OCT.

Independent developing countries situated in Asia

(India, Pakistan, Ceylon, Singapore, Malaysia)

62. The Community will be disposed to consider, taking into account the scope of the generalized preferences system, any trade problems that might arise in those countries and in the countries situated in the same region, with a view to finding appropriate solutions.

Territories dependent on the United Kingdom and Norway

63. The territories dependent on the United Kingdom¹ and on Norway² will be associated with the enlarged Community, in accordance with the provisions of Part Four of the EEC Treaty. The ECSC, Euratom and EEC Treaties will be applicable in the case of Gibraltar, except with respect to the free movement of goods (both agricultural and industrial) and the harmonization of turnover taxes.

The Paris and Rome Treaties will not be applicable to Hong Kong. The case of Hong Kong has finally been settled by the inclusion of this territory in the generalized preferences system. It therefore follows that this system will be the regime applicable to Hong Kong by the Member States of the Community as from the date of accession.

¹ The Bahamas, Bermuda, British Honduras, British Indian Ocean Territory, British Solomon Islands, British Virgin Islands, Brunei, Cayman Islands, Falkland Islands and Dependencies, Gibraltar, Gilbert and Ellis Islands, Hong Kong, Montserrat, the New Hebrides, Pitcairn, St Helena and Dependencies, the Seychelles, Turks and Caicos Islands, Associated States in the Caribbean (Antigua, Dominica, Grenada, St Lucia, St Vincent, St Kitts-Nevis-Anguilla).

² Norwegian possessions in the Antarctic (Bouvet Island, Peter Island and Queen Maud Land).

*Technical adaptations of
Community rules and regulations*

64. The Commission was instructed to consider with the delegations of the applicant countries such technical adaptations as might have to be made to Community rules and regulations to allow for the changed circumstances arising out of enlargement. Its terms of reference included not only the actual Community instruments themselves, but also decisions by the Member States meeting in Council and agreements between Member States under Article 220 of the EEC Treaty.

To carry out these instructions it was necessary to review with the applicant countries' delegations the whole corpus of secondary Community legislation, apart from acts due to expire at or before 1 January 1973.

Community acts not officially published were listed and communicated to the applicant States in cases where they had been communicated to the present Member States. In addition, the applicant States were notified of formal statements and entries in the Proceedings of the Council which were still of relevance.

This scrutiny for technical adaptations produced results of two kinds. On the one hand, the Act of Accession embodies, upon proposals from the Commission adopted by the Conference, all the adaptations of Community secondary legislation which were necessitated by enlargement, running to something like two hundred pages of the Act, and dealing with such a variety of matters as frontier crossing points, marketing centres, a list of railway networks, classes of roads and inland waterways, and the total number of members of certain committees.

On the other hand, in the very few cases where it was not possible to establish the definitive wording of the technical adaptations to be made to some instruments or portions of instruments, guidelines were laid down as to what adaptation would be needed. The list of these adaptations occupies some twenty pages of the Act of Accession.

Also scrutinized under the Commission's remit on secondary legislation were all requests by applicant States to be allowed extra time of up to three months for the application of regulations or decisions or particular provisions of these, or up to six months for national measures needing to be enacted in order to implement these directives.

The periods of grace requested (three months for regulations, six months for directives) were accepted by the Conference, on proposals

from the Commission, and are likewise embodied in the Act of Accession. This will mean that with some non-agricultural Community instruments it will depend on the country concerned whether they are to take effect after three months or after six. On the agricultural side, however, to avoid altogether insuperable economic and administrative complications, all the regulations are to be put into effect by all the applicant States on the same date, 1 February 1973. Periods of grace of over three months for regulations and over six months for decisions were also agreed in various cases with one or more applicant States. These arrangements cover some 110 secondary Community instruments.

The technical adaptations to the secondary legislation were considered in the course of two hundred meetings between Commission officials and the delegations of the applicant States, at which all the provisions of all the 3000-odd secondary instruments adopted by the Community institutions up to 10 November 1971 were reviewed. From 10 November the applicant countries were notified of all further proposals and memoranda from the Commission to the Council once these had been sent off; they were also provided with an abstract of Commission proposals and memoranda currently being considered by the Council. Since the same date, 10 November, they have been regularly consulted, in accordance with the arrangements made for the interim period.

SPECIAL PROBLEMS

United Kingdom

65. The negotiations with the United Kingdom got really under way in September 1970. By the beginning of May 1971, after six ministerial meetings, most of the major issues had been disposed of, including the Commonwealth and free movement of industrial and agricultural products, the freeing of capital movements, sterling balances, applications for tariff quotas, and a variety of matters relating to the institutions, ECSC and Euratom, the Community's contractual obligations, and so on. The only points still outstanding were the so-called "awkward" ones, New Zealand butter, Britain's contribution to the Community's own resources, Commonwealth sugar and the fisheries problem.

These last questions were solved at the sessions of 7 and 8 and 21 to 23 June 1971, except for the fisheries problem for which a solution was finally found on 12 December. At the conclusion of the June sessions, the Commission issued the following statement which formed a preliminary

balance-sheet of the results already achieved and seemed to take an optimistic view of the outcome:

“The Commission of the European Communities considers that the negotiations with the United Kingdom for British membership of the European Community have now achieved their purpose politically; it is convinced that the problems still to be settled will be quickly disposed of and that the negotiations with the other three countries will certainly be similarly successful.

“The enlargement of the Community into which the Commission has put all its energy and resolve is a world event, for the way in which this first stage has ended makes it abundantly evident that what is involved is a genuine strengthening which will not fail to find expression first of all in the reactivation of the economic and monetary union.

“The enlarged and strengthened Community is called upon to bear a special responsibility in the field of relations between the industrialized and the developing countries, and to make a vital contribution to *détente* in Europe and in the world. In order to do so, the Commission is determined, for its part, to continue and to intensify its activities in accordance with the Treaties and in the spirit of the Hague.”

66. In July 1971 the Conference came to an agreement on an initial plan for the layout of the Accession Treaty and on the arrangements which would govern the period between its signing and entry into force.

From September to January, agreements were reached on all the problems: those concerning fisheries, veterinary legislation, the Channel Islands and Papua-New Guinea, the procedure for negotiations with the EFTA members not applying for membership, and many other technical questions.

On 28 October 1971 a vote was taken in the House of Commons approving the decision of principle for that country to become a full member of the European Communities on the basis of the arrangements which had been negotiated.

The Commission greeted this result with the following statement:

“The Commission of the European Communities warmly welcomes the vote just taken in the House of Commons approving accession to the European Community. It stresses the historic significance of this decision, which is a decisive step forward in the building of Europe,

for it is in the interest both of all the member countries of the enlarged Community and also of Europe as a whole, which will now be in a better position to play its due role in the world.”

In addition to the agreements described above,¹ transitional measures and decisions mainly concerning the United Kingdom were adopted.

Agriculture

Deficiency payments

As alignment of prices takes place on the basis of market prices, the United Kingdom is authorized to grant production subsidies so long as there is a difference between prices obtained under the national system of guaranteed prices and market prices resulting from application of the Community mechanisms. The United Kingdom, for its part, will endeavour to abolish these subsidies as soon as possible during the transitional period.

Sugar

67. As regards sugar imported under the Commonwealth Sugar Agreement, it was agreed that the United Kingdom may import until 31 December 1974, from all the member countries and territories covered by this Agreement, the quantities which had been negotiated earlier, at the price defined under the Agreement.

For the period after 1974, it was agreed that the Community would have as its firm purpose the safeguarding of the countries whose economies depend to a considerable extent on the export of primary products, and in particular of sugar (the independent Commonwealth developing countries in the Indian Ocean, Pacific and Caribbean, and the AASM) in the framework of the relations to be established between them and the Community.²

It is in the light of the Community's arrangements concerning these countries and the Conference's declaration of intent concerning the independent Commonwealth countries in Asia that the question of sugar exports by India will have to be settled after the Commonwealth Sugar Agreement expires (CSA quantity: 12 000 tons).

¹ Sec. 29 *et Seq.*

² Mauritius.

Fiji, Tonga, Western Samoa.

Barbados, Guyana, Jamaica, Trinidad and Tobago.

New Zealand butter and cheese

68. Quantitative derogations in favour of New Zealand are to be allowed when Britain, upon becoming a member, applies the common marketing system for dairy products. The rate of reduction in the quantities guaranteed a market in Britain has been fixed for the first five years:¹ thus in 1977 these quantities will be 80% for butter and 20% for cheese, but from 1978 there will no longer be a quantitative guarantee for cheese.

In the course of 1975 the institutions of the Community will review the butter situation taking into account the supply and demand position and trends in the main producer and consumer countries of the world, particularly in the Community and New Zealand. In the light of this examination, the Council will then, upon a proposal from the Commission, decide unanimously what is to be done about continuing the special arrangements for imports of butter from New Zealand beyond 1977.

The Community will endeavour to promote the conclusion of an international agreement on dairy products, so as to make for better conditions in the world market as soon as possible.

Hill farming

69. The British delegation having asked that provision be made, in accordance with the Treaty and the common agricultural policy, concerning upland areas unfitted by their climate, soil and geography for anything but pasture, the Community acknowledged that these areas were a special case, and indeed that there were differences, sometimes very considerable ones, between region and region in the Member States of the existing Community. Accordingly, given the special conditions in some parts of the enlarged Community, action may be called for to tackle the problems these present, more particularly as regards enabling farmers to earn a reasonable livelihood.

Annual agricultural review

70. It was found that Community procedure and practice, to be extended to the Community, and existing national procedure and practice, provided for appropriate consultations with the agricultural associations concerned.

¹ The quantities of butter guaranteed will be 165 811 tons in 1973 and 138 576 tons in 1977. The quantities of cheese will be 68 580 tons in 1973 and 15 240 in 1977.

There will thus be, in the enlarged Community, arrangements for reviewing the economic conditions and the outlook for agriculture and maintaining the necessary contacts with the producers' associations and other bodies and circles involved.

Spirituous beverages obtained from cereals (whisky)

71. The Council will decide on the measures necessary to facilitate the use of Community cereals in the manufacture of spirituuous beverages obtained from cereals, and in particular of whisky, exported to third countries, in such a way that these measures may be applied in due time. These measures will have to fit into the framework of the general Community policy for alcohol, avoiding any discrimination between these products and other alcoholic beverages, account being taken of the particular situations peculiar to each case.

Units of measurement

72. The new Member States which have an imperial system of measurement (United Kingdom and Ireland) will apply the Community directive on units of measurement, which provides only for decimal units of measurement. However, by means of technical adaptations to this directive, a few special rules have been adopted for the United Kingdom and Ireland, providing them with a transitional period extending until 31 December 1979. For certain of these units of measurement, an extension to this time-limit may be decided on if special reasons justify it.

Economic, financial and monetary problems connected with membership

73. The United Kingdom delegation stated that it was prepared to envisage an orderly and gradual rundown of sterling balances after accession. In addition, the Community will discuss what measures might be appropriate to achieve a progressive alignment of external practices and characteristics concerning sterling on those of other currencies in the Community in the context of progress towards economic and monetary union in the Community. In the meantime, the United Kingdom will manage its policies with a view to stabilizing the official sterling balances in a way which would be consistent with the long-term aims of economic and monetary union. An exchange of letters on this question is annexed to the Act of Accession.

Capital movements

74. Consultations will take place between the new Member States and the Commission about procedures for applying measures of liberalization or relaxation, the implementation of which may be deferred. This covers:

Direct investments made by residents: During the first two years after accession, the United Kingdom will liberalize direct investments made by United Kingdom residents in Member States and the liquidation of direct investments in Member States by persons resident in the United Kingdom.

From the date of accession, the United Kingdom will substantially relax the rules concerning these operations; the details of this relaxation will be discussed before accession.

Capital movements of a personal nature: Two years at the latest after accession, the United Kingdom will liberalize the following capital movements of a personal nature: transfers of capital belonging to persons resident in the United Kingdom who are emigrating; gifts, endowments and dowries; succession duties; real estate investments other than those connected with freedom of movement for workers, which shall be liberalized from the date of accession.

Liberalization of operations included in List B: In the course of the five years following accession, the United Kingdom will liberalize operations included in List B, annexed to the Council Directives of 11 May and 18 December 1962, adopted pursuant to Article 67 of the Treaty establishing the European Economic Community.

Introduction of Value Added Tax

75. On 1 April 1973 the United Kingdom will introduce a value added tax system which will replace "selective employment tax" and "purchase tax".

British nationality

76. In the final act of the Conference the British delegation has defined the term "British nationality". It is made clear that British nationals within the meaning of the Treaty are persons who are citizens of the United Kingdom and Colonies, or British subjects not possessing that citizenship or the citizenship of any other Commonwealth country or territory, who, in either case, have the right of abode in the United Kingdom.

Channel Islands and Isle of Man

77. The provisions of the Accession Treaties shall apply to these territories so far as is necessary to ensure free movement of goods, both industrial and agricultural, between themselves and the Community. This also means that the Channel Islands and the Isle of Man will apply the Common Customs Tariff and protective measures at the frontier as regards agricultural products from third countries.

On the other hand the residents of these islands will not benefit from Community provisions with regard to the free movement of persons and services, although retaining the rights which they enjoy in the United Kingdom.

There is a safeguard clause under Article 5 of the Protocol which states that if, in applying these particular rules, "difficulties of one kind or another shall arise as between the Community and these territories, the Council shall, acting by qualified majority on a proposal from the Commission as to conditions and methods of application, adopt the measures necessary."

Ireland

78. Apart from the agreements reached between Ireland and the Community on the various elements of the transitional period and on questions of fisheries and veterinary legislation, the main aspect of the negotiations with this country was the search for special solutions to the specific problems it faces.¹

Assembly of motor vehicles in Ireland

79. Taking into account the exceptional position of this industry, the delegations from the Community and from Ireland have signified their agreement on special measures which could apply beyond the normal duration of the transitional period.

Rules in force at the present time under the Irish law of 1968 on the registration of importers of motor vehicles (hereinafter called "Scheme") may continue to apply for the enlarged Community as a whole subject to the following conditions:

¹ See also secs, 71 and 72 (Whisky and unit of measurement applicable for Ireland).

- (a) Existing customs duties will have to be withdrawn progressively as between all the Member States of the enlarged Community during the transition period and taking account of the agreed time-table.
- (b) All discrimination between importers for assembly of motor vehicles manufactured within the enlarged Community must be abolished:
 - on 1 January 1974 in respect of tariffs;
 - from accession in respect of quantities.
- (c) For importers who do not assemble the vehicles, Ireland will, from 1973, open a global quota for her partners in the Community which will be reserved for firms not taking part in the "Scheme".

In 1973 this quota will be 3% of the volume of assembly in Ireland. It will increase by one point per year. Relevant imports will be of the same proportions as those permitted to importers of vehicles for assembly manufactured within the Community.
- (d) Ireland will be required to adapt the "Scheme" to facilitate transition from the existing system to one which complies with the provisions of the Treaty establishing the European Economic Community.

The "Scheme" will terminate on 1 January 1985, on which date imports from the enlarged Community will be completely free.
- (e) Ireland shall have the right to substitute domestic taxation complying with Article 95 of the Treaty establishing the European Economic Community for the fiscal components in the customs duties applicable to trade in motor vehicles provided that such taxation does not discriminate in rates affecting:
 - (i) Spare parts made in Ireland and spare parts imported from the the Community;
 - (ii) Motor vehicles assembled in Ireland and finished vehicles imported from the Community;
 - (iii) Spare parts made in Ireland or imported from the enlarged Community and vehicles assembled in Ireland or imported from the Community.

The economic and regional development of Ireland

80. The Irish delegation made the point that the Government of Ireland was confronted with serious economic and social imbalances of a regional

and structural nature. The delegation stated that these imbalances would have to be removed if a degree of harmonization consonant with the aims of the Treaty, in particular economic and monetary union, was to be achieved. The Irish delegation requested the Community to undertake to support with the means at its disposal the programmes of the Government of Ireland designed to cure these imbalances and to take full account of Ireland's special problems in this field in the further development of a far-reaching regional policy for the Community.

The Irish delegation also described the support which Irish export industries derive from tax alleviation. Here again, the measures in question are designed to remove social and economic disequilibria through industrial development.

Having regard to these problems, a special protocol will be annexed to the Act of Accession, couched broadly in the following terms:

- (i) The fundamental aims of the Community call for the constant improvement of the living and working conditions of the peoples of the member countries by reducing the gap between regions and mitigating the backwardness of the less favoured.
- (ii) Cognizance is taken of the action of the Government of Ireland in undertaking to implement a policy of industrialization and economic development aimed at bringing the standard of living in Ireland closer to that of other European nations and eliminating underemployment, while progressively correcting regional disparities in the level of development.
- (iii) It is in the common interest that the final aims of this policy should be attained.
- (iv) Community institutions will use all means and procedures available under the Treaties, in particular by making adequate use of those Community resources earmarked for the achievement of the aims of the Community referred to below.
- (v) In cases where Articles 92 and 93 of the EEC Treaty are applied, account will have to be taken of the aims of economic development and improved living standards for the population of Ireland.

Anglo-Irish Free Trade Area and quantitative restrictions

81. Trade between Ireland and the United Kingdom is regulated by the 1965 Agreement, which entered into force on 1 July 1966. This provides for the establishment of a free trade area over a transitional period of

nine years, in which both countries will remove customs duties, protective elements included in taxation and, with a few exceptions, quantitative restrictions applied to products imported from the other party.

The Community finds that the transitional arrangements for agriculture and industry cannot have the effect of restricting the freedom of Anglo-Irish trade. This means that the Accession Treaty does not interfere with the progressive removal of Irish customs duties on goods coming from the United Kingdom, as provided for under the Anglo-Irish Agreement establishing a Free Trade Area.

Ireland will be able to maintain quantitative restrictions on imports and exports of certain products until 30 June 1975, but it is stipulated that the Government of Ireland will not allow imports from third countries to benefit from more favourable terms than those enjoyed by imports from other countries of the Community.

Capital movements

82. Consultations will take place between the new Member States and the Commission about procedures for applying measures of liberalization or relaxation, the implementation of which may be deferred under the following provisions:

Direct investments in Member States by persons resident in Ireland: Ireland may, for a period of two years after accession, defer the liberalization of direct investments in Member States by persons resident in Ireland and the liberalization of the liquidation of direct investments in Member States by persons resident in Ireland. Before accession, the details of a substantial relaxation of the rules governing these operations will be discussed, and on accession this relaxation will be put into effect.

Capital movements of a personal nature: Not later than two years after accession, Ireland will liberalize the following capital movements of a personal nature: transfer of capital belonging to persons resident in Ireland who are emigrating; gifts, endowments, dowries; succession duties; real estate investments other than those connected with the freedom of movement for workers, which will be liberalized from the date of accession.

Liberalization of the operation set out in List B: Ireland may, for a period of five years after accession, defer the liberalization of the operations set out in List B annexed to the Council Directives of 11 May 1960 and 18 December 1962 for the implementation of Article 67 of the EEC Treaty.

Denmark

83. The negotiations with Denmark progressed fairly steadily and in general maintained the same rhythm as those with the United Kingdom.

Among special problems for which solutions were found mention should be made of Greenland and The Faeroes, in particular as regards fisheries, and the transitional measures governing Community legislation on freedom of establishment in agriculture, veterinary legislation, prices of ECSC products and the exemption from customs duties for persons travelling within the Community.

Protocol on the Faroe Islands

84. The decision on the accession of the Faroe Islands to the European Communities is left to Denmark and will have to be taken by 31 December 1975. Before that date, the customs treatment applicable to exports to other parts of Denmark will remain unaltered; these goods, however, cannot be considered as being in free circulation if they are re-exported to another Member State.

Should these islands become part of the Community, the customs duties to be applied *vis-à-vis* non-member countries will be those that would have resulted from an adaptation to the CCT if this accession had taken place simultaneously with the accession of Denmark. This principle of retroactivity will not apply to Danish nationals of the Faroe Islands, who will only be considered as such from the date on which the Act of Accession becomes applicable to these Islands. Special measures will be taken for fishery products, for which the institutions of the Community will find "adequate solutions".

Capital movements

85. Consultations will take place between the new Member States and the Commission about procedures for applying measures of liberalization or relaxation, the implementation of which may be deferred under the following provisions:

- (a) for a period of two years after accession, Denmark may defer the liberalization of purchases by non-residents of bonds denominated in Danish kroner and dealt in on the stock exchange in Denmark, including physical transfers of the securities in question;
- (b) for a period of five years after accession, Denmark may defer the liberalization of purchases by persons resident in Denmark of foreign

securities dealt in on the stock exchange and of repurchases from abroad of Danish securities dealt in on the stock exchange, denominated entirely or partly in foreign currency, including physical transfers of the securities in question. From the date of accession, Denmark will proceed to a progressive liberalization of the operations referred to in paragraph (a) above.

Greenland

86. Denmark may retain its national provisions whereby a six-month period of residence in Greenland is required to obtain a licence for engaging in certain commercial activities in that territory. This system may be liberalized by a decision of the Community institutions. Retention of the system is, however, subject to Article 53 of the EEC Treaty, under which Member States are forbidden to introduce new restrictions on the establishment in their territories of nationals of other Member States.

The institutions of the Community will seek, within the framework of the common organization of the market in fishery products, adequate solutions to the specific problems of Greenland.

Duty-free entry of goods transported by travellers within the Community

87. The provisions of the Council Directive¹ on the harmonization of laws and regulations relating to exemption from turnover taxes and excise duty on imports in international passenger traffic will come into effect in Denmark on accession.

Until 31 December 1975, however, Denmark will have the right to exclude the following goods from such exemption:

- (i) tobacco products
- (ii) alcoholic beverages
- (iii) wine in quantities exceeding 2 litres.

This right does not apply to customs duties subject to the exemption rules from the date of accession under the provisions on passenger traffic between Member States. Furthermore, the Community institutions will decide, before 31 December 1975, whether and to what degree an extension of this derogation will prove necessary, taking account of the progress

¹ Council Directive 69/169/EEC, 25 May 1969, *Journal Officiel* No. L 133, 4 June 1969, p. 6.

made towards economic and monetary union, particularly as regards harmonization of taxes.

ECSC: Rules on pricing iron and steel products

88. Each year the representatives of the Member States, meeting in the Council, fix a tonnage limit for imports of most iron and steel products from the countries of Eastern Europe. Side by side with this, the Commission, after consulting the Consultative Committee and the Council, prohibits enterprises of the Community from aligning their prices on quotations from these countries for the products in question. If this arrangement is continued after enlargement, the Community may stipulate that the above prohibition shall not apply for a three-year period to products intended for the Danish market. Community enterprises could thus align their prices, in the Danish market, on all quotations from third countries.

Freedom of establishment in agriculture

89. Subject, in each concrete case, to an examination in accordance with the system hitherto applied in Denmark, this country will be granted a five-year transitional period in which to implement the Council Directives concerning:

- (i) freedom of establishment for nationals of other Member States who have worked as paid agricultural workers for an unbroken period of two years;¹
- (ii) freedom of establishment on farms that have been derelict or uncultivated for more than two years;²
- (iii) freedom for farmers who are nationals of one Member State, and are established in another Member State, to move from one farm to another;³
- (iv) application of Member States' legislation on farming leases to farmers who are nationals of other Member States;⁴
- (v) procedures for achieving freedom of establishment and freedom to provide services in respect of non-wage earning activities in sylviculture and forestry.⁵

¹ Council Directive 63/261, 2 April 1963.

² Council Directive 63/262, 2 April 1963.

³ Council Directive 67/530, 25 July 1967.

⁴ Council Directive 67/531, 25 July 1967.

⁵ Council Directive 67/654, 24 October 1967.

*Norway*¹

90. Norway agreed to all the transitional measures adopted by the Conference. Special solutions, however, were reached for Norwegian agriculture and the fishing industry.

Norwegian agriculture

91. On the question of Norwegian agriculture the Conference adopted a protocol which recognizes that the special problems created for Norway's farmers by accession to the Community might not be solved by the end of the transitional period. It was therefore necessary to make provision for specific arrangements which may in no way form a precedent and which are aimed at maintaining the living standards of Norwegian farmers without departing from the rules of the common agricultural policy.

Protocol on Svalbard (Spitzbergen)

92. Norway is to have the option of excluding the island of Svalbard from the scope of the Treaties. If it does so, no change will be needed in the customs treatment applicable to imports into Norway of goods originating in and coming from Svalbard; these goods will not, however, be treated as in free circulation if they are re-exported to another Member State.

Since Svalbard's exports at present consist entirely of coal, this special treatment raises no practical problems, but should the situation change, particularly following decisions under the common policies, the Community institutions will reconsider the matter in order to take account of the implications of the change as to the treatment of imports from Svalbard.

Capital movements

93. Consultations will be held between the new Member States and the Commission on the procedures for applying measures of liberalization or relaxation, whose implementation may be deferred. In Norway's case these measures are:

- (a) Liberalization of capital imports for direct investment, in the form of long-term loans, in undertakings already established in Norway: deferrable for two years after accession;

¹ See sec. 39 for the special protocol on the fisheries regime for Norway.

- (b) Liberalization of commercial credits for a period not exceeding five years where the foreign lender is a financial institution: deferrable for two years after accession;
- (c) Liberalization of purchases by non-residents of shares denominated in Norwegian kroner and dealt in on the stock exchange in Norway, including physical transfers of the securities in question: deferrable for two years after accession;
- (d) Liberalization of operations effected by persons resident in Norway in foreign securities dealt in on the stock exchange, including physical transfers of the securities in question: deferrable for five years after accession.

When granting authorization for the operations under (a) above Norway will from the date of accession avoid discrimination between Norwegian undertakings, whether or not they are controlled by undertakings of other Member States.

ECSC: rules on pricing of iron and steel products

94. The present system is that each year the representatives of the Member States, meeting in the Council, impose a tonnage limit on most iron and steel products from the east European countries, while the Commission, after consulting the Consultative Committee and the Council, prohibits Community undertakings from aligning their prices on quotations from these countries for the products in question. If this arrangement is continued after enlargement, the Community may provide that, for a period of three years, the prohibition is not to apply in the case of products bound for the Norwegian market. Accordingly, in the Norwegian market Community undertakings would be able to align on all quotations from third countries.

5. Conclusion of the negotiations

COMMISSION OPINION OF 19 JANUARY 1972

95. In the Opinion which it rendered to the Council on 29 September 1967, the Commission declared with emphasis that the success of the negotiations for the entry of the new members would be "a decisive advance towards the culmination of the efforts for European unification undertaken after the second world war".

Now that the negotiations have been successfully completed, the Commission continues to regard the event as a decisive advance in the process of establishing a united Europe.

So far from merely acceding to treaties under traditional international law, the new members are being accepted and integrated into Communities with a legal system and institutional structure of their own.

In the case of ECSC the establishing Treaty lays down in Article 98 that accession is an operation which concerns only the Community and the applicant States. "The applicant State shall address its application to the Council, which shall act unanimously after obtaining the opinion of the High Authority; the Council shall also determine the terms of accession, likewise acting unanimously. Accession shall take effect on the day when the instrument of accession is received by the Government acting as depositary of the Treaty". The Commission's Opinion is thus central to the procedure for entry into ECSC.

In the case of the other two Communities it is provided in the second subparagraphs of Article 237 EEC and Article 205 Euratom that "the conditions of admission and the adjustments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State", but the respective first subparagraphs specify that the Council is to act after obtaining the Opinion of the Commission.

For this reason, the Treaty of Accession to EEC and Euratom makes express reference to "the Opinion of the Commission and Decision of the Council" concerning accession.

96. In its earlier Opinion on the applications for accession the Commission pointed out that it was not in possession of all the particulars it needed to render conclusively the Opinion requested by the Council under Article 98 of the ECSC Treaty, Article 237 of the EEC Treaty and

Article 205 of the Euratom Treaty. Upon noting the outcome of the negotiations, however, it duly took up its formal stand concerning the admission of the applicant countries, and forwarded to the Council the following Opinion:

“The Commission of the European Communities,

having regard to Article 98 of the Treaty establishing the European Coal and Steel Community, Article 237 of the Treaty establishing the European Economic Community and Article 205 of the Treaty establishing the European Atomic Energy Community;

whereas the Kingdom of Denmark, Ireland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland have applied to become members of these Communities;

whereas in its Opinions of 29 September 1967 and 1 October 1969 the Commission has already been able to express its views on certain essential aspects of the problems arising in connection with these applications;

whereas the terms for the admission of these States and the adjustments to the establishing Treaties necessitated by their accession have been negotiated in a Conference between the Communities and the applicant States, and whereas singleness of Community representation was ensured with due regard for the institutional dialogue provided for by the Treaties;

whereas on the completion of these negotiations, it is apparent that the provisions so agreed are fair and proper, and whereas, this being so, the Community's enlargement, while preserving its internal cohesion and dynamism, will enable it to take a fuller part in the development of international relations;

Whereas in joining the Communities the applicant States accept without reserve the Treaties and their political objectives, all decisions taken since their entry into force, and the choices made in the field of the development and reinforcement of the Communities;

Whereas in particular the essential feature of the legal system set up by the Treaties establishing the Communities is that certain of the provisions of the latter and certain Acts of the Community institutions are directly applicable, that Community law takes precedence over any national provisions conflicting with it, and that procedures exist for ensuring the uniform interpretation of this law, and whereas accession to the Communities entails recognition of the binding force of these rules, observance of which is indispensable to guarantee the effectiveness and unity of Community law,

GIVES ITS OPINION IN FAVOUR

of the accession to the European Communities of the Kingdom of Denmark, Ireland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland.”

SIGNING OF THE TREATY, THE DECISION AND THE ACT OF ACCESSION

97. On 22 January 1972 the ceremonial signing of the Final Act of the Conference with the countries applying for membership, of the Treaty of Accession and the other texts, drawn up by the Conference, took place in the Egmont Palace in Brussels.

By signing the Final Act, the Plenipotentiaries of His Majesty the King of the Belgians, Her Majesty the Queen of Denmark, the President of the Federal Republic of Germany, the President of the French Republic, the President of Ireland, the President of the Italian Republic, His Royal Highness the Grand Duke of Luxembourg, Her Majesty the Queen of the Netherlands, His Majesty the King of Norway, Her Majesty the Queen of the United Kingdom of Great Britain and Northern Ireland and the Council of the European Communities adopted the texts which were drawn up by the Conference between the European Communities and the States which had applied for accession to these Communities.

These texts were then signed by the Plenipotentiaries of the Member States and of the four applicant countries.

These texts are:

- (a) The Treaty concerning the accession of the Kingdom of Denmark, Ireland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland to the European Economic Community and the European Atomic Energy Community;
- (b) The Act concerning the conditions of accession and the adjustments to the Treaties;
- (c) Annexes, protocols, an exchange of letters concerning monetary matters, the texts of the Treaty establishing the European Economic Community and the Treaty establishing the European Atomic Energy Community and Treaties amending or supplementing them, in the English, Danish, Irish and Norwegian languages.

In addition, the plenipotentiaries took note of the Council Decision concerning the accession of these four countries to the ECSC. Finally, they adopted or took note of a number of declarations.

98. At the signing ceremony which marked the end of the most important round of negotiations undertaken by the Communities since they were set up, several speeches were made. After Mr Gaston Eyskens, Prime Minister of the Kingdom of Belgium, had welcomed the various delegations, Mr Gaston Thorn, President-in-office of the Council and of the Conference, paid tribute to the personalities, both those from the applicant countries and those who had held the office of President of the Council before him, and to their deputies for the enormous task which had just been completed; he added:

“Throughout the negotiations, the Commission of the European Communities, under its President Mr Franco Maria Malfatti, has played a most important role. As the guardian of the existing Treaties, which confer upon it complete power of initiative, it has provided not only the present Community, but also what will be the enlarged Community, with its power of imagination and its sense of European commonweal. Particular attention should be drawn to the part played throughout the negotiations by Mr Jean-François Deniau, and his contribution deserves to be recognized as one of the most important ever made to European unity. Mr Deniau has been assisted in his delicate assignment by a team of senior officials of the Commission, led by Director-General Edmund Wellenstein. Without the devoted efforts of a large number of our colleagues, employed both by the Community institutions and by the Member States, the Treaty and Act of Accession as well as the many texts annexed to them, all of which now lie before us, could never have been finished in what after all has been a relatively short space of time.”

Stressing that “this Community is a living force”, the President of the Conference went on to define the enlarged Community’s role and responsibilities towards the rest of the world, in particular towards our American partners and the countries with which association agreements have been concluded or will be concluded as a consequence of enlargement, and towards all less prosperous nations.

Mr Thorn went on, “A role of this nature is however only conceivable if our Community can continue to develop within itself and stand up to new and increasingly arduous problems which arise as we gradually achieve the primary objectives subscribed to by the Treaties of Paris and Rome.

Our Community had already launched into the process of development and strengthening before its enlargement.” Mentioning in particular the need to hasten the implementation of the “ambitious but realistic project” of economic and monetary union and the “considerable though perhaps too modest progress” achieved on the road towards cooperation on foreign policy, and the principle of strengthening this cooperation and improving the methods adopted and also the search for new fields of cooperation, the President stated:

“New impetus to our joint action must evolve quite naturally from the step which we are taking today and which should be solemnly confirmed by another meeting of Heads of State or Government before the end of this year, one which will be of course attended by the States today signing this Treaty with us.

“In addition, we shall continue to benefit from the advantages of efficient and proven working methods, namely the allocation of important responsibilities to the institutions of our Communities. These responsibilities, which will naturally be increased by the effect alone of the development of the Communities’ activities, will not only be confirmed, but will certainly be expanded in due course. In this connection, the participation of our peoples’ elected representatives is indeed a great gain.

“Thus conceived, this enlarged Community, European but outward-looking, integrated on an economic level but anxious to respect the individuality of all, organized but guaranteeing freedom of expression both to the body politic and to economic and social forces, is aimed at one great final objective: the enhancement of all that is best in us.”

99. Mr Franco Maria Malfatti, President of the Commission of the European Communities, spoke in the following terms:

“The signatures placed today under the Acts of Accession are the culmination of a political process pregnant with extraordinary and positive implications. The beginning was more than ten years ago, and today we are creating the dimensions and the conditions that are required if our Community is to develop and complete the political design which inspired the Treaties of Rome and Paris. We are consequently aware that the responsibilities resting on the Community’s institutions, on the Governments and the peoples of the ten countries of the new Community must be measured by the immense hopes that are raised by the idea of European unity.

“Our edifice is not, and cannot be, built for trade alone. For the system we have so laboriously built up in our Community of Six and

which we will continue to build up in the Community of Ten will be unable to provide satisfactory answers to the complex problems of our era or to guarantee fully the existence of the Community unless we operate with all our strength and with an unflinching will to achieve the economic integration and political unification of our countries.

“Our edifice is revolutionary and original. It is revolutionary when compared with earlier historic experiments, for the unifying process we have set in motion is a joint venture undertaken by all the Member States, linked within the Community by complete equality of rights and duties. It is original because it is characterized by an institutional structure for which no equivalent can be found in earlier models.

“The new Community is not, and does not seek to be, a new block, but a wide community of free and peaceful States and peoples each of which is bringing to the common edifice its own genius, its own glorious heritage. It is a Community of the democratic countries that are amongst the most highly developed in the world, and it is determined to make the process of unification irreversible in order to consolidate our friendships, in order to contribute decisively, on a footing of equality, to the development of the less favoured nations, and in order to develop, as a new element of equilibrium in a better international order, new cooperative relationships with all the peoples of the earth.”

100. After the signing, the representatives of the four members to be spoke in turn.

Mr Edward Heath, the British Prime Minister, stressed the importance of the event for his Government and outlined his views on the future of the enlarged Community.

“Clear thinking will be needed to recognize that each of us within the Community will remain proudly attached to our national identity and to the achievements of our national history and tradition. But, at the same time, as the enlargement of the Community makes clear beyond doubt, we have all come to recognize our common European heritage, our mutual interests and our European destiny.

“Imagination will be required to develop institutions which respect the traditions and the individuality of the Member States, but at the same time have the strength to guide the future course of the enlarged Community. The founders of the Community displayed

great originality in devising the institutions of the Six. They have been proved in the remarkable achievements of the Community over the years. It is too early to say how far they will meet the needs of the enlarged Community. For we are faced with an essentially new situation, though one which was always inherent in the foundation of the Community of the Six which was visualized in the Preamble to the Treaty of Rome and which has been created by its success. Let us not be afraid to contemplate new measures to deal with the new situation.

“There is another cause for satisfaction. ‘Europe’ is more than Western Europe alone. There lies also to the east another part of our continent: countries whose history has been closely linked with our own. Beyond those countries is the Soviet Union, a European as well as an Asian power. We in Britain have every reason to wish for better relations with the States of Eastern Europe. And we do sincerely want them...

“I am not thinking today of the Age of Imperialism, now past: but of the lasting and creative effects of the spread of language and of culture, of commerce and of administration by people from Europe across land and sea to the other continents of the world. These are the essential ties which today bind Europe in friendship with the rest of mankind. What design should we seek for the New Europe? It must be a Europe which is strong and confident within itself. A Europe in which we shall be working for the progressive relaxation and elimination of east/west tensions. A Europe conscious of the interests of its friends and partners. A Europe alive to its great responsibilities in the common struggle of humanity for a better life.

“Thus this ceremony marks an end and a beginning. An end to divisions which have stricken Europe for centuries. A beginning of another stage in the construction of a new and greater united Europe. This is the task for our generation in Europe.”

101. Mr John Lynch, the Irish Prime Minister, stressed several points:

“Now that the negotiations are completed and the Act of Accession signed, it remains to fulfil our constitutional requirements. It is the opinion of my Government that the Parliament and people of Ireland are convinced that our best course is cooperation with the other Member States in the enlarged Communities. We believe that the people of Ireland will approve decisively and with confidence our entry to the Communities.

“We recognize that the enlargement of the Communities will pose its own problems. For the present Member States it will be a matter of adjusting to the workings of a Community of Ten. For the new Member States there will be the challenges of integrating into a Community already established and developed. These will be no easy tasks but, from the record of the Community of Six since its establishment and from our successful experience together in the negotiations, we draw confidence that the difficulties of accession and transition will be overcome and that the effective and constructive working of the enlarged Community will be assured. There is, however, much to be done: the coming year will be a vital period of preparation. The consultation procedure which was agreed in the negotiations will enable the process of integration for the applicant countries to commence and to proceed.

“In this period before the Community is enlarged our ten countries will also look beyond the immediate problems of accession and transition. We should engage in examining together what the Community’s future course should be after enlargement. For the Community of Ten cannot of its very nature, no more than the Community of Six, remain static: it will be a continuous creation: it must evolve and progress in the direction of the unity in Europe which the architects of the original Community envisaged.

“Another of the tasks which, I suggest, our ten Governments must face in the context of the enlargement of the Communities, is to examine carefully how the institutions may best be equipped for their respective roles after enlargement. I have in mind here particularly the role of the European Parliament. All recognize a government’s obligation to involve the people of the nation as closely as possible in the processes of government. There will equally be an obligation on us jointly to bring the peoples of the enlarged Communities into closer contact and involvement with the decisions, policies and workings of the Communities. It is in this surely that there is a major role for the European Parliament. The Irish Government considers it of the highest importance that the part to be played by the Parliament in the enlarged Communities should be the subject of the closest study by our Governments acting together.

“The enlarged Communities as they evolve towards that greater unification in Europe which their founders envisaged can be a vital force for peace in the world and can make an ever-increasing contribution to the economic and social progress of the developing nations.

We attach the utmost importance to the emphasis placed by the Member States at the summit meeting in The Hague on the promotion of rapprochement among the peoples of the 'entire European Continent'."

102. The Prime Minister of Denmark, Mr Jens Otto Krag, expressed essentially three wishes for the future of the European Communities.

"My first wish is that the new member countries will add a positive element to the development of the Communities and thereby strengthen their vitality, efficiency and dynamism. I am well aware that this implies that we too must learn to understand and respect the interests of other member countries and in a proper democratic way solve the problems of the future in a manner satisfactory to all parties concerned and so also to the Communities.

"The second wish is that the Communities will pursue their internal policies in a progressive spirit of social consciousness. We have learned how to achieve economic growth. But we still have to learn how to administer it in a way that will not only bring more material wealth to us all but also correct social imbalances for the benefit of the least privileged. At the same time the problems of preservation and improvement of the human environment as a whole in the industrial society become ever more acute. We can solve these problems by common action. Each country itself will hardly be able to.

"In conclusion, the third wish is that the external policies of the Communities will be open and outward-looking. I am thinking first of the other EFTA countries, including, not least the other Nordic countries, Sweden, Iceland and Finland. These countries have taken part in European cooperation since the last war. Without arrangements with them our cooperation would not be complete.

"I am thinking also of growing trade and understanding with the countries of Eastern Europe in the spirit of negotiations and détente.

"Nor should we forget the importance of close cooperation with the United States and Canada. Both in the fields of trade, monetary affairs and security is the destiny of Western Europe closely bound up with that of North America. It will not be in our interest to loosen these ties.

"Last but not least, I think of the developing countries, the poor world outside Europe and North America. An enlarged European Community will acquire an economic and commercial strength which imposes on the Communities a special responsibility for the solution

of the problems of the Third World. It will be one of the most urgent tasks of the Communities to live up to this responsibility."

103. Finally, Mr Trygve Bratteli, the Prime Minister of Norway, the last to speak, reflected that the result of the negotiations was a satisfactory basis for the accession of Norway to the European Communities and went on:

"It is now for the Norwegian people and the Storting to take the final decision in this important matter, in keeping with our democratic and parliamentary traditions. We need the support of the people to reinforce our links with Europe and proceed further along the path followed by the European Communities in order to ensure for the peoples of Europe peace and security, wellbeing and happiness, and to assume the responsibility we have towards the underprivileged countries of the world. The enlargement of the Communities will provide greater scope and new opportunities to attain those common aims which are so important for our own peoples and for the rest of the world. These can be attained if our political action, our progressive and pragmatic cooperation, are founded on confidence and frank solidarity between partners. It is the Norwegian Government's firm resolve to give concrete expression to this confidence and solidarity.

"A Community which extends from Sicily to Finmark must find various and flexible means of action to solve the different problems which are raised by the evolutionary trends of society in the different regions. In this context we attach importance to the aim of the Treaty of Rome which is to ensure a harmonious and balanced development of all the regions in the Community.

"We consider it as a primary task for the Communities to foster social policy and to raise it to ever higher levels. It is equally important to develop regional policy so as to strengthen, with the aid of pooled resources, the basis of economic activity in the peripheral regions. The economic integration, of which the enlarged Community is the basis, will place us in a better position to solve the problems of effecting changes in economic activity and ensuring employment. By means of a common industrial policy we will be better able to master the problems introduced by large multinational corporations into our economies and into the world economy. It is only by common action that we will be able effectively to protect the environment.

"These then are the essential tasks for our societies. But the enlargement of the Communities must also be seen in a broader political

context. Efforts to bring about greater unity in Europe have now reached a major crossroads. In this part of the world we have travelled a long way towards reconciliation, peace and stability. This is a further step towards a solution of the problems facing less favoured peoples in other parts of the world. Thanks to the enlargement of the Communities, the peoples of Europe will be able to look to the future with greater confidence."

104. The President-in-office of the Conference closed the ceremony by stressing that it was for the Parliaments of the ten signatory States to ratify the various acts so that the enlarged Community could become a reality on 1 January 1973.

SECTION B

THE ENLARGED COMMUNITY'S RELATIONS WITH THE EFTA
MEMBER AND ASSOCIATED STATES NOT APPLYING
FOR ACCESSION

105. In its Opinion of 1 October 1969 on the enlargement of the Community the Commission drew the Council's attention to the problem arising from the fact that three of the four applicant countries were members of EFTA and, consequently, of what was to be done about the free trade relations between these countries and their EFTA partners not applying for membership.

Ever since the Treaties of Rome were signed, the establishment of close relations with European non-member countries on the basis of the free movement of goods has created a difficult problem for the Community. The sacrifices, disciplines and specific burdens which the member countries have to accept create a special kind of solidarity and give them the right to deal with each other in a way different from that adopted with non-member countries. However, since 1959, the Community had not had to take a decision as regards its relations with the industrialized countries of Europe which, for various reasons, felt unable to join it.

On 1 and 2 December 1969 the Heads of State or Government meeting in The Hague agreed that "as soon as negotiations with the applicant countries have been opened, discussions will be started with such other EFTA member countries as may request them on their position in relation to the EEC".¹

"The creation of a special relationship with these countries"² creates difficulties both of principle and of a concrete nature. In the first place, in accordance with the course set by the Hague Conference and confirmed by Mr. Scheel, German Minister of Foreign Affairs and President-in-office of the Council, at the ministerial meetings with the countries involved, the Community does not want to create new barriers in intra-European trade; secondly, in its relations with EFTA countries not applying for membership, it must fully safeguard its own character and its autonomous power of decision.³ The accession of four new members

¹ Point 14 of the Hague Communiqué annexed to the *Third General Report*.

² *Ibid.*, point 4.

³ *Fourth General Report*, sec. 350.

requires adjustments which will preclude the complete maintenance of the free trade relations between the applicant and non-applicant EFTA countries. The Community has therefore had to look for ways of fulfilling the political wish expressed at the Hague Conference.

After the ministerial sessions with the non-applicant EFTA countries, the Commission held exploratory talks with Switzerland, Sweden, Austria, Finland, Portugal and Iceland.¹ It transpired from these talks that, although the six countries wanted close relations with the Community, the view as to the form the links should take varied fairly widely according to their economic and political situation.

106. Following these talks the Commission, on 16 June 1971, submitted to the Council an "Opinion on the enlarged Community's relations with the EFTA member and associated States not applying to join the Community".²

After stressing the importance of trade between the six non-applicant countries and the enlarged Community, the Commission sought to prevent itself from being caught on the horns of the dilemma to which it had referred in its Opinion of 1 October, i.e. that in certain cases these countries might be forced to adhere to decisions to which they were not parties or that the obligation to hold consultations and the proliferation of special arrangements might involve the Community in inextricable complications. Taking these concerns into account, the Commission submitted to the Council the choice between a temporary solution which would maintain for two years or so the current status quo between the EFTA countries for the industrial sector and the establishment of free trade arrangements for industrial products with each of the non-applicant countries, to be accompanied by rules to avoid disparities appearing between Community obligations and those which enterprises and public authorities in these countries would assume in the fields of both EEC matters and ECSC products.

The Commission felt that the free trade arrangements should not be applied to agricultural products, so that there would be no need for

¹ Switzerland : 16 December 1970 — 22 February/1 March 1971.

Sweden : 17 December 1970 — 8-12 March 1971.

Austria : 5 January 1971 — 15-19 March 1971.

Finland : 6 January 1971 — 22-26 March 1971.

Portugal : 7 January 1971 — 30 March/1 April 1971.

Iceland : 8 January 1971 — 1-2 April 1971.

² *Supplement 3/71* annexed to *EC Bulletin 6-71*.

harmonization measures which might jeopardize the Community's autonomy.

It observed that in fact agricultural products make up only a small percentage of the trade between the Community and these countries and that with industrial free trade covering the bulk of trade, the agreements to be concluded with these countries would be fully compatible with the rules of Article 24 of GATT.

In view of the special position of Portugal and Iceland, it felt that additional provision should be made for agriculture in the agreements between these two countries and the Community.

In its concern not to endanger the Community's autonomy of decision on the eve of enlargement, the Commission considered that the Community should not accede to the desire of the non-applicant EFTA States for the establishment of close collaboration in fields other than trade. It nevertheless felt that these agreements should make it possible to settle specific problems in its relations with some of the countries, involving in particular Community workers and certain transport matters.

107. At its session of 26 July 1971, the Council rejected the temporary *status quo* formula and decided to open negotiations for the conclusion of agreements which would provide solutions to the problems arising for the non-applicant EFTA States from the enlargement of the Communities. It accepted the Commission's outline scheme and agreed not to ask the non-applicant countries to add harmonization obligations to the trade provisions; it felt, on the other hand, that should any of these countries express the intention of undertaking some harmonization on their own, this should be looked at in a favourable light, provided that the principle of safeguarding the Community's autonomy was not endangered.

The Council also envisaged the possibility of the agreements being further developed later.

It stressed the desirability of these arrangements entering into force at the same time as the Accession Treaties and instructed the Commission to frame a draft of directives for negotiations so that talks with the non-applicant EFTA States for the conclusion of agreements between these countries and the Communities could get under way as quickly as possible.

108. On the basis of these Council decisions, the Commission submitted draft directives on the opening of negotiations with the EFTA States not

applying for membership. On 8 November 1971 the Council gave its agreement in principle to these drafts.

In accordance with the procedure laid down at the conference between the Community and the applicant States with a view to associating these in good time with the preparation and conclusion of the arrangements envisaged with the non-applicant EFTA States, the draft directives were communicated to the applicant countries. At a special meeting at deputy level held on 16 November 1971, between the Community and the four applicant countries, the latter endorsed these directives but made requests for adjustments which it will be possible to study during the negotiations. The same procedure could be followed, if it should be felt necessary to add any further points to the Council's directives to the Commission while the negotiations are going on.

At its session of 29 November 1971, the Council instructed the Commission to open negotiations with the non-applicant EFTA countries. These began in December 1971,¹ with the 113 Committee assisting the Commission on EEC Treaty matters and representatives of the ECSC Member States for questions in the province of the Treaty of Paris. Once the Accession Treaties have been signed, representatives of the applicant countries will take part in the work as observers alongside the representatives of the present Member States. Until then, the Commission will keep the applicant States informed on the progress of the negotiations.

Relations with Austria

109. The negotiations between Austria and the Community on a partial interim trade agreement continued on the basis of the directives of the Council and of the representatives of the ECSC Member States meeting in the Council, adopted at the session of 26 and 27 October 1970.

During the second round of negotiations from 15 to 17 February 1971, an agreement was reached on the texts governing certain fields.

¹ Switzerland : 3 December.
Sweden : 4 December.
Austria : 6 December.
Finland : 13 December.
Portugal : 17 December.
Iceland : 18 December.

On 29 July 1971 the Commission submitted to the Council a report on the position reached in the negotiations.

At the 173rd Council session on 8 November 1971, decisions were adopted which rounded off the negotiation directives in both EEC and ECSC matters. These additional directives lay down that the provisions of the partial interim agreement must remain within the limits of the solutions chosen in the directives on the opening of negotiations for an agreement to solve the problems raised for Austria by the enlargement of the Community.

On this basis a new round of negotiations was held on 15/16 December 1971. Full agreement was reached on the substance and the wording of the provisions of the interim agreement which could at present be finalized. Further details will, however, have to be added to certain points of this agreement on the basis of the results of the negotiations for an agreement to solve the problems raised for Austria by the enlargement of the Community. These additional details will be included in the interim agreement with a view to its entry into force as soon as the necessary procedures have been completed.

CHAPTER III

FUNCTIONING OF THE COMMON MARKET

1. Free movement of goods

THE COMMUNITY'S CUSTOMS POLICY

110. It is useful to recall, now that 14 years have passed since the signing of the Treaty of Rome, that under Article 2 thereof the Community's first task is to establish a common market and that under Article 9 the Community must be based primarily upon a customs union. The policy adopted to establish and consolidate this customs union is therefore of prime importance for the building of Europe.

These points seemed all the more valid to the Commission in 1971 because it has been found in earlier years that, while the crises experienced by Europe have not been able to jeopardize what had been laboriously built up in the customs field, it was necessary to take care that they did not do so in the future. On the latter point it is evident that the pooling of customs duties as the Communities' "own" resources, the development of past and future associations and enlargement make it even more necessary that the Communities' achievements in the customs sphere should be carefully preserved. At the same time the harmonization of customs legislation should be taken further, for all those concerned with international trade consider the process to be incomplete and are worried by this fact. This double line of action, which is the basis of the Commission's customs policy, is all the more desirable at Community level because customs procedures underpin the application of most diverse bodies of rules and regulations which are not or cannot be harmonized yet. Any progress made at customs level, and more specially at the level of procedures, therefore automatically has beneficial consequences on intra-

Community trade since, for various reasons, formalities must always be carried out when there is trade between Member States. This particular aspect of customs law is seen very clearly in working out customs treatment for the movement of goods and in the problem of removing intra-Community frontier controls.¹

The Commission has endeavoured to take all these points into consideration in going ahead with its work in 1971. Its aim has therefore been, by reorganizing its customs department in order to endow it with greater means of action and consequently greater efficiency, to see to it that in the short term the existing Community machinery is administered as well as possible and to draw up for the near future a programme of work which must be accomplished if the customs union of the Six is to be consolidated, if it is to be extended soon to a further four countries, and if the various associations and trade agreements are to function smoothly.

A. Administration of Community customs arrangements

I - Tariff questions

The common customs tariff

111. Right from the beginning of 1971, the Commission and the Member States applied themselves to preparing the common customs tariff to be put into effect on 1 January 1972. This date was a milestone in various respects. From the angle of tariff policy, in particular, it was the date for implementing the fifth and final instalment of the tariff reductions granted by the Community to the other GATT Contracting Parties as a result of the Kennedy Round. The Community has thus honoured its commitments in GATT with regard to close on 98% of CCT industrial product headings and about 55% of the agricultural product headings, including processed agricultural products. It should be noted, however, that this new, final instalment—like its two predecessors—was not applied to the majority of chemical products, as the condition to which it was subordinated, that is to say abolition of the American selling price system of customs valuation, had not been met by the United States.

¹ Sec. 125 *et seq.*

The full implementation of the Community's tariff concessions meant that in a not insignificant number of cases the same conventional duties were being applied. This gave the Community an opportunity to simplify its customs tariff nomenclature by rearranging categories of products; about a hundred subheadings with identical duties were involved. Furthermore, a careful study of the import statistics of recent years identified the subheadings of products for which there had been hardly any imports or none at all; this made it possible to delete or amalgamate another set of agricultural and above all industrial tariff subheadings.¹

1 January 1972 was also the date of entry into effect of the Customs Cooperation Council's recommendation of 9 June 1970 updating the Brussels Nomenclature in the light of the steady advance of technology and the latest changes in international trade. The 359 amendments listed had to be scrutinized by the Commission and the Member States so that their impact on the CCT subheadings could be determined. Following completion of this study the Council, acting on a Commission proposal, decided on 21 June 1971 to adopt all except three of the recommended amendments.² Concurrently with the other countries that are signatories to the Nomenclature Convention, the Community incorporated the aforementioned amendments in the CCT while taking care to observe its commitments under GATT. The proposed amendments had been duly notified to its partners in GATT. The very few objections made are being discussed with the representatives of the countries concerned.

The 1 January 1972 version of the CCT also incorporates a number of rectifications—mainly concerning details of drafting—and a few changes, among which it suffices to mention those consequent upon certain agricultural regulations and the creation by the Community, in connection with the enlargement negotiations, of a special tariff subheading, bullion lead, carrying an *ad valorem* duty of 4.5%.

The entire CCT, amended as described above, was the subject of Council Regulation (EEC) 1/72 of 20 December 1971.³ It must be added that 1 January 1972 has been adopted as the reference date in the accession instruments, so that the CCT nomenclature and duties in force at that date will be the basis for the progressive abolition of customs duties between the acceding countries and the Community.

¹ On 1 January 1972 the CCT contained about 3 580 tariff lines (against 3 700 on 1 January 1971). 1 210 of these lines (1 120 on 1 January 1971) related to agricultural products, processed and unprocessed (Chapters 1 to 24 of the Nomenclature), 2 370 (2 580 on 1 January 1971) to industrial products.

² *Journal officiel* No. L 137, 23 June 1971.

³ *Ibid.* No. L 1, 1 January 1972.

112. The Commission and the Member States also manifested their willingness to continue to ensure uniform application and interpretation of the CCT nomenclature. Accurate classification of goods is, of course, important not only for determining the customs duties to be levied but also for other purposes, such as the collection of internal taxes and the compilation of external trade statistics. A growing number of product classification problems giving rise to difficulties or differences of opinion in the Community have been referred to the Common Customs Tariff Nomenclature Committee, set up by Council Regulation (EEC) 97/69 of 16 January 1969.¹ Some of the most difficult problems were dealt with by Commission regulations;² classification notes were drawn up for many others.

Compilation of the CCT explanatory notes also continued, within the limits set by the means at the disposal of the Commission and the Government departments.³ Some ten new chapters were published and appreciable headway was made, particularly in the important sector dealing with machinery. All completed texts were aligned on the nomenclature amendments which came into effect on 1 January 1972.

As in 1970, considerable work was done on the outstanding tariff problems, especially in the framework of the negotiations between the Community and the four applicants for membership. This work took the form, in particular, of establishing an English version of the CCT and dovetailing the UK, Irish, Danish and Norwegian customs tariffs with the CCT.

This dovetailing is being updated to 1 January 1972, the reference date for tariff changes in the transition period. Once this has been done, it will provide the basis for the customs tariffs of the new Member States in the transition period.

Tariff duties

113. With a view to maintaining the competitive position of the Community's industries *vis-à-vis* their counterparts in the rest of the world the Council, acting on a Commission proposal pursuant to Article 28 of the EEC Treaty, temporarily reduced or suspended CCT autonomous duties on various raw materials and semi-finished products intended for

¹ *Journal officiel* No. L 14, 21 January 1969.

² See, for example, *Journal officiel* No. L 92, 23 April 1971, and No. L 166, 24 July 1971.

³ *Explanatory Notes to the Customs Tariff of the European Communities* are published as they become available in loose-leaf form (4th partial publication on 1 May 1971).

the manufacturing industry, on the ground that they were produced in insufficient quantities, or not at all, in the Community.¹ In all, 147 products and groups of products were affected.

Given the success of its endeavours, which began in 1961, to eliminate national tariff quotas, the Commission did not grant or propose the grant of any such quotas in 1971. This was made possible mainly by the introduction of Community measures, such as suspensions of CCT duties and the opening of Community tariff quotas.

As regards the opening of Community conventional tariff quotas, the Council, acting on a Commission proposal, adopted regulations covering 35 products and groups of products; six tariff quotas were opened autonomously.

The implementation on 1 July 1971 of generalized tariff quotas for developing countries and territories² entailed the adoption of various Community regulations and decisions^{3,4} which had to take into account both the need for prompt application and some very novel aspects. This scheme was a completely new departure, entailing the establishment of a supervisory and control system, based on permanent cooperation between the customs departments of the Commission and the Member States, to ensure the observance of ceilings and maximum amounts and thus allow normal CCT duties to be reintroduced in due course in accordance with Commission communications or regulations which are to be adopted as speedily as possible.

Charges with equivalent effect

114. In 1971 the Commission's drive to eliminate charges with effect equivalent to that of customs duties, and thus to promote the free movement of goods in the Community, was extended to a number of residual cases. These posed numerous complex problems so that the procedures set in motion by the Commission are taking a very long time to complete. About ten of these residual charges were nevertheless abolished as a result of the Commission's activities.

About thirty cases, some identified in 1971, are still being examined.

¹ In particular, *Journal officiel* No. L 283, 29 December 1970, and No. L 126, 10 June 1971.

² *EC Bulletin*, 8-71.

³ *Journal officiel* No. L 142, 28 June, and No. L 146, 1 July 1971.

⁴ See Opinion adopted by the European Parliament at its session of 9 June 1971; *Journal officiel* No. C 66, 1 July 1971.

Duty-free entry

115. No progress was made towards further harmonization of the existing arrangements for duty-free entry, but administration of the arrangements aligned at the level of the Six went ahead.

For instance, the Commission finalized, and has just submitted to the Council, a draft regulation laying down, with effect from 1 January 1972, tariff arrangements for the servicing and repair of aircraft, including helicopters, with an unladen weight of 2 000 kg exclusive to 15 000 kg inclusive. The draft regulation extends, for a limited period and on new lines, the arrangements—which were due to expire on 31 December 1971—set up by Council Decision 68/261/EEC¹ of 18 June 1968.

Further, the Commission has watched over the application of Council Regulation (EEC) No. 1544/69 of 23 July 1969² on the tariff treatment of goods forming part of travellers' personal baggage. It initiated the procedure prescribed by Article 169 of the EEC Treaty against three Member States which had adopted a narrow definition of "travellers", in particular by excluding persons who spend less than twenty-four hours in a country. So far, two Member States have come round to the Commission's way of thinking and have adopted the requisite administrative provisions.

Finally, a draft regulation defining "frontier traffic"³ has been submitted to the Council and is being studied.

The Commission has yet to submit to the Council the draft regulation on arrangements for points-of-sale in airports and sales on aircraft. It will submit proposals on the matter shortly once it has completed its work on the application to sales on board ships and to supplies for pleasure boats of the Council's "tax exemption" Directive (No. 69/169/EEC of 28 May 1969) and Regulation (EEC) No. 1544/69.

Customs valuation

116. The Commission continued to see to it that customs valuation arrangements were not applied in such a way as to distort competition within the customs union, or used to bring about covert changes in the degree of protection afforded by the CCT. In the three years in which

¹ *Journal officiel* No. L 141, 24 June 1968, p. 4.

² *Ibid.* No. L 191, 5 August 1968.

³ Doc. R/1655/71 (ECO 162), 5 August 1971.

Council Regulation (EEC) No. 803/68 on the customs valuation of goods¹ has been in force, it has become apparent that, in general, this objective has been attained. However, there are still differences between the methods actually used by the Member States, and these differences can only be eliminated by a system allowing Community-level coordination of the assembling of the facts needed to evaluate and determine values for customs purposes.

Furthermore, allowance should be made for the fact that the customs departments of certain Member States have introduced automatic data processing systems.

Finally, it proved necessary to adopt provisions laying down the exchange rate to be applied, in a number of specific cases, more especially with regard to currencies of States which had introduced wider fluctuation bands than those allowed by the rules of the International Monetary Fund.

Proposed amendments—based on the above factors—to Council Regulation (EEC) No. 803/68 are being studied.

As regards the administration of this regulation, the main development was the establishment of various draft provisions to govern its application in detail. In addition, a number of specific cases were examined with a view to greater harmonization of the evaluation practices of the Member States.

II - Customs legislation

Customs arrangements based on economic considerations

So far, the only customs arrangements based on economic considerations which have been harmonized are those dealing with bonded warehouses, free zones, and inward processing traffic. The following comments are called for:

Application of directives relating to bonded warehouses² and free zones³

117. Examination is still continuing of the laws and regulations introduced by the Member States to comply with these directives as from 1 October 1969.

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

² *Ibid.* No. L 58, 4 March 1969, p. 7.

³ *Ibid.* p. 11.

On 21 June 1971 the Council adopted a directive¹ on the usual handling operations likely to be performed under bonded warehouse and free zone arrangements. The directive allows of an appropriate administration of these customs arrangements. Further implementing measures do not seem to be necessary at present.

Application of the directive on inward processing traffic²

118. It has still not been possible to make a thorough examination of the extremely numerous and complex domestic measures put into effect by the Member States to comply with Community rules. However, it has already turned out, in specific cases, that differing interpretations of certain fundamental principles of the directive had had serious economic repercussions. These problems, which are frequently discussed in the Committee on Inward Processing Traffic, inevitably have a direct impact on the achievement of the most urgent tasks under the directive. For instance, the Commission had a number of awkward questions examined—more especially in connection with agricultural products—and adopted two implementing directives.³ Furthermore, a draft directive, vital for a uniform application of certain provisions of the basic instrument, was submitted to the Council under the procedure laid down by Article 28. Finally, two draft directives amending directive No. 69/73 are pending before the Council.

Determining the origin of goods

119. The current Community arrangement on the origin of goods consists of two sets of rules which are geared to different objectives.

- (a) Firstly, Council Regulation (EEC) No. 802/68, of 27 June 1968,⁴ gives a general definition of the concept of the origin of goods, mainly for the purposes of determination of the Community origin of exports, and the application to imports of the commercial policy measures taken by the Community or by the Member States, and
- (b) Secondly, very detailed rules define the concept of the origin of goods for the purposes of preferential trade between the Community and various countries (AASM, OCT, certain Mediterranean countries); these rules are set out in protocols to agreements and decisions of the joint bodies set up by the agreements.

¹ *Journal officiel* No. L 143, 29 June, p. 28.

² *Ibid.* No. L 58, 4 March 1969, p. 1.

³ Commission directives of 30 June 1971. *Journal officiel* No. L 161, 19 July 1971, p. 17.

⁴ *Journal officiel* No. L 148, 28 June 1968, p. 1.

The work done in 1971 was related to these two sets of rules.

As regards exports and the implementation of commercial policy measures which do not entail preferential arrangements, in most instances the general criteria for the determination of the origin of goods which are set out in Regulation (EEC) No. 802/68 provide an adequate basis for achieving the harmonization of such determination which is required for the purposes of the customs union. However, in the case of various sensitive products and of a number of goods to which it has been seen that the Member States apply differing rules, it has proved necessary, purely in order to ensure free movement in the Community without impairing the application of certain quantitative restrictions imposed by the Member States, to spell out in more detail the rules for determining the country of origin in accordance with the provisions of the above-mentioned basic Regulation (EEC) No. 802/68.

In this connection the work begun in 1970 progressed far enough in 1971 for the Commission to lay down, by the procedure of the Committee on Origin, the criteria for determining the origin of a number of products.¹ Furthermore, a study was initiated with a view to drafting common rules for manufactures to which certain Member States have been authorized to apply the safeguard clause of Article 115 of the EEC Treaty.

As regards implementation of the preferential arrangements set up by the Second Association Convention between the EEC and the Associated African States and Madagascar, and by the Arusha Agreement with the East African States, each of the Association Councils established by these two international instruments has adopted, on a Commission proposal, a decision on the definition of the concept of "originating" products and on the methods of administrative cooperation. These decisions² lay down the conditions which goods must satisfy if they are to qualify for preferential treatment, and the administrative procedures for proving and controlling their origin.

Concurrently, the Council, acting on a Commission proposal, adopted a similar decision regarding the association between the OCT and the EEC.³

¹ *Journal officiel* No. L 36, 13 February 1971, p. 10.

Ibid. No. L 95, 28 April 1971, p. 11.

Ibid. No. L 104, 11 May 1971, p. 12.

Ibid. No. L 113, 25 May 1971, p. 13.

² *Ibid.* No. L 135, 21 June 1971, p. 1.

Ibid. No. L 141, 27 June 1971, p. 1.

³ *Ibid.* No. L 141, 27 June 1971, p. 47.

Apart from this, the tariff preferences granted by the EEC with effect from 1 July 1971 for certain products of developing countries could not be implemented in the absence of rules of origin which have to be complied with by products if they are to qualify for the preferential arrangement. The Commission, acting by the procedure laid down in Regulation (EEC) No. 802/68, adopted rules of origin¹ which are very closely aligned on those introduced for preferential trade between the EEC and various countries, in particular the AASM.

Customs clearance procedure and the movement of goods

120. Apart from the Community transit arrangements dealt with further on, only two directives—one dealing with taking under customs control and temporary warehousing,² the other with deferred payment³—have been implemented at Community level. The provisions adopted at national level to conform with these directives are being examined.

Application of the Council Decision of 21 April 1970 on replacing the Member States' financial contributions by the Communities' own resources, and of the subsequent Council Regulation No. 2/71 of 2 January 1971.

121. The pooling of revenue from customs duties had its initial effects at Commission level—more particularly as regards the way in which officials acting under Commission instructions participate, in the Member States, in checks to ensure that customs duties and other import dues and taxes are being correctly determined. An initial series of inspections was made in bodies and departments in the Member States responsible for determining "own resources" and making them available. The definitive procedure for such inspections is to be laid down in early 1972.

*B. General programme for the approximation
of customs legislation*

122. This programme, adopted by the Commission⁴ on 28 April 1971 is to provide a framework for the gradual elimination of the serious gaps

¹ *Journal officiel* No. L 146, 1 July 1971, p. 1.

² *Ibid.* No. L 194, 6 August 1968, p. 13.

³ *Ibid.* No. L 58, 8 March 1968, p. 14.

⁴ The full programme, and its grounds, were published in the *EC Bulletin* 6-71.

in Community customs law and, finally, lead to the compilation of a genuine European customs code. The document approved by the Commission makes a distinction between, firstly, customs provisions having a direct incidence on both the amount of the customs duties that are now "own resources" and on the conditions of competition, and, secondly, the customs provisions which are equally important but are primarily designed to improve and strengthen the functioning of the customs union while ensuring that Community transactions in international trade are to some extent treated alike.

Customs provisions having a direct incidence on the amount of the customs duties as "own resources", and on conditions of competition

123. Here, the Commission's aim is to draft, as quickly as possible, the proposals needed to harmonize:

- (i) The customs systems based on economic considerations which have yet to be harmonized (outward processing traffic, temporary admission, processing prior to customs clearance);
- (ii) The rules governing:
 - (a) establishment of the conditions giving rise to liability to customs duties and agricultural levies;
 - (b) refund and remission of customs duties and of dues charges treated as such;
 - (c) the future standardization of certain arrangements for duty-free entry which are still regulated by national provisions;
 - (d) authorization for the duty-free reimport of returned goods.

Measures to improve the functioning of the customs union

124. Apart from the aforementioned points, a large number of measures will have to be taken to consolidate the customs union. In the next few years, they will be the axis of the Community's customs policy. In this connection, the Commission has emphasized:

- (a) That it is absolutely necessary to deal with the matters left untouched by current Community instruments (for instance, to define the origin of petroleum products and lay down customs arrangements for the continental shelf);
- (b) That it is essential to do more to combat fraud. This view is justified, given the need to ensure that customs revenue is properly collected

(for instance, action with a view to optimum cooperation between customs departments and the supply of information) and to fight crime, which can take the form of frauds that undoubtedly impinge on the customs field (drive against the drug traffic);

- (c) That a procedure for consultation with trade associations should be set up;
- (d) That it is essential to establish, as soon as possible, rules ensuring that the Community is represented as such in the international organizations dealing with technical customs questions, when matters falling within the competence of the Community are discussed;
- (e) That action should be taken to ensure very prompt harmonization of rules for customs clearance, and the establishment of machinery for uniform settlement at Community level of customs disputes, regardless of the Member State in which they arise;
- (f) That a common administration of tariff quotas was needed;
- (g) That the Community should act with regard to the training of customs personnel.

The heads of the Member States' customs departments and the trade associations organized at Community level have emphasized the need to strengthen, improve, simplify and codify existing Community rules. At the same time they agreed that harmonization should continue, though opinions differ as to the scale of priorities to be laid down.

MOVEMENT OF GOODS

Abolition of controls in intra-Community trade

125. In a report to the Council, dated 16 April 1970, the Commission listed the residual controls which would have to be abolished so that goods could be moved in the Community under the same conditions as in the domestic market of an individual State.

The Commission realizes that abolition of all control in intra-Community trade can only be the final stage of an arduous approximation or standardization of a host of varying national rules, but it still believes that no effort should be spared to find appropriate ways of minimizing the inconvenience to users resulting from the retention of existing frontier controls, which entail expenditure, loss of time and unnecessary administrative work.

Given the way in which the duty-free concessions laid down by Council Directive No. 69/169/EEC¹ of 28 May 1969 are now being applied in most Member States, goods in travellers' luggage are no longer being systematically checked by the customs authorities. The Commission deplores the continuing inability of the Member States to work out satisfactory arrangements for the verification of the identity of travellers at intra-Community frontiers. There is nothing in the Treaty of Rome which could provide a basis for Community action in this connection, and the Commission has had to confine itself to drawing up a recommendation.²

As regards the commercial carriage of goods, the Commission has continued to work for simplification of the Community transit procedures and their improved operation, so as to make them more attractive for users. The Community looks on this transit system as a means of abolishing frontier formalities and simplifying formalities in general, and the Commission considers that the earlier it comes into widespread use the earlier this aim can be achieved. In this connection, the Commission cannot but feel that the wide range of possibilities currently open to users for the carriage of their goods within the Community is not calculated to make matters any easier. Logically, users should choose the most favourable procedure, but it has been found that frequently they do not make a purely objective decision, owing to the many special interests involved.

At all events, the recent simplifications—the most important of which were mentioned in the preceding report—have had an effect. For instance, nearly all transport by rail now takes place under the Community transit system, in accordance with a highly simplified procedure. The fact that trains no longer have to stop for customs transit formalities when they cross frontiers is particularly promising for certain border stations, where the frequent congestion of the past could be completely eliminated if certain parties could be induced to send their goods to an internal customs office under the Community transit procedure, instead of systematically clearing them through the customs at the frontier.

Since 1 October 1971 it has been possible to eliminate, where desired, the systematic intervention of the customs services at the dispatch and arrival point of goods handled by enterprises engaged in external trade on a large scale. This facility will be increasingly attractive as the national

¹ *Journal officiel* No. L 135, 4 June 1969.

² Recommendation of 21 June 1968; *Journal officiel* No. L 167, 17 July 1968, p. 16.

customs authorities become able to check the papers in the possession of users instead of making the traditional physical checks of goods.

On the agricultural side, the Community transit rules continue to play their role in the drive against fraud. Among the specific agricultural policy problems which they have made it possible to resolve, reference should be made to those raised by the introduction of a number of export dues.¹

The Commission considers that the Community transit procedure could quickly lead to considerable improvements with regard to sanitary, plant health, and other controls—thanks to a transfer of such controls from frontiers to the inland areas of the State of dispatch and/or consignment, and to their mutual recognition. The Commission therefore proposes to push ahead with its endeavours in this connection.

The Commission also intends to take steps to improve the position with regard to a category of goods which are not the subject of intra-Community trade proper, but are frequently transported across internal frontiers for use in connection with the provision of a service (such as the tools of certain workers) or for any other purposes (for instance, horses taking part in races,¹ medicinal products forming part of the equipment of a sports team travelling between one country and another). At the moment, the State where the persons concerned are staying treats such goods as temporarily administered or imported, as far as customs purposes are concerned, because they are used "*en route*".

Measures with equivalent effect to quantitative restrictions

126. In the transition period the Commission, in furtherance of its tasks under the EEC Treaty, had adopted the directives needed to abolish measures with equivalent effect to quantitative restrictions. At the moment such measures are banned *ipso facto* by Article 30 *et seq*, regardless of when they came into effect. The principles for the interpretation and application of "measures with equivalent effect", which are set out in the five directives adopted pursuant to Article 33(7), have helped the Member States to ensure compliance with the requirements of the EEC Treaty.

It has been seen, however, that measures which the Member States adopt or have adopted in the most varied contexts have a restrictive impact on intra-Community trade. The Commission is therefore constantly obliged

¹ Written question No. 176/71.

to identify such provisions, to examine them in the light of Treaty requirements, to determine whether they are "measures of equivalent effect" within the meaning of Article 30 *et seq.*, and to take the steps required to eliminate their restrictive repercussions.

All this is particularly necessary in a field to which the Commission has paid very special attention: the free movement of products intended to meet the needs of the public authorities themselves, that is to say public procurement. It should be mentioned here that tendering arrangements for such procurement are still not governed by the rules of free competition, and that orders are not placed in accordance with the economic criteria which in general dictate consumers' decisions. The relatively small scale of Community trade in certain sectors is sometimes attributable to this situation.

Basically, the Commission is tackling the problem, the intractableness of which should not be underestimated—in two different ways. Firstly, it works for the abolition of measures which are "of equivalent effect" and therefore infringe Article 30 *et seq.*; at the same time, it is necessary to coordinate procedures for the award of public supply ordering contracts: to this end, a draft directive pursuant to Article 100 has been submitted to the Council. Secondly, the Memorandum on Industrial Policy proposes measures leading ultimately to a coordination of public and semi-public purchases and even of joint purchasing.

The Commission is confident that implementation of all these measures will increase Community-mindedness in the Member States, bring national routines more into line with Community requirements and boost trade in the relevant products.

Technical obstacles to trade in industrial products

127. 1971 saw some further progress in the implementation of the General Programme for the removal of technical obstacles to trade resulting from disparities in the laws and regulations of the Member States. The Council adopted eleven of the proposed directives submitted to it by the Commission. They deal with:

- (a) Rear-view mirrors of motor vehicles (1 March 1971);
- (b) Braking devices of certain categories of motor vehicles and their trailers (16 July 1971);
- (c) Textile appellations (26 July 1971);
- (d) Provisions common to measuring instruments and methods of metrological control (26 July 1971);

- (e) Medium-precision parallelepiped weights of 5 to 10 kilogrammes, medium-precision cylindrical weights of 1 gramme to 10 kilogrammes (26 July 1971);
- (f) Meters for liquids other than water (26 July 1971);
- (g) Volume meters for gases (26 July 1971);
- (h) Measurement of the standard mass versus storage volume of cereals (12 October 1971);
- (i) Calibration of the tanks of vessels (12 October 1971);
- (j) Supplementary devices for meters for liquids other than water (12 October 1971);
- (k) Units of measurement (12 October 1971).

The Council decided to postpone to 1 January 1972, the implementation of the directives of 27 June 1967 and 13 March 1970 on dangerous substances.

Of the proposed directives submitted to the Council by the Commission in 1971, only four have not yet been adopted—those on measurements of length, analysis methods for binary mixtures of textile fibres, the biological breakdown of detergents and lifting equipment.

By the end of the year the Commission had proposed seven further directives—on precision weights, solvents, dangerous substances (supplementary directive), interior fittings for motor vehicles, air pollution by gases from diesel engines, fertilizers and reinforced plastic tanks.

The proposed directives are thus to be added to the eighteen currently being discussed by Council bodies. It is also to be hoped that by 1972 the Council will have adopted further directives on technical obstacles, in addition to the 21 already agreed.

128. The work done by the Community is beginning to have a substantial impact on the movement of goods within its frontiers. As regards motor vehicles, the directives adopted—in particular those on air pollution by petrol engines, permissible sound levels and braking devices—have not only harmonized Member States' laws but have also often helped to prevent divergent national measures which would have complicated the arrangements for Community trade still further. The "road safety" aspect of certain directives is worth emphasizing. Of significance, in this connection are the stipulation that all new vehicles should have a double braking circuit, and the rules laid down by the directive on steering equipment. The motor vehicle directives which have already been adopted, with those which are still being drafted by the Commission or are pending before the

Council, will make it possible to institute a complete Community type-approval procedure, under which a vehicle of a type which has satisfied approval requirements in one Member State can be driven and marketed in all the others.

As regards measurement instruments, the eight directives adopted in 1971 represent the initial success of the Commission's endeavours to ensure that these multipurpose products enjoy free access to the whole Community market. The measurement instrument industries stand to gain, in economic terms, from the eight directives. But although these industries have a very large turnover, there is more to it than that. All these directives—whether already adopted, pending before the Council or still being drafted—are intended to increase the mutual confidence of the Member States by laying down clear-cut rules on the evaluation and control of the various physical quantities (volume, weight, length and so on) of products moving within the Community. Mutual recognition of checks will simplify procedures and thus not only facilitate the free movement of goods but also improve mutual understanding in cases where contracting parties are of different nationalities. Special reference should be made to the directive on units of measurement, which adopts the most modern system, the International System of Units (SI). SI units are to be used systematically in all legal measurement instruments, and whenever a physical quantity is mentioned in a contract, cost estimate, invoice or public deed. The directive will thus eliminate the confusion caused by the use of units which are less generally recognized and are defined with less precision.

Concern to ensure clarity and to provide consumers with information was also the guiding consideration in the drafting of the directive on textile appellations. The increase in intra-Community trade and the development of industry in certain sectors have brought out the urgent need to resolve problems which were of less importance at the time when the General Programme was drawn up. To this must be added the gravity of the environment problem and the threat of pollution—caused by the evolution of industrial civilization—to public health and the natural environment. Finally, as already pointed out, the enlargement of the Community will entail fresh work and is bound to change the order of priorities established more than two years ago.

The Commission is drawing up a draft document amending and extending the General Programme in the light of current economic and policy exigencies of what has been learned from the work in hand and the results achieved as regards industries, the measures to be proposed and the methods to be used. The draft will be submitted in 1972.

The new rules will increase market transparency, provide retailers and consumers with more information about products, allow of judicious comparison between products of differing origins and make it easier for buyers to select the right goods.

129. Usually when the Commission draws up directives it works in close liaison with the bodies which, at Community level or in a wider context, are concerned with standardization—that is to say, the technical aspect of harmonization. These harmonized standards will be mentioned in the “reference to standards” solution. In other cases they are, wherever possible, adopted or specified by the directives, so that they can be mentioned in national rules. In this connection, the work done in liaison with the European Committee for Coordination of Standards (CEN) and the European Committee for Standards Coordination in Electrical Engineering (CENELCOM) has been particularly important and fruitful.

Concurrently, the Commission participates in the work of international organizations, such as OECD and GATT, on the removal of technical obstacles to trade. Special reference should be made to the links maintained with the Economic Commission for Europe, with which there is useful collaboration—especially with regard to motor vehicles.

On several occasions the Commission has received, under the *status quo* agreement of the General Programme—draft regulations and decrees amending national rules in an area covered by the Programme. The Commission deplors the fact that on occasion it has been faced with a virtual *fait accompli*, in that proposed measures have often been notified when they are so close to adoption that it has been impossible to do anything of real value in time.

130. Alongside its endeavours to implement the whole of the General Programme (50 further proposals are in preparation), the Commission is supplementing the programme to bring it into line with the industrial, commercial and political developments of recent years.

Technical obstacles to trade in foods

131. On 30 June 1971 the Commission submitted to the Council a proposal for a directive approximating Member States' law on confectionery products.¹ The proposal lays down, at Community level, the rules to be

¹ *Journal officiel* No. C 90, 11 September 1971.

complied with as regards the composition of such products, substances which can be added during their manufacture, and their labelling.¹ It also specifies the requirements governing the use of special descriptions for certain products.

On 21 October 1971 the European Parliament approved the proposed directive on beer, submitted by the Commission to the Council on 26 June 1970² and endorsed by a substantial majority in the Economic and Social Committee on 27 May 1971. The Committee also approved, on 27 June 1971, the proposed directive on ice cream submitted by the Commission to the Council on 11 September 1971.³ In the two proposals, the Commission confirms the principle that food producers must be allowed to choose their raw materials freely, provided the consumer's health is not threatened as a result and that the consumer is informed of the precise properties of the product he buys.

Special rules applicable to trade in processed agricultural products not covered by Annex II to the Treaty

132. Council Regulation (EEC) No. 1059/69 of 28 May 1969⁴, laying down the arrangements for imports, continued to be implemented satisfactorily in 1971. The rules in this field remained practically unchanged apart from their adaptation to distinguish two types of husked rice, for which two different threshold prices are now laid down (Regulation (EEC) No. 2067/71).⁵

Council Regulation (EEC) No. 1537/71 of 16 July 1971⁶ made a number of changes to the provisions regarding the grant of export refunds, which are laid down in Council Regulation (EEC) No. 204/69.⁷ Basically these changes involve: first, the introduction of a simplified control procedure for the export of goods processed under clearly defined technical conditions and of constant quality and characteristics; secondly, the grant of a standard-rate refund based on the results of a chemical analysis of other goods exported.

¹ The yearly Community output works out at about 800 000 tons and is estimated to be worth close on 800 million u.a.

² *Journal officiel* No. C 105, 15 August 1971.

³ *Ibid.* No. C 125, 13 October 1971.

⁴ *Ibid.* No. L 141, 12 June 1969.

⁵ *Ibid.* No. L 219, 29 September 1971.

⁶ *Ibid.* No. L 163, 21 July 1971.

⁷ *Ibid.* No. L 29, 5 February 1969.

In Regulation (EEC) No. 1152/71 of 2 June 1971,¹ the Commission laid down the way in which the Member States are to supply it with certain particulars as to the exports of the goods in question, so that it can assess the effects of the implementation of Regulation (EEC) No. 204/69. Finally, reference should be made, for the record, to the ten or so directives, adopted by the Council, laying down specific compensatory amounts for the quantity of basic agricultural products contained in goods falling under Regulation (EEC) No. 1059/69; these compensatory amounts correspond to the differences between the prices of these agricultural products resulting from variations of the exchange rates of certain Member States.

Euronorm

133. In 1971 the Coordinating Committee on the nomenclature of iron and steel products continued its work on the establishment of European standards. Fourteen new Euronorms were published during the year. Three on alloy and non-alloy high-grade steels used in mechanical engineering were added to the five already in existence. Concurrently, the standardization of test methods for such steels continued and three standards were published, while a fourth is virtually complete. The Euronorm on non-grain-orientated electrical sheet and plate was published, as were two on the dimensions of merchant bars.

Five further standards were added to those on methods of chemical analysis. Several others are in the final stage of drafting.

The standardization of special welding steels is advancing rapidly, while the standard on alloyed steel plates for boilers and pressure vessels is nearly completed. The same applies to the standard on steels for cold stamping or pressing, including bolt-making steels. The revision of the two important norms on general-purpose structural steels and on sheets for deep-drawing is continuing normally.

Working party No. 25 has been set up for the standardization of gas cylinder steels, while the appropriate working party has started to revise the Euronorm on the definition and classification of steel grades, which dates back to 1960 and no longer corresponds to the current state of the art.

¹ *Journal officiel* No. L 121, 3 June 1971.

2. Competition policy

134. The Commission made considerable headway in 1971. The solution worked out for the coordination of regional aid is a first major step towards the implementation by the Member States of a harmonious aid policy consistent with Community law. Application of Articles 85 and 86 of the EEC Treaty made it possible to re-establish open competition in several cases where it had been illegally restricted or distorted by enterprises; Article 86 of the EEC Treaty (abuse of a dominant position) was applied for the first time, thus opening up a fresh field for competition policy. Inter-enterprise cooperation agreements which can be considered to be beneficial in overall economic terms were encouraged by a number of Commission decisions pursuant to Article 85. A proposed regulation was submitted to the Council on statute-barring and enforcement with regard to offences against transport and competition law. For the first time, the Commission imposed a fine for failure to submit a complete set of business papers; in four cases, the communication of particulars which had been requested had to be enforced by a Commission decision.

135. Twelve decisions pursuant to Articles 85 and 86 of the EEC Treaty, and 20 pursuant to Articles 65 and 66 of the ECSC Treaty were adopted in 1971. In the sphere covered by the EEC Treaty, 2 873 cases were settled without a decision—mostly after the relevant agreements had been aligned on the Treaty competition rules.¹ In addition, 81 further notifications or complaints were received, and 24 *ex-officio* procedures were initiated. On 31 December 1971, 4 556 cases were still unsettled, the largest batch (2 000) being concerned with licencing agreements. In the sphere covered by the ECSC Treaty, the main decisions to be mentioned are the authorization pursuant to Article 65 of German rationalization groups and the authorization pursuant to Article 66 of the ARBED-Röchling merger.

136. On several occasions the European Parliament had to deal with competition policy matters. In particular, on 7 June 1971, it adopted a major resolution on the competition rules and the position of Community enterprises in the Common Market and the world economy.

The resolution called on the Commission to submit to the Parliament a special annual review of competition policy developments. The Com-

¹ For the implementation of the Treaty competition rules with respect to agriculture, see sec. 269 and sec. 284 *et seq.*

mission is accordingly submitting, in conjunction with this General Report, a detailed report on the competition policy which it has pursued.

Application of the competition rules to enterprises

Prohibited restrictive agreements and authorized forms of cooperation between enterprises

Prohibited agreements

137. The termination of infringements which have been found to exist results not only from decisions to ban but also from decisions to authorize in cases where restraints on competition are abolished or amended in accordance with Article 85(3).

The action taken by the Commission led to termination of selling agencies, a restrictive price agreement and collective agreements setting up exclusive commercial relations.

A sales agency established by German firms for the export of cement, which excluded competition between these enterprises on export markets, was prohibited.¹ An agreement between certain French cement producers was amended in such a way that they no longer export to other EEC countries through their joint company.²

A restrictive price and terms of sale agreement of an organization of dealers operating on the Dutch cement market was prohibited.³

Two collective exclusive dealing agreements between producers and dealers on the Belgian wall and floor tile market were allowed to lapse after the Commission had intervened.⁴

Promotion of cooperation

138. In November 1971 the Commission amended, in the light of the Opinions of the European Parliament and the Economic and Social Com-

¹ Nederlandse Cement Handelmaatschappij (NCH), see *EC Bulletin* 2-72.

² CimFrance (joint selling agreement of French cement producers), see *EC Bulletin* 1-72.

³ Vereniging van cementhandelaren (VCH), see *EC Bulletin* 2-72.

⁴ „Convention Faïence” between ten building material producers in Belgium, the Netherlands and Germany together with two Belgian dealers and users trade associations and “Convention Gres Cérame”, see *EC Bulletin* 12-71.

mittee, the proposed Council regulation empowering it to make block exemptions, and the proposed supplementary regulation waiving compulsory notification.

On 21 December 1971 the Council adopted these regulations, thus widening the scope for the promotion of cooperation.

A number of specialization agreements were exempted¹ from the prohibition laid down in Article 85 of the EEC Treaty. The lessons learned from these decisions are being assessed in connection with the planned block exemptions. In another decision, the Commission approved a rationalization agreement concerning participation in fairs and exhibitions.²

In the field of joint research and development, the Henkel-Colgate/Palmolive decision is of special importance if only because of the position of the two enterprises. The Commission ruled that their agreement was caught by the prohibition of Article 85(1). The two enterprises will entrust to a research company, in which they have equal shares, their development schemes with regard to certain products for cleaning textiles. The two partners will have access, under the same conditions, to the joint research and development results and will be free to use them as they see fit. The Commission's decision to declare inapplicable the prohibition in Article 85(1), by virtue of paragraph 3 of the same article, was subject to certain conditions.

Negative clearance was granted to an export agreement between six small French vegetable canners, as the Commission had found that these enterprises would be unable to offer their goods outside France in the absence of an agreement.³

Acting under Article 65 of the ECSC Treaty, the Commission authorized four rationalization groups in the German iron and steel industry. It had refused to extend the 1971 authorization of the rolled steel sales agencies. The contracts of the four rationalization groups, which were subsequently submitted to the Commission for authorization, specified that fixed production quotas were to be allotted to the iron and steel enterprises concerned. The Commission considered that this quota

¹ FN/CF; Soplelem-Langen.

² Cematex.

³ SA des fabricants de conserves (SAFCO).

system would contravene Article 65(2) of the ECSC Treaty. The agreements eventually authorized mainly concern specialization and rationalization.

Adaptation of distribution systems to the competition rules of the EEC Treaty

139. The year under review saw a continuation of the trend initiated in 1967 by the block exemption of exclusive dealing agreements. A large number of enterprises brought their agreements into line with the conditions laid down for block exemption of contracts not affording absolute territorial protection. However, a small number of enterprises—including manufacturers of cars and perfumes—still continue to apply export prohibitions under exclusive dealing contracts, and thus help to maintain current price differences between one country and another.

In a number of cases the Commission notified objections with a view to obtaining the abolition of such prohibitions.

Application of Article 85 of the EEC Treaty to patent licensing contracts and know-how contracts

140. The Court of Justice upheld the Commission's view¹ that industrial property rights may not be used for market sharing purposes. For the first time, the Commission took a stand—in two decisions—on the application to industrial property rights of competition law.² It specified that patent licensing for specific territories and bans on sublicensing are not *per se* restraints on competition, and that it could take a stand on specific instances only in the light of the market situation. The same held for obligations to maintain given quality standards with regard to patented products, and obligations on parties to inform each other of technological and economic advances. As regards the grant to licensees of exclusive manufacturing and distribution rights for patented products, the Commission stated that such rights do not fall outside Article 85, but that the conditions required for its application did not exist in the cases on which a decision had been made, because there had been no appreciable impact on trade.

¹ Secs. 584 and 593.

² *Burroughs-Delplanque*; *Burroughs-GEHA*; see *EC Bulletin* 2-72.

To enable know-how to be marketed, the Commission decided not to consider as restraints on competition obligations not to disclose know-how—or use it after expiry of the relevant contract—which are frequently laid down by know-how contracts.

*Application of the prohibition of abuse of dominant positions
(Art. 86)*

141. In the year under review, action was taken under Article 86 of the EEC Treaty for the first time. The *Gesellschaft für musikalische Auführungs- und mechanische Vervielfältigungsrechte*, GEMA, a German composers' copyright company which has a *de facto* monopoly on the German market, was forbidden to impose abusive restrictions on the economic freedom of composers, authors or publishers. This means that GEMA cannot discriminate against nationals of other Member States, grant special concessions to its members or collect dues for musical works which have become public property. In future, imported sound recordings will attract the same dues as those made in Germany.

The decision does not affect the cultural and social functions of GEMA. It merely strengthens the rights of its affiliates, and does away with hindrances to the establishment of a single market with respect to authors, composers, music publishers and copyright companies.¹

142. In a second decision pursuant to Article 86, the Commission ruled that the amalgamation of a dominant enterprise with a rival enterprise can be abusive within the meaning of Article 86 if it restricts consumers' freedom of choice in a manner incompatible with Treaty competition rules. Continental Can Company obtained a controlling interest in the largest German maker of packaging and metal containers, Schmalbach-Lubeca-Werke, and then bought the largest maker of packaging equipment in Benelux, the Dutch Thomassen & Drijver-Verblifa. This concentration resulted in excessive restriction of consumers' freedom to choose certain packaging equipment in substantial parts of the Common Market. Such freedom must be reintroduced by "deconcentration" measures. The Commission is continuing to supervise markets where there is a high degree of concentration, so as to be able to identify similar cases of prohibited concentrations between enterprises.²

¹ *EC Bulletin* 8-71, sec. 18.

² Parliamentary question No. 373.

State-trading monopolies

143. The Commission continued to watch over the steps taken by the Member States to adjust monopolies and other arrangements falling under Article 37 of the EEC Treaty.¹

The French and Italian Governments notified the Commission of numerous, substantial measures for the adjustment of their manufactured tobacco monopolies.

As regards spirits monopolies, the German Government abolished quantitative restrictions on spirits and spirituous beverages, and the French Government is preparing to abolish discriminations covered by the last Commission recommendation.

In the case of the potash and basic slag monopolies, the French Government put forward agricultural and regional arguments for considering solutions differing in some respects from those recommended by the Commission.

In Italy, the lighter monopoly has been abolished. The flint, cigarette paper and salt monopolies are to be abolished with effect from April 1972. Abolition of the match monopoly has also been announced.

State aids

Several of the Commission's measures are intended to lay down the broad lines of a coordination or harmonization of national aids, and thus to ensure, not only effective competition but also, and equally, a more orderly pattern of structural development in the Community, with special regard to regional development.

144. The endeavours to terminate outbidding by authorities granting regional aids led to the implementation of a coordination arrangement.

This arrangement is the subject of a memorandum² in which the Commission informed the Council that from 1 January 1972 onwards it would apply certain principles to regional aid arrangements, within the limits of the powers vested in it by the Treaty. For their part, in response to a request from the Commission, the Member Governments, meeting in Council, adopted a resolution² stating their political readiness to conform to these principles.

¹ *Fourth General Report*, sec. 33.

² *Journal officiel* No. C 111, 4 November 1971, and *EC Bulletin* 8-71, Part Two, sec. 21 and *ibid.* 11-71, Part One.

Initially, the coordination arrangement will apply only to the "central regions" of the Community, where the effects of outbidding are most disquieting. The arrangement has four main features:

- (a) The scale of aid will be subject to a uniform 20% ceiling; that is to say, not more than 20% of capital expenditure (after deduction of taxation) under any individual scheme is to be covered by aids. It is intended that aids should tend to decline in central regions, and the level of the ceiling will be reviewed at the end of 1973.
- (b) Aids are to be made "transparent" in 1972 (that is to say, it must be possible to calculate maximum aid percentages by the same method as the one used to calculate the ceiling);
- (c) The 20% ceiling is to be an upper limit. The Commission will ensure that actual aid percentages within this limit correspond to the seriousness of the relevant regional problems;
- (d) A method will be worked out for identifying the impact of regional aids on specific industries.

On the basis of these underlying principles, appropriate solutions will be elaborated for the problems of the peripheral regions (*Mezzogiorno*, west and southwest France, Berlin and the *Zonenrandgebiet*).

145. The Commission has already applied some of these principles to aid arrangements examined in 1971. In particular, it adopted a decision¹ which resulted in the German Government terminating non-selective investment aids in Land North Rhine-Westphalia, under Article 32 of the *Koblegesetz* of 15 May 1968 to help to offset the contraction of the coal industry by furthering the expansion of other industries. These non-selective aids would have increased the disparities between Community regions, of which North Rhine-Westphalia is one of the most highly industrialized and most affluent. The Commission had never before opposed aid arrangements on the ground that they were not warranted by the economic and social situation in the region concerned.

146. In too many cases, the Member States' aid for specific industries pursue narrowly national aims, although, at the present stage of the Common Market, difficulties which warrant aids are often found throughout the whole Community. The Commission tries to do more than merely "react" one by one to such national measures, which would not only tend to cancel each other out as a result of escalation but would also

¹ *Journal officiel* No. L 57, 11 March 1971.

jeopardize the common interest. On the basis of an analysis of trends in a given industry, the Commission can give a lead by outlining, with regard to foreseeable national measures, a "Community master plan" specifying the industrial objectives and the means which, in principle, are to be recommended. The aim is not, of course, to persuade all the Member States to help the industry concerned—the need to do so may be less evident in some countries than in others.

Accordingly, on 30 July 1971, the Commission took steps with a view to establishing a master plan for aids to the textile industry. The current structural difficulties of this industry are, in fact, calculated to increase the Member States' propensity to intervene.¹ The Commission stated the rules which should henceforward govern textile aids: no aids to production or to the running costs of enterprises; bias in favour of aids to eliminate surplus capacity and to further horizontal concentration and vertical integration; tighter rein on investment aids, which are only acceptable if, in particular, they do not lead to capacity increases.

In other industries, the situation is similar from one Member State to another, so that a Community aid system can be introduced directly. A case in point is the directive on shipbuilding aids, adopted by the Council on 28 July 1969. This directive seeks to iron out distortions in the terms of international competition by specifying that aids are not to exceed 10% of the selling price of ships.

This directive lapses on 30 June 1972. It has achieved its objectives—to protect Community shipbuilding against international competition and, at the same time, to harmonize aids within the Community. The position of Community shipbuilding has been strengthened by a specialization in products with a high added value and by structural measures which have accelerated the adaptation of the industry. Furthermore, OECD endeavours to re-establish normal terms of competition on the international market have, since 1971, had worthwhile effects and opened up attractive prospects.

It follows that Community shipbuilders do not need so much protection at the moment. The Commission has therefore decided to propose a fresh Council directive, covering a period of three years, which would differ from its predecessor in two respects:

- (a) A lower ceiling on aids—export credit aids would be subjected to the limitations laid down by the latest OECD provisions, while other

¹ Sec. 322.

aids would not exceed 5% of the selling price in 1972, 4% in 1973 and 3% in 1974;

- (b) The new ceiling is to allow for the incidence of all export credit facilities and guarantees against cost increases. This is a further step towards putting the various shipyards on an equal footing.

Matters of concern to consumers

147. Endeavours to improve consumer protection continued in connection with the work on abolishing technical obstacles to trade. In addition, agreement was reached with the Member States' experts on the consumer policy aspects of hire purchase law. Discussions as to the broad lines of the provision of information to consumers at Community level continued between the Commission, consumer associations and the television authorities.

3. Taxation policy

INTRODUCTION

148. The general prospects for work on tax harmonization, which should gradually lead to the establishment of a Community taxation policy, were more clearly defined in 1971 following the political will expressed in the Council resolution of 22 March 1971 on the achievement by stages of economic and monetary union.¹

Under this resolution the Member States undertake to constitute a zone within which persons, goods, services and capital will move freely and the progressive extension of tax exemptions granted to private persons certain harmonization measures before the end of 1973 in respect of both indirect and direct taxation. The resolution provides for a whole number of concrete measures to be taken in the first phase which include, in particular, the standardization of the basis of assessment of VAT, the harmonization of the scope, assessment and procedures of excise duties, in particular those having an appreciable effect on trade, the harmonization of the tax system applicable to interest on fixed-yield transferable securities and on dividends, the harmonization of the structure of company taxation, and the progressive extension of tax exemptions granted to private persons on crossing intra-Community frontiers.

With this in view, and in order to enable the Council to follow the timetable laid down in the resolution referred to above, the Commission made every effort in 1971 to speed up the work in progress, particularly as regards the harmonizing of those taxes which are likely to affect the free movement of goods and capital.

INDIRECT TAXES

Turnover taxes

Approximation of legislation

149. It did not prove possible to introduce the common system of value-added tax in all the countries of the Community on 1 January 1972, the

¹ For the complete text of this resolution see *EC Bulletin* 4-71, Part One, Ch. I.

deadline fixed by the third directive of 9 December 1969.¹ For technical reasons Italy requested that the coming into force of VAT on its territory be postponed to 1 July 1972. While regretting this request, the Commission felt it was advisable to comply with it and submitted a draft directive to this effect, which was adopted by the Council on 20 December 1971.²

The first stage in the process of harmonizing the turnover tax system of the Member States will therefore be concluded two and a half years after the date of 1 January 1970 originally planned. This delay clearly shows the magnitude of the difficulties which Community action must overcome in a matter so sensitive as the approximation of domestic tax systems. The Commission is fully aware of the need to achieve, within the framework of the indispensable measures to bring about economic and monetary union, a convergence of domestic VAT structures in order to remove intra-Community tax frontiers, and also of the extent of the political, economic and social problems which will have to be resolved in the course of this process of tax harmonization. It has therefore made every effort to complete the tasks already undertaken and continued the detailed studies required for the careful planning of the subsequent stages.

The work on the standardization of the basis of assessment of VAT³ was speeded up in order to submit a draft directive to the Council in 1972. The studies on the consequences of the gradual alignment of the domestic rates of this tax in order to do away with charges levied on imports and tax reliefs on exports were also actively pursued.

With the aim of further liberalizing the system of charges levied on imports in international passenger traffic pending the abolition of tax frontiers, the Commission adopted and submitted to the Council a proposal for a second directive concerning both the harmonization of the laws and regulations for turnover taxes and excise duties applicable to international passenger traffic,⁴ and the report on the Member States' application of the first directive regarding "duty-free entry for travellers" of 28 May 1969.⁵ The proposed second directive notably stipulates the following: the general exemptions for travellers are doubled; people living in the newly

¹ *Third General Report*, sec. 50.

² Fourth Council Directive as regards harmonization of Member States' legislation, relating to turnover taxes (71/401/CEE), *Journal officiel* No. L 283, 24 December 1971, p. 41.

³ *Fourth General Report*, sec. 45.

⁴ *Journal officiel* No. C 106, 23 October 1971.

⁵ *Third General Report*, sec. 50.

defined frontier area are to be granted minimum exceptions; tax relief at retail level is regulated in such a way as to avoid all causes of non-taxation. In view of the psychological and political importance of the proposed second directive, the Commission considered it expedient to consult the European Parliament and the Economic and Social Committee.

As regards the application of the first directive¹ the Commission has initiated the procedure under Article 169 of the Treaty in respect of Belgium, France and Luxembourg. A reasoned opinion was delivered to these States on 19 May 1971. Subsequently, by an administrative decision of 31 July, France removed the condition under which a minimum stay of 24 hours had until then been obligatory in order to qualify for the exemptions on any goods imported in passengers' luggage granted in accordance with Council Directive 69/169/EEC of 28 May 1969. Belgium and Luxembourg announced on 29 October 1971 and 18 November 1971 respectively that they too were abandoning the 24-hour clause and that the necessary ministerial orders for amending the existing rules would be put out forthwith.

Elimination of discrimination

150. In connection with turnover taxes the Commission pursued its examination of Italian differential taxes on imports of skin wools. It has received a draft law from the Italian Government designed to eliminate the discrimination in question.

As regards value-added tax, various complaints against domestic tax arrangements have been brought before the services of the Commission, which is examining them in the light of Articles 95 *et seq.* of the Treaty and also with regard to current directives on value-added tax.

Excise duties

Approximation of legislation

151. The Commission has continued its work on the harmonization of excise duties. The priority aim of this harmonization is to provide the basis for greater neutrality in competition by the standardization of excise duty systems, experience having shown that differences between the systems obtaining in the various Member States often provoke appreciable

¹ *Fourth General Report*, sec. 43.

disturbances in competition conditions. The more long-term aim of this harmonization is to abolish taxes and tax reliefs in trade between the Member States and to eliminate border checks, in order to create, as regards these taxes also, the necessary conditions for the free movement of goods. The harmonization of excise duties is therefore an integral part of the work to be done to establish economic and monetary union.

In order to achieve these aims the Commission proposes to submit a number of draft directives to the Council forthwith. Certain delays in submitting this series of draft proposals to the Council are explained by the fact that the Commission took the initiative of contacting, beforehand, the candidate countries concerning possible problems these proposals might pose. Among these, is one of particular importance, namely a proposed outline directive laying down the general principles of the harmonization of all consumer taxes apart from VAT. This directive will in particular draw up the list of excise duties to be harmonized and lay down the conditions under which the other excise duties will continue to be levied at national or local level after the time when import taxes, export tax reliefs and border checks are abolished.

Parallel with this directive the Commission intends to submit to the Council a batch of proposals relating to the harmonization of the structures of excise duties on beverages, i.e. beer, wine and spirits.

In connection with the harmonization of excise duties on manufactured tobacco the Commission forwarded to the Council, on 20 November 1970, an amended proposal for a directive.¹ The Economic and Social Committee and the European Parliament handed down their Opinions on 24 June 1971 and 16 December 1971 respectively. Despite the fact that, in its resolution of 21 April 1970,² the Council undertook to agree a directive before 1 January 1971 relating to the gradual harmonization of excise duties on manufactured tobacco, it still had not approved the Commission proposal at the end of the year covered by this report.

On 28 December 1970 the Commission submitted to the Council a proposed directive regarding specific excise duties on oil for use as fuel. In the meantime the European Parliament and the Economic and Social Committee have declared themselves in favour of the substance of the proposal.³

¹ *Fourth General Report*, sec. 48.

² *Journal officiel* No. C 50, 28 April 1970.

³ *Ibid.* No. C 14, 11 February 1971.

As regards excise duties on mineral oils, a proposal for harmonizing the structures of these duties will be laid before the Council in the course of 1972.

152. In addition to the approximation of these excise duties, the Commission has continued its study of indirect taxes other than turnover taxes in order to create the necessary fiscal conditions for the free movement of capital and for the abolition of restrictions on freedom to supply services.

It was with this end in view that, pursuant to the Council directive of 17 July 1969 concerning indirect taxes on the raising of capital,¹ the Commission laid before the Council, on 1 February 1971, a proposed directive for the fixing of common rates for capital contribution duty.² This directive was approved (but not "adopted", as the applicant States must first be consulted) by the Council on 6 December 1971. It specifies essentially that the fixing of common rates for capital contribution duty at 1% and the reduction by 50% of this rate, as specified in Article 7(1), subparagraphs. (a) and (b) respectively, of the directive of 17 July 1969 mentioned above, will take effect from 1 January 1976. Similarly, the Commission intends in the near future to transmit to the Council a proposal for a directive on the harmonization of indirect taxes on transactions in securities.

From the same angle, the Commission is at present assessing the advisability of submitting a proposal to the Council for a directive concerning the harmonization of indirect taxes on insurance, preparatory to establishing freedom to supply services in the insurance business.

Elimination of discrimination

153. On 31 December 1970 Germany adopted the law eliminating the discrimination existing in taxes on imported acetic acid, thus bringing these taxes into line with those charged on German acetic acid.³

As regards the duty on coffee, the Commission pursued its examination of the disputed French and German cases :

- (i) Although France had ceased to tax imports of raw coffee it continued to tax imported roasted coffee. Recognizing the validity of the

¹ *Journal officiel* No. L 249, 3 October 1969.

² *Ibid.* No. C 34, 14 April 1971.

³ *Fourth General Report*, sec. 42.

Commission's views the French Government, on 24 June 1971, stopped taxing imported roasted coffee and similar products, thus placing imports of products derived from raw coffee on the same tax level as identical products made in France.

- (ii) A standard tax is levied on imports into Germany of solid coffee extracts (powered coffee). After a considerable number of enquiries and examinations, the ratio of equivalence used as the basis for this standard (3.6 in relation to unroasted coffee) was found by the Commission to be too high. The German authorities recognized that the difference between this fixed theoretical yield from import duties and the effective yield in extracts on the domestic market give a tax advantage to home producers. They stated their willingness to reduce the coefficient in question from 3.6 to 3.¹

As regards Italian discrimination in connection with taxation of imports of spirits obtained from matured wines, marcs and vermouth, the Italian Government, acting on the Commission's recommendation, thoroughly amended its relevant legislation by decree-law of 24 October 1971. The Commission is examining this legislative instrument.

At the present time the Commission is also studying three other disputed cases :

- (i) The tax on Italian cigarette lighters, which could serve to protect the manufacture of Italian matches considered as like products.
- (ii) The tax arrangements applicable to plasticizing oils imported into Italy.
- (iii) Discriminatory differential rates of taxation imposed by the Netherlands Fruit and Vegetable Board on imported products.

DIRECT TAXES

Approximation of legislation

154. The establishment by stages of economic and monetary union, as already mentioned, necessitates a certain number of approximations of legislation in the field of direct taxes as elsewhere. It is not only a matter of abolishing all discrimination and obstacles barring the way to the achievement of this union, but also of establishing a tax system which

¹ The German Federal Republic reduced the coefficient to 3 by law of 23 December 1971.

provides a sound basis for making it work properly. This goal can only be reached by gradual harmonization, which will have to be given sufficient impetus to make it possible eventually to normalize the use of taxation as an instrument of economic policy.

As already decided by the Council, the main task of the first phase is to settle the problems connected with establishment of a European capital market. To achieve this in the field of taxation it is particularly vital to eliminate the obstacles to capital movements, which can only be done by harmonization of the tax systems relating to dividends and interest on bonds. This harmonization has, moreover, been scheduled to be effected during the first phase.

The Commission has long been drawing the Council's and the Parliament's attention to the problem of tax obstacles to capital movements. It has been doing detailed research into this subject for several years and has almost finished its work. In the course of 1972 the Commission will submit proposals to the Council on this issue; these will cover the harmonization both of tax systems relating to companies and of withholding tax arrangements for dividends and interest on bonds.

As regards the elimination of the tax obstacles to amalgamation of companies in different Member States in the form of mergers and acquisitions of holdings, the Commission points out that in January 1969 it transmitted to the Council two proposals for directives to settle these points. The Commission regrets that, despite the favourable Opinions of the Economic and Social Committee and the European Parliament, the Council has not yet acted upon these proposals. The Commission will continue to make every effort to have these directives adopted as soon as possible.

In conclusion, the Commission must point out that the proposals for Council regulations concerning the application of the status of joint undertakings, on the one hand to the activities of the oil and natural gas industries in the energy sector and, on the other, to certain enterprises which are covered by the EEC Treaty, make provisions for the possibility of granting a number of tax advantages to these enterprises.

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

Remarks

155. An examination of the role of right of establishment in the overall objectives of the EEC Treaty shows that a distinct interdependence exists between this right and various other aspects of European integration, especially the industrial, energy, regional and competition policies. Particular attention should be drawn to the important part played by freedom of establishment and freedom to supply services in achieving economic and monetary union under the terms of the Council Resolution of 9 February and 22 March 1971.

With these considerations in mind, the Commission is concentrating its activities in connection with right of establishment and freedom to supply services on two main objects :

- (i) working out the directives that are still lacking, defending proposals for directives before the consultative bodies and the Council's institutions, and ensuring the proper implementation of the texts adopted by the Council;
- (ii) coordinating national legislations so as to remedy the situation where existing provisions on the conditions of access to and the practice of activities hamper the proper functioning of the common market.

The Commission is further focusing its attention on two sectors in which statutory and administrative obstacles may well jeopardize the achievement of economic and monetary union : finance and insurance, for which the national markets are still as fragmented as they were in 1958.

The development of the common market requires the active continuation of efforts to guarantee greater certainty regarding legal relations for business transactions, to abolish legal obstacles which still hamper certain regrouping operations and, finally, to create where necessary the facilities for establishment required by a wider market. These efforts include measures to coordinate national provisions on company law, for which three proposals are in the making; to prepare a convention on international mergers (Art. 220); to draw up the statute of the European

Company; and to create a European economic interest group (*groupement européen d'intérêt économique*).¹

Professions

156. During the period under review the Commission laid four proposals for directives before the Council :

- (i) Two proposals for directives concerning the abolition of restrictions on freedom of establishment and freedom to supply services and transitional measures as regards access to and the practice of certain activities in the field of taxation. Together with these proposals, the Commission submitted a draft recommendation concerning Luxembourg nationals holding certain diplomas issued in a non-Member State.
- (ii) Two proposals for directives for the film industry, concerning the achievement of freedom to supply services in film distribution and the coordination of certain statutory and administrative provisions for the film industry (the establishment in each Member State of a public register for the industry).

157. During the same period, the following developments occurred with regard to certain proposed directives already before the Council :

- (i) The European Parliament and the Economic and Social Committee delivered Opinions on proposed directives concerning activities in finance, business and accounting,² and opticians' activities.³
- (ii) The European Parliament delivered an Opinion on proposed directives concerning pharmacists.⁴
- (iii) The Economic and Social Committee delivered an Opinion on proposed directives concerning veterinary surgeons.⁵

¹ In the second, third and fourth general reports, the Commission published an amendment to the table in sec. 81 of the *First General Report* which showed the progress made in removing restrictions on freedom of establishment and freedom to supply services. This practice has now been discontinued; instead, a new general table, brought completely up to date, will be published in due course in a *Supplement to the EC Bulletin*.

² *Journal officiel* No. C 45, 10 May 1971 and No. C 38, 21 April 1971.

³ *Ibid.* No. C 78, 2 August 1971 and No. C 36, 19 April 1971.

⁴ *Ibid.* No. C 143, 3 December 1970.

⁵ *Ibid.* No. C 60, 14 June 1971.

On the whole, the Opinions rendered by the European Parliament and the Economic and Social Committee with regard to the proposals of the Commission have been favourable.

During the Council's meeting and the Conference of Ministers of Education of 16 November 1971, the Council adopted the following procedure :

"The Council asks the Committee of Permanent Representatives to press forward, on the basis of the Commission's proposals, with the work being done on the directives relating to the mutual recognition of diplomas with a view to achieving freedom of establishment.

It also asks the Commission to examine as soon as possible in a special Working Party, in collaboration with higher education experts designated by the Governments of the Member States, the question of whether it is possible to promote general mutual recognition of diplomas and other certificates issued in the Member States, in view of the need to speed up achievement of the right of establishment."

This decision shows :

- (i) that the Council has decided to speed up its work on the Commission's proposals concerning the mutual recognition of diplomas;
- (ii) that the Council has asked the Commission to examine, in a Working Party, the possibility of general mutual recognition of diplomas. The Commission has already taken the necessary steps to set up this Working Party.

Industry, commerce, crafts

158. The Commission submitted four proposed directives to the Council concerning :

- (i) The abolition of restrictions on the movement and residence of nationals of Member States within the Community in connection with establishment and supply of services.¹ This proposed directive is to replace the existing Council Directive No. 64/220/EEC of 25 February 1964.² Its aim is to extend to self-employed workers the measures already taken for workers in paid employment under Council Directive No. 68/360/EEC of 15 October 1968, and to recognize their right to go on residing within the territory of the

¹ *Journal officiel* No. C 91, 14 September 1971.

² *Ibid.* No. 56, 4 April 1964.

Member State where they have established themselves after having practised their occupation there;

- (ii) Self-employed activities of hairdressers. The three directives proposed here relate to the abolition of restrictions and freedom of establishment and freedom to supply services; the mutual recognition of diplomas; and measures to coordinate occupational regulations.

During the period under review the Council adopted Directive No. 71/304/EEC of 26 July 1971¹ concerning the abolition of restrictions on freedom to supply services in the sphere of public works contracts and on the award of public works contracts through agencies or subsidiaries.²

In 1971 the European Parliament and the Economic and Social Committee formulated generally favourable Opinions on proposed directives already before the Council concerning the transport² of goods and passengers by road and inland waterway, itinerant activities,⁴ and transitional measures for various activities.⁵

Banking and insurance

159. On 9 June 1970 the Council submitted to the Monetary Committee the draft for a directive dated 30 July 1965 concerning restrictions on freedom of establishment and freedom to supply services for self-employed activities of banks and of other financial institutions; the Monetary Committee was to examine the aspects of the draft relating to monetary policy. The Committee has not yet delivered an Opinion, partly because its time has been taken up by the developments in the sphere of monetary policy during the period under review, but to a certain extent also because it has not yet managed to bridge the differences of opinion on these problems which had already become apparent within the Council and which have emerged afresh within the Committee.

Work on coordination of the Member States' laws concerning the supervision of banks was continued.

160. In the insurance sector, the Commission went on with its work for the adoption of proposed directives already before the Council and to

¹ *Journal officiel* No. L 185, 16 August 1971.

² Sec. 167.

³ *Journal officiel* No. C 36, 19 April 1971, and No. C 45, 10 May 1971.

⁴ *Ibid.* No. C 11, 5 February 1971, and No. C 42, 30 April 1971.

⁵ *Ibid.* No. C 93, 21 September 1971, and No. C 45, 10 May 1971.

formulate texts that should lead to insurance businesses becoming really free to supply services, in accordance with guidelines set out in the previous Report.¹

As regards the adoption of proposed directives, the results have unfortunately not been commensurate with the Commission's efforts. The Council has not yet been able to adopt the proposals submitted in June 1966 and February 1967 to ensure the coordination of the conditions of access to and practice of indemnity insurance by companies and the right of establishment in this sector. One Member State raised objections at the eleventh hour and was not able to withdraw them during the period under review.

As regards abolition of inspection of the green insurance card at the Member States' frontiers, the Council could not adopt in 1971 the proposal for a directive submitted by the Commission in June 1970 because one Member State seriously objected to basing this directive on Article 100. The same Member State thought that a convention should be concluded to meet this case. The European Parliament and the Economic and Social Committee have formulated generally favourable Opinions on the directives put before the Council in December 1970 concerning liberalization of access to the activities of insurance agents and brokers.²

As regards freedom to supply services for insurance businesses, the Commission intends to eliminate barriers still existing between national markets. In the Commission's view the programme mentioned in the previous Report³ should be implemented first and foremost in the case of services which have a direct incidence on production costs or the liberalization of which will facilitate trade. This applies to transport insurance and the insurance of certain industrial and commercial risks. Transport insurance firms should be enabled to follow their clients unhindered inside and outside the Community and to make them optimum offers. The possibility of insurance against these risks should be in conformity with the increasing liberalization of international trade. Insurance against certain industrial and commercial risks—fire and natural forces, other damage to property, general liability, various financial losses—directly affect the production costs of firms. It is important, therefore, to create conditions permitting optimum utilization of the factors of production by the Community's industrial and commercial sectors

¹ *Fourth General Report*, sec. 58.

² *EC Bulletin* 9/10-71, sec. 172, and 11-71, sec. 101.

³ *Fourth General Report*, sec. 57.

and to strengthen their competitive position. In accordance with these principles, the Commission is continuing its task of formulating the directives mentioned in the previous Report.¹

Companies

National company law

161. In 1968 the Council adopted a first directive laying down rules for companies limited by shares, concerning publication of particulars, validity of commitments and nullity. In 1970 the Commission submitted a second proposal on the formation of public limited companies (*sociétés anonymes*) and the maintenance and variation of their capital, and a third one on mergers between such companies within one and the same Member State.

The European Parliament took a favourable view of the second directive.² It will soon state its position regarding the proposed third directive.

On 10 November 1971 the Commission adopted a proposal for a directive on the annual accounts of companies limited by shares. The main objective of this proposal is to ensure that the information published by all such companies in the Community, which at the moment is decidedly dissimilar, will henceforward be equivalent and comparable.³ The proposal embraces rules on the form and contents of the balance sheet and profit and loss account of public limited companies, companies limited by shares but having one or more general partners, and private limited companies. The proposal provides for minimum statements whose entries are, in principle, compulsory but which do not affect the flexibility necessary in business. The proposal further includes provisions concerning methods of evaluating these entries and on the drawing up of an annex containing appropriate explanations of the statistics given in the accounts. Companies will also have to draw up a management report containing a description of the company's general development.

The obligation to publish all documents applies to both public and private limited companies. Member States will, however, be able to provide for restrictions on such publication in the case of certain types of private limited company.

¹ *Fourth General Report*, sec. 58.

² *EC Bulletin* 12-71, sec. 133.

³ *Supplement to EC Bulletin* 7/1971.

The creation of common laws on companies and combines

162. On 30 June 1970 the Commission put before the Council a proposal for a regulation on the statute of the European Company.¹ The European Parliament has been examining the proposal, in accordance with Article 235 of the EEC Treaty, since July 1970. On the Commission's request, the Economic and Social Committee has also been consulted. The Committee is expected to deliver its Opinion at the beginning of 1972. On the other hand, the progress made in studying the proposal in the European Parliament has been uneven. The Legal Affairs Committee only started its thorough examination of the proposal fourteen months after receiving it. At the end of 1971, the Economic Affairs Committee, the Committee for Finance and Budgets and the Committee on Social Affairs formulated or were about to formulate their opinions.

The Commission would be very pleased if the Legal Affairs Committee of the European Parliament could speed up its work so as to enable the Council to examine the proposal, in accordance with the wish expressed by the Ministers of Justice of the Member States in the Council meeting of 3 June 1971.

163. The efforts of the Representatives of the Member States to formulate a convention permitting international mergers of companies will probably be completed in 1972. A preliminary draft will then be put before the Governments.

164. The Commission undertook in 1970, and completed in 1971, thorough studies on the expediency of establishing a Community law on groupings modelled on the economic interest group of French law. The Governments of the Member States and of the applicant States, and economic circles involved, were asked to submit their views on a first text. In spring 1972 the Commission will doubtless consider whether a formal proposal on the matter should be submitted to the Council. The legal concept which has been studied is an instrument for collaboration between enterprises, in particular small and medium-sized ones, which operate in the territory of different Member States and wish to pool some of their resources to achieve an objective of common interest. The grouping cannot replace forms of company law; its objective is limited to the supply of services to its members. Like all other agreements between enterprises, the grouping falls under the rules on competition of the Rome Treaty and

¹ *Supplement to EC Bulletin* 8-70.

of national laws. The rules concerning co-determination, however, do not apply here. Provisions are to be included on third-party liability.

Implementation of directives adopted

165. On 12 February 1971 the European Parliament adopted a Resolution¹ on the Commission's report on the stage reached in implementing Council Directives concerning the achievement of freedom of establishment and freedom to supply services.² The Resolution stresses in particular that the Member States should implement the directives adopted and that the Commission should supervise their proper application. The Commission continued its work in this sphere. In 1971, seven cases of infringement of the Treaty still had to be dealt with; four of these will probably be withdrawn soon because of the willingness of the Member States involved to comply with the Commission's request. During the same period, the Commission undertook six new infringement procedures.

¹ *Journal officiel* No. C 19, 1 March 1971.

² Submitted to the Council on 18 June 1970 and to the European Parliament on 26 June 1970, and published in the *Supplement to EC Bulletin* 6-70.

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

General

166. The harmonization of legislation is one of the powers conferred on the Community institutions by the Treaty of Rome as a means of establishing the Common Market and ensuring its proper working. The general and special provisions in the Treaty lay down that legislation shall be harmonized but do not define with precision what is entailed. This depends directly on the specific requirements for bringing into being the Common Market in the widest sense of the term, including the harmonization of the economic policies of the Member States. Which is to say that what is entailed is both dynamic, in the sense that it must respond to all the needs of economic integration, and limited, in the sense that it cannot go beyond the "amount necessary" for such integration.

In its first phase, corresponding roughly to the Treaty's "period of transition" and its extensions into the "definitive period", the harmonization of legislation consisted mainly of measures accompanying and complementing the elimination of obstacles to the free movement of goods, services, capital and persons, and the establishment of a system of undistorted competition: the aim was to set up the Common Market. In the second phase it is essential to ensure the actual functioning of this market (which implies the creation of a suitable legal framework) and the harmonization of the economic policies of the Member States. At this stage the intervention of Community institutions in national legal systems will still be playing a part, whilst the creation of Community law in the form of regulations or conventions takes on an ever greater importance.

This twofold action is the business of the Commission, in conformity with the Treaty rules. It concerns a large number of spheres of activity, and a description of each will be found in various chapters of this Report. It is advisable to deal here with the harmonization of legislation and the creation of European law by conventions in spheres which do not belong to any particular sector but which contribute to the creation of the legal framework necessary to the correct development of economic activity in a market which is in the process of unification.¹

¹ In the preceding general reports the Commission had published at this point a supplement to the table of the stage reached in the work done on the approximation of legislation and the creation of European law, which appeared in sec. 82 of the *Eighth General Report of the EEC*. This practice has been abandoned this year and a new, entirely updated, general table will appear later in a *Supplement to the EC Bulletin*.

It should be noted in this connection that the Ministers of Justice of the Community met for the first time on 3 June 1971 in Luxembourg. Having signed two protocols entrusting to the Court of Justice the interpretation of two conventions previously concluded on the basis of Article 220 of the Treaty,¹ they recognized the importance of preventing and sanctioning breaches of Community law, of control and assistance between Member States, and also the need to adopt speedily the statute of a European company which the Commission referred to the Council in 1970. Finally, they stressed the prime importance of a solution to the various legal difficulties which cause insecurity for economic transactors and thus affect the functioning of the Common Market.

Public law

Public works contracts

167. During 1971 a very serious gap in the working of the Common Market was repaired by the freeing of public works contracts, which as is well known represent a large percentage of trade in modern economies. On 26 July the Council drew up two directives.² One of these lifts restrictions on the free supply of services in the field of public works contracts and the other is designed to coordinate procedures for awarding these contracts.

The first directive puts into operation the principle of non-discrimination on grounds of nationality. The second attempts to find a positive solution to the problem of the discretionary powers vested in the adjudicating authorities by initiating effective competition between the enterprises of the country in which the contract is awarded and those of the other Community countries. With this in view, it organizes Community publicity for notification of tender and stipulates objective criteria for the selection of enterprises and the allocation of contracts.³ The directives are accompanied by a Council decision establishing an Advisory Committee for Public Works Contracts.⁴ This Committee, to be composed of representatives of the Member States and chaired by the Commission,

¹ Convention on the mutual recognition of corporations and legal persons and Convention on judicial competence and the execution of judgments in civil and commercial matters — See *Supplement 4/71* to the *EC Bulletin*.

² Council Directives 71/304/EEC and 71/305/EEC; *Journal officiel* No. L 185, 16 August 1971, p. 1 *et seq.*

³ *EC Bulletin* 9/10-71, sec. 29.

⁴ Council Decision 71/307/EEC, *Journal officiel* No. L 185, 16 August 1971, p. 15.

will examine, on the initiative of the latter or request from a Member State, the specific problems which are in practice bound to arise from the application of the domestic rules governing awards of contracts, now amended in accordance with Community provisions.

The question of opening to competition and the harmonization of procedures for awards of public works concessions,¹ which long held up the formulation of the directives, was temporarily resolved in a declaration by the Representatives of the Governments of the Member States, meeting in the Council.² The principles are similar to those embodied in the directive on coordination³ with a view to bringing to the notice of interested firms the contracts which the Member States propose to concede, and ensuring non-discriminatory nomination of concessionaries and competitive allocation of contracts sublet by them.

The solution endorsed is valid for three years only. At the end of this period the Commission will make proposals to the Council on setting up a definitive system of concessions for civil engineering operations in the light of the experience gained.

Public supply contracts

168. Mindful of the ever-growing share of public bodies in consumption, the Commission is concerned to open all public contracts for free bids. Logic demanded that it should extend the activities which it had just carried through in the field of works contracts to embrace the public supply contracts sector too. In 1969 it had issued, on the basis of Article 33(7) of the EEC Treaty, a directive on removing measures having an effect equivalent to quotas as regards goods supplied to public authorities. This was an interpretative and explanatory measure pursuant to Article 30 *et seq.* of the EEC Treaty. However, the diversity of the laws relating to the procedures applied by the various Member States, and, above all, the discretionary power of the administrative bodies, represent obstacles to effective competition which could not be abolished merely by the removal of the discriminating provisions which exist in the domestic rules and regulations or of certain administrative practices which are difficult to pin down.

¹ *Fourth General Report*, sec. 65.

² *Journal officiel* No. C 82, 16 August 1971, p. 13 *et seq.*

³ *Ibid.* No. 185, 16 August 1971, p. 5 *et seq.*

This explains the Commission's proposed directive to the Council on 15 March 1971 on coordinating the procedures for awarding public supply contracts examined by the Parliament and the Economic and Social Committee during the year.¹ This directive has the same aims and is based on the same principles as that issued by the Council for public works and takes into consideration the differences between the two types of contract.

Branded pharmaceuticals

169. The establishment and the working of the common market in branded pharmaceuticals rest on the assumption that restrictions on the free movement of these products are lifted and that a system is established to make sure that competitive activity is not obstructed, restricted or distorted. However, the need to take the most thorough measures to protect public health results in a serious slowdown in the decision-making process in this field. This explains why 1971 saw no decisive progress despite the advances made in negotiations.

Discussions at Council level produced the following results:

- (i) The free movement of branded pharmaceuticals cannot be expected in the immediate future, but is a long-term aim of the work in progress.
- (ii) The second proposed directive relating to branded pharmaceuticals, submitted on 24 February 1964, could be supplemented by a system to facilitate the movement of branded pharmaceuticals during a transitional period.
- (iii) This transitional period would make it possible to collect information about how legislation approximated on the basis of the first and second directives is working, and to establish close cooperation between authorities empowered to authorize the launching of products on the market.
- (iv) The proposed directive concerning the standards and procedure for the analysis and pharmaco-toxicological and clinical testing of branded pharmaceuticals should no longer come up against technical obstacles.

Moreover, the Commission observed that none of the Member States had completely complied with its obligations in connection with the

¹ *Journal officiel* No. C 40, 22 May 1971, and *EC Bulletin* 5-71, sec. 12.

Council directive of 26 January 1965.¹ Accordingly, it initiated the procedure under Article 169 of the Treaty in respect of these States, with the exception of Belgium, whose lapses do not justify such action.

Private law

European patent

170. The intergovernmental conference on the introduction of a European system for the issuing of patents, which now includes nineteen European States, continued its work in 1971.² It published a second preliminary draft for a convention, a first draft for an implementing regulation and for a regulation on taxes, as well as reports concerned with these various instruments.³

For its part, the panel of experts set up to create a Community patent limited to the Member States of the Common Market has prepared a second preliminary draft for a convention, a first draft for an implementing regulation and for a regulation on taxes, as well as reports on these matters.³ At the meetings of the working parties the Commission laid particular stress on the fact that neither European nor national patents must be allowed to endanger the homogeneity of the common market. To prevent this happening, it has arranged for the insertion of specific clauses which are of paramount importance for the free movement of products patented within the Common Market. Similarly, it stressed the need to ensure that in future common provisions will control the awards of compulsory licences attaching to European patents. After a certain date such awards should no longer be made on the basis of domestic legislation.

As the work on the two draft conventions is proceeding concurrently it may be expected that the two diplomatic instruments will be signed concomitantly, probably during the first six months of 1973.

*Insolvency law*⁴

171. The Committee of government experts, chaired by Mr Jean Noël, Counsellor at the French Cour de Cassation, has finished drawing up the

¹ *Journal officiel* No. 22, 9 February 1965, amended, *Journal officiel* No. 144, 5 August 1966.

² *Fourth General Report* sec. 70, *EC Bulletin* 8-71, Part Two, Ch. I.

³ The various drafts are available in published form from the Office for Official Publications of the European Communities in Luxembourg.

⁴ *First General Report*, sec. 88.

preliminary draft for a convention relating to insolvency, compositions and similar proceedings. This convention is a supplement to the "Convention relating to jurisdiction and the implementation of decisions on civil and commercial matters" of 27 September 1968.¹ The two conventions were prepared under Article 220 of the Treaty establishing the EEC.

The convention on insolvency presents the Contracting States with a uniform framework for international jurisdiction and makes it possible to accelerate recognition and execution of decisions made on this matter. It stipulates the divesting of the debtor of his property on the territory of all the Contracting States. This convention is governed by several principles: the principle of the unity and universality of insolvency, the principle of the convention's applicability to all persons living in the Common Market irrespective of nationality, and the principle of creditors' equality. This guarantees a rational, comprehensive and equitable procedure for insolvencies, compositions and similar proceedings. The convention established a link between the internal legislations of the Member States by setting up a uniform system of substantive rules and rules on conflicts of law.

The preliminary draft for a convention on insolvency and the explanatory report have been sent for comment to the Governments and to certain European economic bodies. The Committee of Experts will make a new examination of the draft as soon as it receives these comments.

Sureties and preferential rights

The substantial differences in the law relating to suretyships and preferential rights in the various Member States present obstacles to the granting of loans or credits outside their frontiers or at least make these operations much more difficult. These divergences moreover give rise to uncertainty as to the existence, extent and application of the safeguards needed by lenders. This situation affects the flow of capital and credits in the Community and, in a more general way, the conditions of free competition between enterprises. In order to reduce these divergences and thereby satisfy the wishes of the interested parties, the Commission has undertaken work which gives priority treatment to the question of guarantees and other forms of personal security. Different types of sureties in the form of movable or immovable property are also being studied.

¹ *Supplement to EC Bulletin* 2-69.

Furthermore, the Commission is making an appraisal of the present state of the law on State preferential rights and on public corporations, with a view to substitution, at a later date, of uniform substantive rules concerning certain categories of preferential rights for the rules on conflicts of law specified in the "Insolvency" convention.

Law relating to sales

173. The 1964 Hague Conventions establishing a uniform international law relating to sales were signed by all the Member States. At the Council of the Ministers of Justice in Luxembourg on 3 June 1971, the Member States confirmed their intention of putting these Conventions into effect.¹ At the same time two Member States and the Commission are taking part, in an observer capacity, in the work of the United Nations Commission on International Trade Law (UNCITRAL) which is investigating the possibilities of improving the Hague Conventions. As a result of UNCITRAL having decided to prepare a preliminary draft for a convention on the subject of time allowed and statute barring in international sales, the Member States of the Community have collaborated in setting out their views on this preliminary draft. Also on this subject, one Member State and the Commission were represented in the working party which met in New York in September 1971.

The Hague Conventions contain no special provisions for hire-purchase sales. According to the drafts under discussion by UNCITRAL sales of this kind should even be excluded from the scope of international sales. Accordingly, it is a field in which harmonization of legislation at Community level is amply justified, both from a strictly legal point of view to fill in the gaps in substantive law and private international law, and from the point of view of consumer protection² in a constantly developing sector. The Commission, having obtained a first opinion on this subject in discussions with the government experts is now preparing a draft directive on this matter.

Law relating to economic activities

Law relating directly to economic activities

174. There was active progress in the studies in comparative law undertaken to draw up as comprehensive as possible a catalogue of national

¹ They were ratified by Belgium in 1968 and by Italy in 1971.

² *Fourth General Report*, sec. 38.

economic rules and regulations and in further research into the problems to be solved before action can be taken to table positive harmonization measures. Reports have been prepared containing an appraisal of these domestic regulations with particular regard to their aims, scope of application, purpose, implementing procedure, administrative body competent, and sanctions in public and civil law and legal protection.

When the common features of the Member States' rules and regulations and their essential differences have emerged, practical work will begin on the approximation of legislation. As regards the need for strengthening legislative cooperation between the Member States and the Commission with a view to creating a true economic union, the conclusions reached will be of extremely practical importance. They will be part of an evolutive and coherent application of Articles 100, 101, 105 (1, para 1) and Article 102 of the Treaty of Rome under which the Commission must take preventive measures to protect the smooth running of the Common Market from new distortions of competition.

Environmental protection

175. During the period covered by this Report new progress has been made in the work on the legislative aspects of environmental protection—the fight against water and air pollution, and waste disposal. A general Community policy on the environment is being prepared at the same time as studies in several legislative fields undertaken with the cooperation of the competent administrative bodies in the Member States.

It was considered necessary first of all to draw up an inventory of rules and regulations of a compulsory nature and applicable at local, regional, Community or international level, regarding the environment, and the protection of man and his natural habitat. This inventory will be particularly concerned with legislation relating to pollution of water, air and the soil (waste).

Similarly, a working party is studying the repercussions of laws against water pollution and the effects of disparities between them on the working of the Common Market and particularly on competition conditions in the main economic sectors affected. Although the effectiveness of current laws is recognized, it has transpired that these differences between domestic laws create obstacles to the free movement of goods or cause distortions of competition. The Commission will therefore propose practical measures to eliminate such obstructions and distortions.

The working party on "Legislation in connection with the fight against air pollution" has studied the Member States' provisions concerning the drive against atmospheric pollution. In a first stage, its efforts were directed to the statutes immediately concerning polluting plant as such. The framing of proposals for positive measures is also envisaged.

The statutory provisions for waste disposal are likewise being scrutinized by the Commission services and by administrative bodies in the Member States.

Criminal law relating to economic transactions

176. Apart from the fields in which the EEC Treaty has laid down sanctions, it is at present up to the legal authorities in the Member States to ensure respect for the Community provisions. This may give rise to difficulties in effectively suppressing breaches by individuals of their obligations under Community measures. These difficulties are mainly due to the inadequacy of penal legislation in the Member States as regards the fields covered by such measures, to the differences in penal legislation between the Member States, and to the limited scope of application of their respective criminal law. The need to fill the gaps in criminal law relating to economic transactions, particularly in certain private sectors, was acknowledged by the Council at its 152nd Session and by the Conference of the Ministers of Justice of the Member States in Luxembourg on 3 June 1971. The Commission was asked to submit proposals on this subject and is at present engaged in preparing these.

Criminal law and European officials

177. A memorandum concerning the preliminary draft for a convention on the position of European officials *vis-à-vis* criminal law was communicated to the Member States at the end of 1970. It broached various technical problems, such as the nationality of the offender as the criterion determining which Member State's law is to be applied, the scope of the law as regards persons and things, and admissibility of a right of appeal for the Communities.

Early in 1971 the panel of experts from the Member States once again took up its work on the preparation of a convention relating to criminal law and European officials, on the basis of the existing preliminary draft for a convention and the considerations set forth in the memorandum.

Distortion of competition in specific cases

178. The examination of actual cases for the application of Articles 101 and 102 continued in 1971. In the course of this work two matters relating to an Italian law and an Italian draft law were examined and classified, and the study of a proposed Luxembourg law was also initiated under Article 102.

TABLE 2

**Abolition or prevention of distortions
of competition in specific cases**

Italy : Law No. 35 of 27 January 1968 on the standards for supervising trade in and publicity for olive oils and seeds	Article 101	Examination completed: no distortion
Italy : Proposed law for the reform of the retail trade	Article 102	Examination completed: no risk of distortion
Luxembourg : Proposed law for the revision of certain legal provisions governing the charging of registration fees	Article 102	Examination started in 1971

6. The effect of the Common Market on trade and consumers

The effect of the Common Market on trade

179. In 1970, as in 1969, domestic trade continued to grow in all the Community countries. The Community's retail trade turnover, calculated on the basis of national accounts' data, was 11% higher than during the previous year. The upswing in sales by retailers is typical of all the countries (Table 3).

TABLE 3
Growth of retail turnover

(%)

Years	France	Germany	Italy	Netherlands	Belgium
1967/68	9	3.5	5	7.5	6.5
1968/69	12	10	8	8	9
1969/70	10	11	13	11	7

After adjustment for price fluctuations and a comparison with the number of persons working in commerce, this increase in turnover indicates for all the countries—in differing degree, however—that real progress has been made in rationalization.

180. In most of the countries, this rationalization of the commercial apparatus is to some extent the result of the reduction in the number of businesses (Table 4).

TABLE 4
Variation in the number of businesses in 1970
compared with 1969

Country	Retail trade, all branches	Food retailing
Germany (FR)	— 2.5 to 3%	— 4.6%
Netherlands	— 2.8%	— 3.5%
France	— 1.5 to 2%	— 5%
Belgium	—	—
Italy	+ 1.5%	+ 0.6%

The phenomenon of the disappearance of retail establishments, in the main small, decrepit businesses, may be seen over the whole range of trade in all the member countries except Italy, where the number of businesses has continued to rise. From 16 000 units newly established in 1969, the corresponding figure dropped to about 12 000 in 1970. The tendency for the number of businesses to shrink is more marked in the food sector than in the other retail branches. Even in Italy, the rise in the number of sales points is relatively smaller in this sector.

Concurrently with this numerical reduction, a greater number of modern sales units with full self-service are being opened. These kinds of spacious business premises e.g. supermarkets, hypermarkets and the department stores on the edges of towns—are springing up rapidly in countries where competition between the various ways of selling is not stifled by rules and regulations. In Italy, where the rules are more coercive, the business scene is still dominated by small undertakings (Table 5).

TABLE 5
Number of businesses per million inhabitants
(beginning of 1971)

Country	Self-service food shops	Supermarket and hypermarkets
Germany (FR)	1 403	48.4
Netherlands	665	41
France	430	38.4
Belgium	315	50.2
Italy	27	9.9

Germany heads the list as far as the expansion of self-service trading is concerned: about 80% of food is retailed in this way, while 60% to 65% of sales are by self-service in the Netherland, 50% in Belgium, and approximately 30% in France. The proportion may be estimated at less than 5% in Italy.

Social strains that they are trying to alleviate by various measures have occurred in countries where the tendency to modernize is most marked. These measures are aimed either at strengthening the competi-

tiveness of vigorous small and medium-sized businesses (by means of training and refresher courses, for instance) or at making provision for the satisfactory retirement of those who have to wind up their businesses (social aid).

As it is aware of the problems caused by these changes in the structure of trade, the Commission has set up a working party of Member States' experts to compare the various national measures in force and, as far as might be necessary, to prepare coordination of some of these.

Price differences for comparable products recorded in the member countries' retail trade

181. In November 1970 the Statistical Office of the European Communities carried out a survey on the prices of goods for the private consumer (420 basic items). Comparison of all 354 items sold at the retail stage (services thus excluded) still brings out differentials for these comparable articles as between the various countries (Table 6).

TABLE 6
Differences in the prices of comparable products
in the six countries¹

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
Food, beverages and tobacco	116	102	118	100	103	104
Clothes	125	135	114	100	115	115
Furniture, household goods and appliances	108	115	100	101	106	108
Pharmaceutical and therapeutic preparations	172	106	129	115	100	105
Motor cars and spare parts	111	113	104	109	105	100
Recreation, entertainment, educational and cultural services	101	108	100	104	103	104
Other products	112	111	106	100	104	100
Total products	114	107	107	100	102	102

¹ For the method of calculation see *First General Report*, sec. 96.

The relatively small differences in the prices of the 354 products taken as a whole mask much greater differences within the individual groups: 35% in the case of clothing and even as much as 72% in that of pharmaceutical and therapeutic preparations.

The price levels also differ considerably in the case of the subcategories of certain particularly heterogeneous sectors. Thus, for example, the average difference in the "recreation, entertainment, educational and cultural" categories amounts only to 8% between the most expensive country and the least expensive. When broken down according to their various components, the differences are as set out in Table 7.

TABLE 7
Price levels in certain sectors investigated

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
Radio and sound recording equipment	100	137	111	122	123	126
Cameras and typewriters	100	120	111	121	104	104
Other semi-durable recreational goods (e.g. records, toys, photographic films)	107	106	100	100	103	103
Books, newspapers and periodicals	121	100	111	113	114	115
Total recreation, entertainment, educational and cultural items	101	108	100	104	103	104

The considerable differences in prices as between the six countries appear to show that the conditions of competition peculiar to each market have scarcely altered since the last General Report. Producers continue to follow supply and prices policies differentiated according to individual markets and adapted to the special characteristics of each domestic market. In particular, the producer must bear in mind the degree of concentration of demand in trade within each country.

The effect of the Common Market on consumers

182. The purchasing power of the consumers in the six Community countries has increased considerably since the Treaty of Rome became operative. Several indicators make it possible to measure the rise in living standards, for instance, the national accounts figures on the consumption of households, public consumption as illustrated by the improvement of road networks and improvement in the quality of products.

The first indicator, the only one considered at this juncture, shows that total expenditure by households in the Community increased threefold (+ 211 %) between 1959 and 1971—with 1958 taken as the base year. If this figure is adjusted to allow for the rise in prices, the volume of private consumption appears to have increased nearly twofold (+ 96%) over this same period. Since, at the same time, the population has risen from 170 million to 190 million inhabitants, the increase in consumption per head amounted to 167% at current prices and 72% at constant prices. This improvement in the standard of living occurred in all the Community countries. However, if reference is made to the retail prices survey carried out in November 1970, differences are still observed, with regard to comparable products, between the prices paid by the consumers in the six Community countries.

183. Comparative analysis of turnover taxes relating to a few significant products explains these differences. Taxation systems still vary from one country to the next. Italy has not yet adopted VAT and still applies the cascade system. Similarly, Belgium did not introduce VAT until 1971.¹ The VAT rates also differ from country to country. What is more, products are not regarded in the same way in all the six countries. For example, in France beverages are all taxed at the same rate, whereas in Belgium a distinction is made between spirits and other beverages.

This anomaly in taxes levied in the six Community countries produces a pronounced effect on the differences in the prices of comparable products in the Community. A normal quality radio set constitutes an example of this :

¹ Taxation rates in Italy and Belgium comprise the rate to be paid at the retail stage and the rate of compensatory tax, which take account of the incidence of taxation.

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
Tax	11%	33.3%	9.5%	12%	31%	8%
Price differences inclusive of tax	100	167	155	129	143	111
Price differences exclusive of tax	100	139	157	128	121	114

If the effect of the tax is eliminated, it is in Italy and not France that radio sets are dearest. In addition, the gap between the most expensive and the least expensive country has narrowed. But taxation is not the only explanatory factor. With regard to detergents for washing dishes in plastic containers (545 g), for instance, there are still large differences between prices exclusive of tax :

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
Tax	11%	23%	8.5%	4%	13%	8%
Price differences inclusive of tax	203	183	100	107	220	230
Price differences exclusive of tax	201	162	100	111	190	232

In addition, every market has its own structures and particular characteristics. This fact explains that a refrigerator of popular brand is cheaper in Germany than in France or the Netherlands even without taking taxation into account.

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
140 litre table-top refrigerator of popular brand (1 star)	11%	23%	9.5%	12%	21.5%	8%
Price differences inclusive of tax	100	132	103	120	112	118
Price differences exclusive of tax	100	119	104	119	102	122

Nevertheless, a definite levelling in the pre-tax prices can be observed, although it was scarcely apparent in the prices inclusive of tax.

However, consumer habits still vary from country to country; this is why German consumers, who eat relatively little bread, agree to its being dearer.

As regards bread (of the most usual types) it can also be seen that taxation sometimes accentuates the differences and sometimes diminishes them.

	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg
Tax	5.5%	7.5%	3%	4%	0%	2%
Price differences inclusive of tax	157	121	114	100	100	121
Price differences exclusive of tax	161	117	115	100	104	124

Thus, the difference between the Netherlands and German pre-tax prices is 61 %, whereas it is only 57 % after tax.

This comparison of prices with and without taxes highlights the effect of taxation on the diversity of prices.

If we endeavour to make not only a geographical comparison between price differences in the EEC but also a comparison of these differences in time, it may be seen that, in the case of certain products, there is a tendency for them to decrease even though they appear still to be great. It is possible to make this comparison only in respect of those products which have been covered in the series of surveys carried out by the Statistical Office: with a view to making the data more representative, the Statistical Office has widened the range of products and also eliminated from the November 1970 and future surveys old products which have become less significant. If comparison is made between the results of the April 1970 survey and those of November 1970, the differences in the case of food products have narrowed, particularly in respect of beef and veal and bread. This also applies to toiletry articles such as soaps and razor blades.

CHAPTER IV

TOWARDS ECONOMIC AND MONETARY UNION

SECTION A

OVERALL POLICIES AND POLICIES FOR INDIVIDUAL SECTORS

1. Economic and monetary policy

*Moves towards economic and monetary union**Decisions in 1971*

184. An account was given in last year's Report of the aims of economic and monetary union and the procedural measures by which it is to be brought about, as set forth in the Commission's proposals to the Council of 29 October 1970.¹ The proposals, consisting of one draft resolution and two draft decisions, were approved, with some amendments, by the Council.

185. In their resolution of 22 March 1971, the Council and the representatives of the Governments of the Member States "express their political will to introduce an economic and monetary union in accordance with a phased plan commencing on 1 January 1971".² The intention is that upon the completion of this process the Community shall "constitute a zone within which persons, goods, services and capital will move freely", shall "form an individual monetary unit within the international system", and shall "hold the powers and responsibilities in the economic and monetary field enabling its institutions to organize the administration of the union."

¹ *Fourth General Report*, secs. 76-80.

² For the full text of the resolution see *EC Bulletin* 4-71, Part One Ch. I.

To this end, the required economic policy decisions are to be taken at Community level, and the necessary powers vested in the Community institutions.

The resolutions goes on to say that

“powers and responsibilities shall be distributed between the institutions of the Communities on the one hand and the Member States on the other in accordance with the requirements for the cohesion of the union and the efficiency of Community action;

“the institutions of the Community shall be enabled to exercise their responsibilities with regard to economic and monetary matters with efficiency and speed;

“the Community policies implemented within the framework of the economic and monetary union shall be subject to discussion and control by the European Parliament;

“a Community organization of the Central Banks shall assist, within the context of its own responsibilities, in achieving the objectives of stability and growth of the Community.”

As progress is made towards the final objective, “Community instruments shall be created whenever necessary to take over from or supplement the operation of national instruments”.

The resolution then sets down a number of provisions concerning the first stage of the unification process, extending from 1 January 1971 to 31 December 1973. These concern, more particularly,

- (i) Reinforcement of the coordination of short-term economic policies, taking into account the guidelines of the medium-term economic policy programmes;
- (ii) Acceleration of effective liberalization of movements of persons, goods, services and capital and interpenetration of the economies, by adopting duly balanced measures on value-added tax and exise duties, harmonization of certain types of tax which could directly affect capital movements within the Community, further harmonization of the structure of company taxation, and extension of tax exemptions granted to private persons on crossing intra-Community frontiers, by adopting a directive on the issue of transferable securities on the financial market and the abolition of all differential treatment as regards placing transferable securities issued by residents of other Member States on the stock market, and by providing for progressive

coordination of the policies of the Member States with regard to financial markets;

- (iii) Regional and structural measures to reduce stress liable to interfere with the eventual achievement of economic and monetary union (the Council to decide, upon proposals from the Commission, on the measures required to make a start on tackling the most urgent problems, due account being taken of the guidelines laid down by the Third Medium-term Economic Policy Programme);
- (iv) Reinforcement of the coordination of monetary and credit policies, notably by intensifying the compulsory prior consultation in the Monetary Committee and the Committee of Governors of Central Banks, and by continuing work on the harmonization of the instruments of monetary policy (the resolution calls on the Central Banks to coordinate their policies in the Committee of Governors, in conformity with the general guidelines indicated by the Council);
- (v) Progressive adoption by the Community of common standpoints in regard to monetary relations with third countries and international organizations;
- (vi) Invitation to the Central Banks, from the beginning of the first stage, by way of experiment, to keep fluctuations in the rates between Community currencies within margins narrower than those resulting from the application of the margins in force for the US dollar, by means of concerted action *vis-à-vis* this currency (the Committee of Governors to report twice a year to the Council and the Commission on the concerted action of the Central Banks on the exchange markets and on the advisability of further measures in this connection, including in particular transition from a *de facto* to a *de jure* system, interventions in Community currencies, and repeated narrowing of the fluctuation margins between Community currencies);
- (vii) Invitation to the Monetary Committee and the Committee of Governors to draw up, by 30 June 1972 at latest, a report for the attention of the Council and Commission on the organization, functions and statutes of a European Monetary Cooperation Fund.

The resolution adds, however, that the monetary arrangements in (vi) and (vii) above, and the arrangement for medium-term financial aid, shall run in the first instance only for five years from 1 January 1971; their subsequent retention will be subject to agreement to move on to the second stage.

Lastly, the resolution notes that the Commission is prepared to submit to the Council by 1 May 1973 an assessment of progress made in the first stage and a report on the distribution of powers and responsibilities between the Community institutions and the Member States which is required for the smooth functioning of economic and monetary union.

186. The Council's decision on closer coordination of Member States' short-term economic policies¹ provides for three Council sessions per year on the economic situation in the Community, at which the short-term economic policy guidelines will be adopted on the basis of a Commission memorandum, accompanied where necessary by proposals for decisions, directives or recommendations.

The first of these sessions is to take place in the first quarter, and is to consider the policy followed in the previous year and endeavour to adapt that for the current year to the needs of the evolving economic position. The second session, in the second quarter, will chart in more detail the course to be pursued in the current year, and lay down mutually compatible guidelines for the preliminary economic budgets and target figures for the draft public budgets for the following year in advance of their final adoption. At the third session, towards the end of the third quarter, the Council, upon a proposal from the Commission and after consulting the European Parliament, will adopt an annual report on the economic situation in the Community serving to establish the guidelines to be followed by each Member State in its economic policy for the year ahead. When the Council has adopted it the report will be sent to the national parliaments so that they can take account of it in their budget debates.

187. In its decision on closer cooperation between the Member States' Central Banks, the Council calls upon these to coordinate their monetary and credit policies in the Committee of Governors, and to draw up general guidelines to be followed by each in regard to bank liquidity, credit allocation terms and rates of interest.

188. By a further decision of the same date, 22 March 1971, the Council formally agreed, on the basis of the proposals in the Commission's memorandum of 12 February 1969, and in line with the efforts to achieve economic and monetary union, to the setting-up of a system of medium-term financial aid.

¹ Decision of 22 March 1971; *Journal officiel* No. L 73, 27 March 1971.

The decision provides that where a Member State is faced with balance of payments difficulties or a grave threat of them, it may have recourse to the Community mutual aid arrangements.

Decisions to grant aid are to be taken by the Council acting by qualified majority. The individual Member States may be called upon to contribute up to the following ceilings:

	'000 000 u.a.	% of total
Germany (FR)	600	30
Belgium/Luxembourg	200	10
France	600	30
Italy	400	20
Netherlands	200	10
Total	2 000	100

The obligation on the Member States, and the system as a whole, are to be operative in the first instance for four years from 1 January 1972, with, in principle, automatic renewal thereafter at five-yearly intervals.

Decisions granting mutual aid will not only fix the amounts and terms, but will also determine economic policy undertakings to be given by the recipient State, taking into account, among other things, the guide figures of the medium-term economic policy.

The Council may also decide as to the possible mobilization of claims by creditor States finding themselves in similar difficulties.

The sums furnished under the system will be for a term of between two and five years, the participating States contributing in proportion to their commitments not yet called upon.

Any Member State pleading existing or foreseeable balance of payments difficulties of its own and/or persistently declining reserves may be exempted from taking part without more ado.

Its position will, however, remain subject to review by the Monetary Committee, and if the Commission or another Member State should consider the exemption is no longer justified, the matter will be referred to the Council, which may then, in accordance with the initial procedure, request the State concerned to join in the financing operation and fix the conditions under which it is to do so.

The decision also covers the conditions and procedures for prepayment of debts, transfer or partial transfer of claims, and mobilizing of the claims of one or more States.

189. At its session of 8/9 February the Council also adopted the Third Medium-term Economic Policy Programme,¹ to which the resolution of 22 March refers in several instances, in particular with regard to high-priority structural and regional measures and the need to bear in mind the medium-term policy guidelines in coordinating short-term economic policies.

Developments in 1971

190. The grave disarray in international monetary affairs since the beginning of May inevitably interfered very considerably with the launching of the first stage of the movement towards economic and monetary union. Its effects were, of course, most sharply felt in the field of monetary relations, not only with third countries but among the Member States.

Faced with the massive and continuing inflow of short-term capital, some Member States were obliged to take emergency action counter to the intentions expressed in the resolution of 22 March, more particularly regarding the narrowing of the fluctuation margins of the Community currencies and the foregoing of greater flexibility in rates of exchange within the Community.

Accordingly, in a resolution of 9 May on the monetary situation, the Council, while noting the Governments' determination to maintain the parities of their respective currencies, recognized it as reasonable that in some cases countries into which too much money was coming should widen their margins of fluctuation in relation to the parities in force. Following the announcement of the American package of 15 August, which included complete suspension of the convertibility of the dollar into gold and other convertible means of payment, the difficulties in the exchange markets worsened still more.

In these circumstances the Council agreed, on 19 August, that the rates against the dollar should in some countries be allowed to find their own level in a single exchange market, and in others be fixed in a two-tier market.

At the same time, it requested the Committee of Governors of Central Banks and the Monetary Committee to follow developments in the exchange markets, and submit proposals as soon as possible on modes of intervention to promote progressive reduction of the fluctuation margins as between

¹ The main lines of the draft Third Medium-term Economic Policy Programme are dealt with in detail in the *Fourth General Report*, secs. 104-108.

Community currencies, stressing that this was absolutely essential to the setting in motion of the process of economic and monetary union.

191. At the Council meeting on 19 August the Commission stated that it considered the Member States ought to be able to agree on a formula embodying the following principles:

- (a) Establishment of fixed, realistically-calculated rates of exchange to be settled between the member countries, without prejudice to a definitive decision on official parities;
- (b) Introduction of some flexibility in rates *vis-à-vis* the rest of the world, more particularly by a moderate widening of the external fluctuation margins, to an extent to be determined: the actual rates for the Community currencies should not depart from those agreed by more than 1.5%, and this margin should be progressively reduced in conformity with the Council's resolution of 22 March on economic and monetary union;
- (c) Application by all the Member States of effective instruments to ensure that a concerted policy was followed on excessive capital inflows and to contain the impact on these on internal liquidity;
- (d) Concerted intervention by the Central Banks in the exchange markets, increasingly carried out in Community currencies, pending the time when the Community has an independently-determined unit of account, to be used for a steadily increasing range of purposes;
- (e) Institution of financial solidarity arrangements designed to lead up to the establishment of the European Monetary Cooperation Fund provided for in the Council's resolution of 22 March 1971.

The Commission put these proposals into a memorandum to the Council on 10 September 1971, at the same time outlining procedures for a joint approach in the appropriate international quarters.

192. On the basis of this memorandum the Council, on 13 September, laid down as follows the principles for a common Community position in the Group of Ten and the International Monetary Fund.

- (1) The future reforms in the international monetary system must retain the principle of fixed parities, to be altered when it is evident that they are no longer realistic. This is necessary to the security of transactions and the expansion of trade, to which the Community, as the world's foremost trading entity, is particularly attached.

Satisfactory equilibrium in international payments relations in accordance with these principles can be achieved only by a differentiated realignment of parities among the industrialized countries. The realignment should cover the currencies of all the countries concerned, including the dollar, and should be so effected that the burden of adjustment is distributed with due regard for the relative economic situations and foreseeable economic trends in those countries.

(2) For the system so reformed to function smoothly, it will be necessary to take measures in regard to international capital movements. These could include limited widening of the fluctuation margins, to offset the effects of differences in interest rates, and appropriate devices to discourage destabilizing short-term capital movements.

(3) International liquidity will continue to be based on gold and, increasingly, on reserve instruments collectively created and managed at international level. This will necessitate adapting and expanding the system of special drawing rights, coupled with a gradual rundown of the reserve role of national currencies.

(4) The new international payments equilibrium can only be secured if in future all countries and organized groups of countries without exception abide by the obligations and requirements of balance of payments adjustment and conduct their internal affairs accordingly.

(5) Under the reformed international monetary system the IMF will need to be given wider powers and means of action in all the fields within its jurisdiction: the Member States will endeavour to adopt common positions in this organization.

The Council at the same time confirmed its instructions of 19 August to the Monetary Committee and the Committee of Governors of Central Banks to concentrate on devising methods for stabilizing exchange relations among the Community countries as soon as possible.

Since May of last year, then, the Council and Commission have been working pertinaciously to speed the restoration of ordered monetary conditions and to enable the Community to take a common stand in the international bodies responsible. The Commission has been playing an increasingly active part in this connection: it is now regularly represented at the meetings of the Group of Ten and of Working Party No. 3 of OECD's Economic Policy Committee, which deals specially with balance of payments questions.

193. While most of the measures planned for the first stage on the monetary side have had to be deferred in consequence of the crisis, the provisions concerning closer coordination of short-term economic policies have duly been put into effect according to schedule.

In pursuance of Article 3 of the Council's decision of 22 March 1971 on the subject, the Commission on 3 June submitted to the Council a memorandum setting out the guidelines for short-term economic policy, the main elements of the economic budgets and the guide figures for the public budgets for 1972.¹ On 15 June the Council adopted the general conclusions as to the short-term policy to be followed in the Community, subject to a reservation concerning the wording. On 19 September, in accordance with Article 4 of the same decision, the Commission submitted to the Council its draft annual report on the economic situation in the Community. The Economic and Social Committee rendered an Opinion on this on 30 September; the European Parliament, after considering the draft in detail, passed a resolution at its session of 18-22 October expressing the view that "the Commission's proposals represent a good start on the coordination of budget policies" and praising the "lucid analysis and clear-cut measures recommended."

At its meeting on 26 October 1971 the Council adopted the report, after making some amendments in the Commission's draft.²

194. The agreement reached by the Ministers and Governors of Central Banks of the Group of Ten at their Washington meeting on 17 and 18 December on a new structure of exchange rates between the currencies of the leading Western industrialized countries should make it easier to proceed with the monetary measures, internal and external, scheduled for the first stage of the establishment of economic and monetary union. At the same time, there are still a number of major decisions to be taken, aside from the pressing issues thus dealt with, in order to remedy the malfunctioning of the international monetary system. On these it is essential that the Community should adopt common positions in the international bodies concerned, and in particular the International Monetary Fund, in accordance with the principles laid down by the Council on 13 September 1971. In addition, the fluctuation margins of the Community currencies can and should be kept a good deal narrower than those provided for by the Washington agreement, viz. 2.25% on either side of the parities or middle

¹ For details of the contents of these documents see sec. 205.

² *Journal officiel* No. L 253, 16 November 1971.

rates. The Commission is submitting proposals to the Council on these various points.

The Commission raised the matter with the Council in a memorandum of 12 January 1972 on the organization of monetary and financial relations within the Community. It appended a draft resolution requiring that the rate of the lowest-valued Community currency should not exceed 2%, and that the Central Banks of the Member States effect coordinated interventions, both in the Community currencies and in dollars, to ensure that these limits are observed.

To this end it is suggested that, as part of the coordination in the Committee of Governors of Central Banks provided for in the Council's decision of 22 March, the Banks should agree:

- (a) The procedures whereby the 2% Community spread could be switched within the internationally permitted fluctuation margins;
- (b) The main lines of the intervention policies to be followed, and the procedures for holding Community currencies in their reserves alongside the various reserve instruments, subject to appropriate limits and conditions laid down in the context of a harmonization of the Central Banks' reserves policies.

The draft resolution invites the Council to agree, on the basis of a report to it and the Commission by the Committee of Governors, that further measures should be decided upon as soon as possible for the purpose of progressively reducing the intra-Community margin of fluctuation and of going over from a *de facto* to a *de jure* system.

Lastly, the resolution requires the Monetary Committee and the Committee of Governors to prepare for the Council and the Commission by 30 April 1972 a report on the organization, functions and statutes of a European Monetary Cooperation Fund.

Implementation of the Third Medium-term Economic Policy Programme

195. What with the international monetary complications and the recent acute inflation in the Community, circumstances were not exactly favourable to prompt implementation of the Council's decision on the first stage of economic and monetary union in the regional and structural sphere ("...to make a start on tackling the most urgent problems, due account being taken of the guidelines laid down by the Third Medium-term Economic Policy

Programme"). Indeed, far from this, additional, though temporary, problems were created in fields where unification had been making very considerable strides during the past decade. Thus, in the common agricultural market, stopgap measures had to be taken to cope with the situation produced by the parity changes and preserve the bulk of what had been achieved to date, and similarly integration in the matter of financial and capital transactions received a setback from the highly disparate arrangements adopted by Member States to deal with the inflows of liquid funds from abroad.

As the Third Medium-term Economic Policy Programme made clear, the much-needed restoration of more balanced conditions in the Community countries, against a background of reorganized international trade relations, is pretty sure to pose difficult problems of adjustment, more especially in regard to employment and to the pattern of the regional economies.

Accordingly, the Community institutions have been stepping up their activities in two directions:

- (a) By furthering the integration of the economies of the member countries so that enterprises can take their place more satisfactorily in the enlarged market, in particular by bringing national rules on competition more into line with the needs of a Community market, framing legal machinery which will afford scope for enterprises to expand their operations within the Community, and formulating conditions for the award of public contracts;
- (b) By coordinating the Member States' efforts to stimulate the growth of new economic activities through their regional and employment policies, and giving the combined backing of the Community to the solution of certain problems of common interest.

The remodelled European Social Fund is unquestionably a most valuable weapon for assisting the adjustment of the labour force to changing conditions and promoting full employment. In addition, the Commission has submitted to the Council proposals for securing more rational distribution of activities and reducing excessive disparities in earnings in the Community as a whole, and in particular for action to be taken in the most poorly-off agricultural areas and for the structural reform of agriculture generally. It has also set forth its proposed outlines for an active employment policy in its First Guidelines for a Community Social Policy. That the Community should give top priority to the concerted formulation of such a policy is also stressed, moreover, in a memorandum on the subject from the Italian Government to the Council.

Now it is no easy matter to carry out a structural improvement policy. Success depends quite as much on convergent overall medium-term strategies as on consistent, properly-thought-out application of individual measures.

The Commission shares the view expressed by the European Parliament in its Opinion of 1971 on the Third Medium-term Economic Policy Programme, that it is necessary to prepare such a strategy and to engage in dialogue on these matters with the two sides of industry.

For its own part it considers that the best way to set about this would be to strengthen the credibility of Community-level action, in particular by seeking:

- (a) To define more precisely the specific functions of the Community as such in regard to the development problems arising in the member countries;
- (b) To obtain more coherent and efficient utilization of the Community's present financial assistance;
- (c) To induce the member countries to take real and effective account of the Community dimension in their national development policies.

To make concrete progress on these is especially important inasmuch as upon it largely depends the success of the scheme for the phased establishment of economic and monetary union.

Overall policies

The economic situation in 1971

International background

196. In the world at large, general business conditions in 1971 were indifferent, with expansion sluggish and marked inflationary trends persisting; there was a distinct slowdown in the growth of world trade, while at the same time international monetary relations were repeatedly thrown off balance by waves of speculative activity.

In most of the industrial non-member countries economic performance in the first half of the year was poor indeed: in the United States in particular business picked up only very slowly out of recession, while in Britain, Japan and the Scandinavian countries activity was more or less

stagnant. The position improved in several of these countries in the second half-year, but any benefit to world trade was largely nullified by the uncertainty resulting from the American Administration's package of monetary and trade measures of 15 August.

These marked a milestone in the efforts to check the speculative movements of short-term capital which kept occurring in 1971 by reason of the loss of confidence in the dollar, the United States' external payments position having been eroded by a sharp deterioration in the balance of operations on current account and a very substantial increase in outflows of capital.

Although a certain lull set in after 15 August, the international money markets remained intensely uneasy until mid-December, when the Group of Ten reached agreement on a new structure of exchange relations between the currencies of their countries.

Overall, the Community's exports to the non-member countries rose only in very limited measure in 1971, whereas imports of capital from abroad were exceptionally large, despite repeated efforts by the authorities in the Member States to stem the influx of short-term funds.

Economic situation in the Community

197. The economic situation in the Community changed sweepingly in the course of 1971. Whereas at the outset the economy was still very buoyant in all the member countries except Italy, with production soaring, costs and prices under strain, employment high and the external trade gap lessening, conditions eased more and more during the months that followed. Toward the close of the year, production was levelling off, unemployment on the increase, and imports declining; only in France was production continuing to climb. At the same time, even though there was no longer an excess of demand over available internal supply, there was still no sign of any real slowdown in the upward movement of consumer prices, nor, in most countries, in that of wage costs, the effects of which on sale prices and financing margins were being the more sharply felt as productivity gains were contracting very appreciably.

The slower pace of expansion from the spring onwards is clearly apparent from the annual growth rate for gross Community product, namely 3.5%, compared with 5.6% the year before. This growth rate for gross national product fell in all the member countries, in Germany from 5.4% in 1970 to 3% in 1971, in Italy from 5.1% to 1%, in Belgium from

6.1% to 3.5%, in the Netherlands from 5.6% to 4% and in Luxembourg from 3.5% to 0.5%, with only France managing to keep its rate high, at 5.5%, compared with 6% in 1970.¹

Notwithstanding the considerably slower growth of capital spending, resulting in a shift towards consumption in the pattern of end demand, the rise in the standard of living was affected by the business downturn: the real increase this year in private consumption per head of population in the Community was only 4.5%, though it should be noted that the 6% increase recorded in the two preceding years was unusually high.

The production slowdown has had a certain impact on the employment market, but, so far, only a very limited one. Such rise as there was in unemployment during the year was slight; the downward trend in the number of unfilled vacancies did, however, become rather more marked towards the end of the year.

As already mentioned, the rise in costs and prices was not greatly affected in 1971 by the slackening in business activity: in fact, consumer prices went up faster than ever before, by 5% (on the national accounts reckoning) for the Community as a whole. In some member countries the rise was steeper still, and in none of them was it less than 4%.

The external balance of the Community countries was severely shaken during much of 1971 by the enormous inflow of short-term capital. Only from mid-August, thanks to the new exchange arrangement and controls on capital movements, was the flow to some extent checked, and even so funds have still been coming in off and on, particularly to France and the Netherlands.

Against this background, the variations in the Community's balance of trade and balance of current transactions appear relatively inconsiderable. The surplus on current account showed a certain downward trend until the early autumn, but to judge by the movement of the balance of trade this no doubt petered out by the end of the year.

Mainly by reason of the flood of short-term capital, the gross gold and foreign exchange reserves (including drawing rights and net IMF position) rose by 7 800 million units of account in the first eleven months of 1971. The Community's reserves thus underwent an exceptionally large increase for the second year running.

¹ The 1971 figures are provisional estimates, rounded to nearest unit or half-unit.

*Short-term economic policy in 1971**Moves by the Community institutions*

198. Starting in 1971, the Community institutions' work on short-term economic policy has been conducted on the lines laid down in the Council's decision of 22 March 1971 on closer coordination of the short-term economic policies of the Member States.

On 3 June 1971 the Commission submitted to the Council a memorandum to serve as a basis, in accordance with Article 3 of the decision, for charting the course to be pursued in the current year, establishing mutually compatible guidelines for the main elements in the preliminary economic budgets, and indicating guide figures for the draft public budgets, in advance of their final adoption, as to the type and size of the balances and the ways in which they are to be financed and utilized.

In this, the Commission, after noting that in the light of the estimates in the preliminary economic budgets for 1972 it must be the first concern of all the Member States to stem the rise in costs and prices, expressed the view that, in order to restore stability, economic policy and the attitudes of the two sides of industry should be such as to enable the upward movement of prices to be progressively reduced by the end of 1972 to a mean annual rate of 3-3.5% and that of wages to be kept within a mean annual 6-7%. To this end it was desirable that for the time being monetary and credit policy should be managed more restrictively, and that in the field of public finance the Member States should do their utmost to balance their budget spending, or at least reduce the deficit, in 1971. In 1972 any increase in public expenditure should not exceed the expected nominal growth in gross national product. In the case of Italy, however, the application of these guidelines would depend on whether business conditions returned to normal and a satisfactory level of capacity utilization was achieved.

The Commission at the same time supplied the Council with the necessary dates for it to deliberate on the main elements in the public budgets.¹

The Council endorsed the general conclusions of the memorandum.

199. In the second stage of the procedure for closer coordination of short-term economic policies, the Commission submitted to the Council its draft annual report on the economic situation in the Community, containing the economic policy guidelines for 1972.

¹ Sec. 205.

The draft embodied the guide figures for prices and wages set forth in the memorandum of 4 June. The Commission made the point that for these levels to be achieved without detriment to the rate of growth the economic and social policies pursued in all the member countries would need to be supported by the two sides of industry. It was necessary therefore that the latter should realize the importance of slowing the pace of the price and wage trend, and be prepared to moderate their attitudes and claims in order that the quick gains obtainable under inflation should not be too radically affected later by the measures that would inevitably follow to redress the economic situation.

As to regulation of demand, the Commission argued strongly for continuing caution in the matter of liquidity policy in the immediate future and for the restriction of any increase in public spending to somewhere round about the foreseeable nominal increase in gross national product. However, in view of the business uncertainty which was resulting from the disarray of the international monetary system and the hampering effect on international trade of recent actions by the United States and others, it urged as a first priority that the instruments of budgetary policy be rendered more flexible and an armoury created for use in the event of a radical change in the business situation.

It then set out the general guidelines for the individual member countries; special allowance was made for the present highly exceptional state of the Italian economy. The budget guide figures, as finally adopted by the Council, were as follows:

	Increase in expenditure 1972	Net balance to be covered ¹
Germany (FR) (<i>Bund and Länder</i>)	7.5-8.5%	DM. 6 000 million deficit
France	9%	In balance
Italy (State and regions)	11-12%	Lit. 2 500 000 million deficit
Netherlands	under 10%	Fl. 1 500 million
Belgium	10-11%	Bfrs. 55 000 million
Luxembourg		Lfrs. 1 500 million

¹ This does not tally exactly with the corresponding item shown in the member countries' draft budgets themselves as the total budget from which it is calculated is differently defined (for reasons of comparability) from those in the member countries.

200. The Council adopted the Annual Report on the Economic Situation in the Community at its session on 26 October 1971, with a few amendments to the Commission's draft. These mostly further underscored the need, in view of the danger of recession, for the establishment of a range of standby measures for emergency use in the event of a major turnaround in business conditions.

The guidelines thus laid down by the Council can be adapted to the demands of the evolving economic situation when the matter next comes up for consideration in the first quarter of 1972, as prescribed by Article 2 of the decision of 22 March 1971.

Action in the Member States

201. In all the member countries except Italy, where business was slack throughout the year, the authorities' chief concern during most of 1971 was, as before, to combat rising costs and prices. Practically all the Governments had to make efforts to regulate demand to some extent through their credit and public finance policies. In some cases there were spot-checks or supervision of prices. In the second half of the year a rather less restrictive course was pursued, by and large, in both budget and monetary policy, several countries modifying their direct price regulation arrangements. The following account is intended to give a general picture of the main outlines of the policies adopted.

202. As concerns credit, most of the member countries at the beginning of 1971 were still taking the same restrictive lines as they had done in 1970 to deal with the inflationary stresses. In Germany the principal means employed was stringent control of bank liquidity, and in the Benelux countries a credit ceiling system; in France on the other hand this weapon had been discarded in October 1970 and, in the interval before new arrangements for regulating bank credit, by a system of reserve coefficients applying both to deposits and to loans were introduced in April 1971, lending to firms and private individuals increased sharply. In Italy, in face of the depressed state of business, the monetary authorities early in 1971 adopted a "cheaper credit" policy, the rate for advances on securities being cut in January from 5.5% to 5%.

However, in Germany and Benelux, the strict control of internal liquidity creation did not have the hoped-for restraining effect, owing partly to the inflow of short-term capital in consequence of the differences in interest rates as compared with non-Community markets, and partly,

later, to speculation on possible alteration of the rates of exchange. Accordingly, even before May, the Central Banks of the Community countries had lowered their discount rate in order to bring short-term interest more into line with that on the Eurodollar market in particular. After May, the suspension of intervention in the exchange markets at the internationally agreed floors and ceilings, and/or stricter controls on imports of foreign capital, brought a considerable slowdown in the influx of funds from abroad, and even some exporting of short-term capital, as in the case of Germany.

From mid-August this aspect of monetary policy came still more to the fore in all the member countries, so that money supply was less and less affected by external considerations. Bank rate in the several countries was progressively reduced, and short-term interest rates went down likewise. This policy, originally intended mainly to provide an extra means of limiting the appreciation margins of the rates of exchange, came increasingly to be focused on the internal state of business, as witness the relaxation of hire-purchase terms and suspension of the credit ceiling system in Belgium in September and the reduction of the minimum reserve ratios by the Bundesbank from 1 November. In the Netherlands, however, the ceiling system continued in the second half of 1971 on more or less the same lines as before.

203. The actual increases in total budget volumes in 1971 appreciably exceeded the estimates. In France the higher expenditure budgeted for was in fact covered by extra tax receipts and cancellations of appropriations, so that the budget itself remained in balance, but since it was necessary to draw on appropriations from previous years, and in particular on resources frozen in the Economic Contingency Fund, the result as regards budget management overall will show as a sizable deficit. French public finance policy, then, appears to have been expansionary in tendency. In Germany, generally speaking, a restrictive approach was maintained for most of 1971. The 1971 Federal budget did show a slight increase in the borrowing requirement (DM 3 900 million) over 1970, but the actual deficit will probably be round about DM 1 000 million, thanks to curbs on expenditure and extra tax revenue; the *Länder* too were asked to prune their spending.

In the Netherlands the rise in public spending was some way above that budgeted for, and consequently the borrowing requirement is likely to work out appreciably larger than estimated.

In Belgium budget policy was kept restrictive during the first half of the year, but then took an expansionary direction, with higher expen-

diture on welfare and on civil service salaries, and larger amounts committed for public works schemes. Consequently, the financing requirement will be found to have been greater than in 1970.

In Italy budget policy was aimed throughout the year at keeping up the level of economic activity: in particular the authorities took steps to expedite the allocation and disbursement of funds for capital projects, and there was also a sharp leap in capital spending by state-controlled enterprises.

Instruments for coordinating short-term economic policies

204. Following the Council's decisions on economic and monetary union, the activities of the various Advisory Committees were replanned in line with the new procedures instituted, which provide, apart from the time needed to prepare the documents, for practically continuous concertation in committee or in Council on the main lines of short-term economic policy. In addition, the erratic course of the monetary crisis made it necessary to maintain even closer contact than usual between the Community institutions and the Member States.

Despite this intensive concentration on matters of immediate urgency, work continued unabated on the improvement of the evaluation, forecasting and decision-making apparatus. The Monetary Committee updated its 1962 study on instruments of monetary policy. The system of indicators tried out by the Short-term Economic Policy Committee and the Monetary Committee as a means of pinpointing and helping to analyse particularly dangerous combinations of circumstances was overhauled, various improvements being made and additional indicators incorporated concerning possible imbalances within the Community.

Meantime the preparations were completed for carrying out Community consumer surveys, the first of which is planned for April 1972.

Work also proceeded on the construction of METEOR,¹ the Commission's model for studying the impact on the Community and the member countries' economies of major variations in basic economic factors in a particular member country or in important third countries. A preliminary version of the model has been used to conduct certain research and forecasting work in connection with the international monetary crisis.

¹ *Modèle européen de transmission économique et d'opération de rééquilibrage.*

Budget policy

205. In contrast to the previous year, when the Commission's work on the coordination of the Member States' budget policies was primarily medium-term, being carried on in conjunction with the preparation of the Third Medium-term Economic Policy Programme, in 1971 it was primarily short-term, in the context of the Council's decision of 22 March on closer coordination of the Member States' short-term economic policies.

This decision requires the Commission to propose to the Council at the second session on the economic situation in the Community, held at the end of the second quarter, guide figures for the draft public budgets in advance of their final adoption. The Commission, after consulting the Budget Policy Committee on the trends in the total budget volumes, therefore submitted to the Council session of 15 June calculations as to the approximate distribution and size of the balances to be aimed at, given the economic hypotheses at present adopted, in the central authorities' budget management in 1972. The Council agreed to these guide figures, and recorded its approval in the minutes of the session.

The guide figures for the balances in the public budgets were recapitulated, with supporting particulars, in the passages on budget policy in the annual report on the economic situation in the Community which the Commission laid before the Council on 15 September for its third meeting on the subject under the decision of 22 March. The Council, after noting the Opinion of the European Parliament, approved these passages, with a few amendments not affecting their substance, at its session of 26 October. The Commission has thus, with the help of the Budget Policy Committee, begun to discharge the new and more active functions assigned it by the decision of 22 March in regard to the short-term coordination of the Member States's budget policies.

206. To facilitate this coordination in the future it might be necessary for changes to be made in some countries' usual time-tables for the preparation of the draft budgets by the Governments. The Commission is going into this matter, on which it is consulting the Budget Policy Committee.

The Commission is also having technical studies carried out to clarify the relations between the national accounts statistical concepts used in drawing up the economic budgets into which the guide figures for the public budgets have to be incorporated, and the public accounting concepts in which these guide figures have to be expressed. Assistance is being given by the Working Party for the Comparison of Budgets.

207. In addition, the Commission is going ahead with various longer-term activities. It arranged for the Working Party on Public Finance Projections to recast the projections for 1970-75 prepared last year, and now overtaken by the subsequent political decisions and recent developments in the economic situation; it plans later to go into greater detail in these studies.

With the help of the Working Party for the Comparison of Budgets, the Commission continued the work already begun to help ensure that the general principles of the new European system of integrated economic accounts are as far as possible uniformly applied by public administrations throughout the Community. The Working Party drafted and recommended to the Member States standard principles for drawing the dividing-line, both at central and at local government level, between the public sector and the household and private-enterprise sector.

208. In connection with the work of the Budget Policy Committee, the Commission organized a seminar on Rational Budgeting, held in Paris on 18/19 May by courtesy of the French Government. Those present included, in addition to the members and deputy members of the Committee, some thirty experts mostly from the national civil services. Descriptions were given of experience in the Member States with planning and programming of budget systems (PPBS), cost-benefit analysis and efficiency control.

209. In pursuance of the Council's decision of 21 April 1970, the Commission for the first time prepared multiannual Community budget estimates for 1972-74, which it submitted to the Council after the Budget Policy Committee, in accordance with the same decision, had rendered its opinion on them at its meeting on 6/7 September 1971.

*Developments since the adoption of the Third Medium-term
Economic Policy Programme*

210. The events of 1971 naturally to some extent influenced the movement of the indicators selected for the medium-term guide figures in the Third Programme. The aberrations as regards growth and employment in 1971 were not in themselves such as to endanger the achievement of the targets right through the Programme, but the rise in international and in internal prices was well above that postulated as a working hypothesis for the former and a target for the latter. As concerns the growth of world trade, it would not appear that the various decisions which culminated in the realignment of parities greatly affect the hypothesis em-

ployed in the Programme, which was in any case in rear of the latest trend. On the other hand it could be that the new conditions will cause changes in the pattern of trade flows. At all events, the target of 1% for the external net balance for the Community as a whole should now be regarded as an upper limit.

Accordingly, the Commission embarked, at the end of 1971, on a preliminary revision of the Programme's "compatible guidelines" in the light of these various considerations.

2. Regional policy

The organization of Community instruments

211. In a memorandum to the Council of 28 May 1971, the Commission made two proposals for regulations on common measures of regional policy in the priority agricultural regions;¹ the Commission also urged the Council to take an overall decision as soon as possible on regional policy measures in the Community on the basis of its proposal of October 1969. On 20 October 1971 the Council devoted a meeting to regional policy problems at which the proposals were discussed as a whole, but no conclusions were reached.

212. During 1971, however, the Council defined its position on these problems on three occasions.

In its resolution of 22 March 1971 on the establishment by stages of economic and monetary union,² the Council and the Representatives of the Governments of the Member States recognized the role of and the need for a common regional policy in the following terms:

“In order to bring about a satisfactory growth rate, full employment and stability within the Community, to correct structural and regional imbalance therein ... the Council and the Representatives of the Governments of the Member States express their political will to introduce, during the next ten years, an economic and monetary union” and have decided among other things, that the principles laid down by them should apply to “the structural and regional measures called for in the context of a Community policy possessing appropriate means, so that these, too, may contribute to the balanced development of the Community, in particular with a view to solving the most important problems ... In order to achieve these objectives, the Council and the Representatives of the Member States have agreed to initiate, as from 1 January 1971, a number of measures to be carried out during a first phase lasting three years... In order to reduce, by taking action in the regional and structural sphere, any tensions which might jeopardize the timely achievement of economic and monetary union, the Council shall decide, on a proposal of the Commission, on the measures required to provide an initial solution

¹ *Journal officiel* No. C 90, 11 September 1971.

² *Ibid.* No. C 28 March 1971.

to the most urgent problems, due account being taken of the guidelines laid down by the Third Medium-term Economic Policy Programme, in particular by making available to the Community the appropriate means under the Treaties currently in force."

Secondly, the Third Medium-term Economic Policy Programme, adopted by the Council on 8 February 1971 on the Commission's proposal, states that a "balanced development of the Community requires that the responsibility of the Member States should be supplemented by Community responsibility for a number of regional problems of common interest. The points to be given priority are:

- (i) The problems posed by the considerable backwardness of certain large, less developed peripheral regions;
- (ii) The difficulties that may result directly from Community integration in frontier regions, for example;
- (iii) The regional impact of the principal common policies (and especially of the common agricultural policy), which must be coordinated with a regional policy aimed at promoting economically healthy activities in the regions affected by the trend in agriculture;
- (iv) The problems posed by changes appreciably affecting the economic potential of certain regions, in particular as a result of the decline of a dominant economic activity in the region."

Thirdly, the Council resolution concerning new guidelines for the common agricultural policy, adopted on 25 March 1971, provided, in the chapter devoted to the concerted development of the common agricultural policy and of the other common policies, that "rapid progress must be achieved with other Community policies, especially as regards economic and monetary union, regional policy and social policy. Progress in these spheres would substantially contribute to the achievement of agricultural reform. In particular, the Council agrees that Member States and the Community will set up a system of incentives to regional development, encouraging the creation of jobs, notably in regions with surplus farming population."

213. The Commission's proposals of 28 May 1971, then, refer to concrete measures to implement its proposal of October 1969, and are meant to provide the means necessary to start solving the problems of economic development of regions where farmers who have become redundant must be transferred to other branches of economic activity; in its proposals, the

Commission further calls for the creation or development of a number of new infrastructures and activities.

These are the regions where economic activity has up to now been largely focused on agriculture, where agricultural productivity is lowest, and where modernization of structures involves large-scale redeployment of labour. The number of jobs that should be made available in these regions for farmers of an age suitable for new occupations may be estimated at about 300 000; to this must be added the re-employment of persons whose occupation depends on traditional forms of agriculture that will be subject to continuous change, including craftsmen, persons employed in semi-industrial branches, or persons employed in 'commerce. The task to be accomplished is even more formidable in regions already suffering from structural underemployment and unemployment. These aspects indicate the scope of the measures which Member States and the Community will have to take. Instead of acquiescing in migration of the population towards already overcrowded areas, the Community must encourage investments in regions where growth points should be created. Such action will also help to improve the living conditions of the population, in accordance with the Preamble to the Treaty of Rome, which specifies this as an objective of the Community.

The Commission, after consulting the Standing Regional Development Committee and the Standing Committee on Agricultural Structures, is to demarcate the priority agricultural regions for which the proposed measures are meant, on the basis of the following criteria:

- (i) percentage of the working population employed in agriculture above the Community average;
- (ii) gross domestic product per capita at factor costs below the Community average;
- (iii) percentage of the working population employed in industry below the Community average.

214. In accordance with the 1969 proposals, the Community's measures should form part of coherent and substantial programmes or operations to develop the region in question. The Community will take two types of measures:

- (i) Measures for conversion in the form of premiums, granted by the Community, of 1 500 u.a. per job created and filled by a farmer or a direct descendant of a farmer leaving agriculture. An amount of 250 million u.a. for five years will be earmarked for this purpose

from the Guidance Section of the European Agricultural Guidance and Guarantee Fund.

- (ii) Financial measures for regional development consisting of a reduction of not more than three points, for a period of twelve years, of the interest on directly productive investments or on infrastructures in the priority regions as specified in the Third Medium-term Economic Policy Programme. The proposal for a regulation of 28 May 1971, implementing the proposal of October 1969 on the setting up of a Regional Development Rebate Fund, specifies that this Fund, for which it defines the operating procedure, should be assigned, for a period of five years, a budget of 50 million u.a. per annum, i.e. 250 million u.a. for five years. The Commission considers that during this period the money should mainly be used for development of the priority agricultural regions.

215. Just as the proposal of October 1969 had required consultation of the European Parliament and the Economic and Social Committee,¹ the Commission obtained an Opinion from these two institutions on its proposal of 28 May 1971.

The Council procedure for examining the Commission's proposals took the following course. During its discussions of 26 October 1970, the Council instructed the Committee of Permanent Representatives to present a report on which the Council could take decisions in the matter. On the basis of this report, which dealt with the proposal for a decision of October 1969 as well as with the proposals for a regulation of May 1971, the Council began a new thorough examination of the instruments of the common regional policy on 20 October 1971. The differences between the positions of the Member States, particularly regarding the role of the Standing Regional Development Committee and its place among the European institutions, as well as regarding the scope and expediency of the new instruments, could not be sufficiently reduced to enable the Council to take concrete decisions in this sphere to implement the political resolutions adopted in preparing the plan for economic and monetary union and the programme for structural reform in agriculture.

In view of the development of the economic situation in the regions concerned and in the Community as a whole, measures to body forth a

¹ *Journal officiel* No. C 65, 5 June 1970, and No. C 108, 2 August 1970.

common regional policy are urgently necessary. Accordingly, the Council should overcome these difficulties soon, as it expressed its intention of doing at its session of 20 October 1971.

Regional development studies

Study of regional development in the Community

216. The formulation and application of a regional policy at Community level presuppose a knowledge of the situation in and development of the regions. For this reason, in 1969 the Commission presented in an Annex to the Memorandum on Regional Policy in the Community, an analysis of regional development in the Community which gave a first overall view of regional structures and the changes that had taken place for 40 regions and 19 main geographic areas of the Community.

The analysis for 1971, which has just been published by the Commission, not only brings this first report up to date but also extends its scope to cover 100 basic regions of the Community. The document gives a thorough examination of the situation and trends in the regions of the Community by examining, in three chapters, the development of population, employment and regional product. It enables those responsible for regional policy to follow, at an administrative level of particular importance to them, the major structural changes which have taken place in the Community and to grasp the full scope of problems arising from these. The document is also addressed to certain regional circles, which will be able to view their areas in the context of the Community as a whole and assess the efforts required from the Community to implement the necessary adjustments. Thus, this work directly supports the measures which the Commission proposed to implement by its initiatives of 17 October 1969 and 26 May 1971.

217. Despite the gaps in and shortcomings of statistical method, important conclusions may be drawn from the analysis of 1971 as regards the general trends of regional development in the Community, and particularly as regards the question of the extent to which the structural differences have diminished.

As regards the product or income per head, for instance, a first examination shows that in three countries, Germany, Belgium and the

Netherlands, the regions with the lowest levels have, over the period under discussion, experienced a growth rate higher than the high-level regions. On the other hand, the growth rate of low-product regions in France and Italy has been lower than that of the other two groups of regions. Although in certain Italian regions the product per capita has come closer to the national average as a result of the slowdown in population increase and especially of large-scale emigration, Southern Italy has, on the whole, hardly been able to improve its economic position.

The role played by the human factor, briefly touched upon above, is discussed at some length in the chapters on employment and population.

The various results obtained show, in particular, that the 45 regions in which the increase in employment in the secondary and tertiary sectors has not been big enough to compensate the decrease of employment in the primary sector include almost all the agricultural regions of the Six. These regions may broadly be divided into three main geographic areas situated at the periphery of the Community: in the western part of France (8 regions), in the south and east of Italy (14 regions), and in the north and east of Germany (5 regions). A fourth area, consisting of the Grand Duchy of Luxembourg, the Belgian province of Luxembourg and the Regierungsbezirke Trier and Koblenz, lies at the geographic centre of the Community but outside the major industrial and commercial centres. In the 14 remaining regions of the group, the decline in the primary sector has coincided with a reduction in employment in the secondary and/or tertiary sectors.

On the other hand, the 55 regions where the level of employment showed a favourable development during the period covered by the analysis are all semi-industrial and industrial regions.

The overall decrease in employment in the regions of the Community has mostly resulted from large-scale migration which has not been compensated for in any way. Thus, for the agricultural regions of the Community taken together, the non-weighted) net migration average was negative (-0.206) and for the other two categories of regions it was positive (0.285 and 0.339).

Consequently, it is not surprising that the share of the agricultural regions in the overall population of the Community fell from 27.1% in 1955 to 25.3% in 1969, while that of the semi-industrial and industrial regions has clearly risen.

General and special studies

218. Apart from the studies made by the Commission's departments, some research institutes were commissioned to carry out general studies on the regional implications of policies pursued in certain sectors, especially as regards changes of agricultural structures. Furthermore, studies on the development of certain regions have been undertaken at the request of and in cooperation with Member State Governments.

On the basis of these studies the Member States, in cooperation with the Community where required, will formulate measures of regional policy.

Under its programme of general studies, the Commission continued its work on the analysis of relaxation and health requirements as a factor in regional development creating jobs and putting agricultural land to new uses. The Commission has further elaborated a method of dividing regions into various categories so as to facilitate the study of the structural and socio-economic situation and development of the Community's agriculture.

The research institute given the task of carrying out a preliminary study of redevelopment and readaptation measures in the Community textile industry presented its report to the Commission; the analysis of the situation and the problems posed by reorganization could provide a basis for working out regional and social measures to facilitate the necessary changes.

At the request of Member State Governments, special studies were carried out on the development prospects of the Friuli-Venezia Giulia region and the Westmünsterland-Grafschaft Bentheim/Twente-Oost Gelderland frontier region. At the moment, the findings of the studies and the ways in which the Community could contribute to implementation of the measures proposed in them are being examined.

The institute commissioned to carry out a study of the economic development of northern Belgium has submitted its first reports; the study should be completed in 1972.

At the request of the French Government and with its cooperation, the Commission is participating in studies of the Aquitaine region to find out what concerted information and promotion policy should be pursued there, and to determine the conditions for the development of Verdon as an industrial centre and port. The Commission has further decided to participate in a number of other projects: a preliminary study for the building of an industrial area round an airport near Bordeaux,

research for an economic activity scheme in Brittany, and a survey of the possibilities of setting up maintenance and service companies in the West Atlantic area.

Under Article 46(4) of the ECSC Treaty, the Commission received in the course of 1971 the first results of studies financed in 1970 in support of measures taken by the French authorities for the industrial conversion of the Centre-Midi coalmining areas; these results concern the following aspects of the studies:¹

- (i) Search for new industrial activities for the central workshops of the Cévennes collieries;
- (ii) Employment and vocational training problems in the Alès region;
- (iii) Survey to explore possibilities of attracting new industries in the Albi-Carmaux region (Tarn).

Harmonization of national and common policies

219. In the coal sector, Decision No. 3/71/ECSC² entitles the Commission to authorize the Member States to grant financial aid to the Community's coalmining industry. Under Article 2 of this decision, the Member States have to provide the Commission each year with data on the reasons and scope for financial aid measures planned for the following year.

In order to make these data comparable, the Commission, after consulting the Council on 26 October 1971, adopted a decision³ implementing Decision No. 3/71/ECSC. Under this decision Member States, when providing the above information, are also to give the Commission data on regional problems and employment in the coalmining regions.

In the social sector, the Council adopted on 8 November 1971,⁴ an implementing regulation to the Council decision of 1 February 1971⁵ relating to the reform of the European Social Fund. Under this regulation, aid from the Fund may be granted in particular to projects intended to solve the problems in regions where slow development or the decline of

¹ The titles of these studies will be found in the *Fourth General Report*, sec. 116.

² *Journal officiel* No. L 3, 5 January 1971.

³ *Ibid.* No. L 13, 17 January 1972, Decision 65/72/ECSC.

⁴ *Ibid.* No. L 249, 10 November 1971.

⁵ *Ibid.* No. L 28, 4 February 1971, p. 15.

the chief activities maintains a serious and persistent imbalance of employment.

As regards Article 80(2) of the EEC Treaty, the Commission, in the course of multilateral meetings, has informed the Member States of the criteria for application of this Article with due allowance for problems of regional development.

As regards aids for regional development, the Commission informed the Council on 23 June 1971 of the principles it will apply, in carrying out the tasks assigned to it by Article 92, to the aids in force in the central regions.¹

One of these principles, to which the Representatives of the Member States meeting in the Council expressed their political will to conform in a resolution adopted on 20 October 1971,² emphasizes that the amount of regional aid should in each case depend on the nature, gravity and urgency of the regional problems to be solved. The specifically regional problems to be discussed by the Standing Regional Development Committee, provided for by the proposal of October 1969, should make it easier for the Commission to evaluate this necessary relation between the amount of aid granted and the importance of the problems involved.

Creation of new activities and means of regional development

Redevelopment

220. In the course of 1971, twice as many projects were dealt with under Article 56(2)(a) of the ECSC Treaty as in the previous year, while the amount of loans granted quadrupled.

The number of requests received by the Commission from Member Governments in 1971 was half that of the preceding year: 12 requests in 1971 as compared with 24 in 1970. The 12 projects of 1971, however, helped to facilitate the investment of loans amounting to 350 million u.a. as compared with about 237 million u.a. in 1970.

The mechanical engineering sector was the one which received most Commission help in 1971; the remainder was spread over a very wide range of sectors.

¹ See ch. III, sec. 2.

² *Journal officiel* No. C 111, 4 November 1971, p. 1.

TABLE 8
Loans granted per year and per country

Country Schemes : (number) amount of loan in million u.a.	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total (per country)
<i>Germany (FR)</i>	—	—	—	(1) 0.620	(1) 0.375	(3) 2.800	(5) 6.783	(8) 18.264	(6) 9.468	(5) 5.847	(14) 27.959	(43) 72.116
<i>France</i>	(1) 0.073	(1) 0.333	—	(1) 1.985	(1) 2.532	—	(5) 5.823	(4) 9.870	—	(5) 7.771	(12) 35.271	(30) 63.658
<i>Netherlands</i>	—	—	—	—	—	(2) 1.691	(6) 11.918	(2) 2.817	(6) 4.750	(5) 1.855	(9) 15.931	(30) 38.962
<i>Italy</i>	(1) 0.320	—	—	(1) 15.000	—	(7) 2.832	(1) 7.520	(1) 0.480	—	—	—	(11) 26.152
<i>Belgium</i>	(2) 3.434	(2) 5.500	—	—	—	—	(2) 5.000	(3) 14.863	—	(1) 0.870	—	(10) 29.667
Total (per year)	(4) 3.827	(3) 5.833	—	(3) 17.605	(2) 2.907	(12) 7.323	(19) 37.044	(18) 46.294	(12) 14.218	(16) 16.343	(35) 79.161	(124) 230.555

221. After the Council had given a favourable opinion, the Commission took 35 formal decisions for the granting of loans in 1971; the total amount involved was 79 161 000 u.a.:

- (i) 30 decisions for projects, totalling 65 501 000 u.a., to facilitate the investment of 379 583 000 u.a. for the creation of 16 452 jobs;
- (ii) 5 decisions concerning 13 660 000 u.a. in all to complete loans for schemes partially financed in 1970.

The present economic situation in Germany should help to speed up, in 1972, the reorganization and rationalization of ESCS industries, with whatever consequences this may entail for the employment situation. Where acute problems arise, further efforts should be made to intensify the industrial diversification deemed necessary in boom periods.¹

In Belgium the reduction in the number of miners continues. As it has done several times before, the Belgian Government has asked the Commission for support in its industrial redevelopment programme by financing industrial estates.

The Commission published a report on the results of the industrial redevelopment programme for Dutch Limburg up to the end of 1970.² Since then, the rather unfavourable trend in the economic situation in the Netherlands has considerably slowed down work on redevelopment projects; several projects were abandoned.

In France, the reorganization of the iron and steel industry, which has been necessary for a long time, will, especially in Lorraine, involve redevelopment schemes in a region already weakened by the closure of iron and coal mines.

EIB loans to regions in difficulties or backward

222. In 1971 the Commission endorsed 47 applications for loans for investments totalling 3 990 million u.a.

The second means of assistance by the European Investment Bank, the provision of guarantees, was used this year, with the assent of the Commission, to finance three schemes requiring the investment of 345 million u.a.

¹ *Fourth General Report*, p. 106.

² "La reconversion des charbonnages dans le Limbourg néerlandais"; Collection "Cahiers de reconversion industrielle" - No. 17 - Brussels, July 1971.

TABLE 9

Distribution of redevelopment projects per year and per sector (NACE classification)

Sector	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total
Production and distribution of electric energy, gas manufacture and distribution, steam and hot water supply				1							2	3
Extraction and preparation of metalliferous ores										1		1
Production and initial processing of metals	2	1		1		1	2	4		3	4	18
Manufacture of non-metallic mineral products						1	2		2		1	6
Manufacture of industrial chemicals					1	1	2	1	3	1	3	12
Manufacture of man-made fibres								1			1	2
Manufacture of fabricated metal products, except machinery and transport equipment	1					1	3	2	5	1	3	17
Manufacture of machinery and mechanical equipment						1				1	2	4
Manufacture of electrical and electronic products							3	1			1	6
Manufacture of motor vehicles and parts							3	1	1	3	10	19

TABLE 9 (cont.)

Sector	1961	1963	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total
Manufacture of other transport equipment						1						1
Manufacture of precision instruments, optical goods and the like										1		1
Manufacture of food, beverages and tobacco						1	1		1			3
Manufacture of textiles		1				1						2
Manufacture of footwear and wearing apparel							1					1
Manufacture of wood and wooden furniture								1				1
Manufacture of paper and paper products; printing and publishing										1	3	4
Manufacture of rubber products; processing of plastic products		1		1		2	1	1			2	8
Construction and civil engineering										1		1
Other land transport (urban, road, etc.)								1				1
Development of industrial areas	1						1	3		1		6
Overall loans								2		2	3	7

Besides other such measures, the Commission approved the granting of two overall loans in Italy totalling 20 million u.a.

The number of applications for an opinion sent by the Bank to the Commission in 1971 was much the same as in 1970. The sums involved, however, have decidedly increased as a result of greater need for finance, augmentation of the Bank's resources following relaxation of the conditions on certain capital markets, and the greater number of large-scale projects.

3. Social policy

General

223. The previous year's progress on the social front was consolidated in 1971.

One outstanding development was the reform of the European Social Fund, the implementing arrangements for which were adopted by the Council, thus affording the Community a fresh means of action commensurate with the problems to be tackled. Equipped with this weapon, it will be in a position to take steps beforehand to promote full and "better" (i.e. more efficient) employment in the regions and sectors in difficulties, and deal with the social problems involved by Community policies—a point of the utmost importance for the furtherance of these policies, especially with the impending economic and monetary union of an enlarged Europe.

Employment, in both its quantitative and qualitative aspects, remains an issue very much to the fore. Accordingly, among the more notable events of the year, we should class the initial meetings of the Standing Committee on Employment, which serves as a forum for concerted action between the Council, the Commission and the two sides of industry. Also part and parcel of the process of instituting a full-scale forward policy on employment are the General Guidelines on Training adopted by the Council on 26 July, on the basis of which it is intended to establish a Community action programme to be conducted in conjunction with the redevelopment and readaptation operations and the work of global, sectoral and regional employment forecasting. Another event connected with employment policy was the European conference on occupational rehabilitation and placing in employment of physically-handicapped persons, which highlighted at Community level a problem of steadily-growing urgency. The strictly social aspects of this matter are especially important inasmuch as they are coming to concern directly larger and larger numbers of people, by reason more particularly of danger on the roads.

Another important decision was taken on 14 June, when the Council adopted a new regulation on the principle of coordinating social security schemes for migrant workers, the implementing regulation being then laid before it in July. This will mean that a simplified and improved set of arrangements can be introduced in place of those at present in force: as a result, not only should several million Community nationals be better off, but it is likely that the whole body of migrant workers will be drawn into the process of social betterment as well, and grounds given for wholesome

reflection all round on the comparative advantages of the social security systems.

As concerns safety and health, 1971 saw the adoption of a third research programme on health in mines, to run for five years, and a research programme on mine fires and underground combustion. On 21 June the Council also approved a five-year Euratom research and training programme dealing with biology and health protection.¹

224. A report entitled "Preliminary Guidelines for a Community Social Policy Programme"² was dispatched by the Commission to the Council, the Parliament, the Economic and Social Committee, the ECSC Consultative Committee and the two sides of industry. It was principally intended to provide much food for thought in order to enable a connected plan of action to be progressively worked out for arriving by stages at the "close concerting" of Member States' social policies called for by the Hague Conference of December 1969,³ in conjunction with the phased establishment of economic and monetary union. In it the Commission, taking its stand on the paramount objects of society—full and better employment, greater social justice and a higher quality of life—outlined an assortment of high-priority operations it considered should form the basis of a Community social programme to be put in hand in the first stage of the advance towards economic and monetary union.

The programme would include the establishment of a true free-movement-based common market for employment, progressive ironing-out of structural un- and under-employment, upgrading of the status of working women, better safety and health conditions both on and off the job, encouragement of the absorption of handicapped persons into normal working life, the institution of a European social budget, and active cooperation by the two sides of industry.

The Guidelines figured prominently in extensive debates and discussions during the year in the Parliament, in the Economic and Social Committee and the ECSC Consultative Committee and with the employers' and workers' associations—the thrashing-out process without which it would be impossible to arrive at a sufficient consensus and secure the all-important political will.

¹ *Journal officiel* No. L 143, 29 June 1971.

² *Third General Report*, Annex containing documents on the Summit Conference.

³ Annex to *EC Bulletin* 4-71.

Social aspects of the common and Community policies

225. To see that the various ways by which integration is being effected duly match the social considerations involved is a primary aim of Community policy. Accordingly, activities on the social policy side continued to be carried on in conjunction with the other common and Community policies. The more notable developments in this connection included the following.

In agricultural policy, there were the social provisions in the Commission's draft directives on the implementation of structural reforms, introducing aids for farmers wishing to give up their holdings or, alternatively, to operate on an efficient, profitable scale, and also provisions to promote information and training for farmers. Also, an employers' and workers' agreement, prepared with technical assistance from the Commission, harmonizing the working hours of paid employees in the stock-farming sector was signed, and a study was published on the financing of social security in agriculture.

In the transport field, two regulations were adopted modifying the first "social" regulation concerning road haulage (Council Regulation No. 543/69 on the harmonization of certain social provisions in the road haulage sector); a second regulation on this matter is in preparation. An Advisory Committee on social problems in the railways sector was set up alongside the various similar Advisory Committees already existing.

The Commission has stepped up its contacts with the employers' and workers' associations in the different industries in the energy field. While energy policy measures were the main subject of discussion at the Ispra conference in October 1971 with the energy secretariats of the European Confederation of Free Trade Unions and the European Organization of the World Confederation of Labour, a number of social matters were also touched on. The Commission is planning to be in touch a good deal, on a fairly informal basis, with the employers' and workers' associations in the energy industries. In the coal and steel sector, it has carried out a medium-term forecasting operation concerning certain social problems. The General Objectives (Steel) for 1975-80 contain a section on the manpower aspect, with subsections devoted to employment and to training, accompanied by remarks on working and environmental conditions generally.

In its work on industrial policy the Commission has sketched the outlines for the restructuring of the textile industry, with aid from the remodelled Social Fund. In regional policy also it is planned that the Social Fund should play a prominent part.

On the economic side proper, 1971 saw the adoption of the Third Medium-term Economic Policy Programme, aimed at balanced development, in which a high priority is given to the broad objectives of social progress—better meeting of communal needs, more intensive efforts to control the undesirable side-effects of growth, greater equality of opportunity, fairer distribution of incomes and assets, and the adaptation of welfare arrangements to the needs of the world of today. On short-term economic policy, the Commission again emphasized that concerted action by the two sides of industry and the authorities should be the order of the day. In the trade and currency field, upon the American Government's announcing its package of measures and future measures in August, the Commission was obliged to consider how these could affect the social situation in the Community. It indicated to the Standing Committee on Employment what the repercussions were likely to be from the employment angle, and at the same time stated that it planned to set up an interdepartmental working party, with experts from the Member States sitting in, to examine thoroughly the impact of the American measures on the level of activity and employment in the different industries in the member countries. This intention was endorsed by the Council on 19 October 1971.

Another *ad hoc* working party on social problems arising out of international mergers and concentrations was meantime set up. Better health conditions and physical conditions generally were the subject of a Commission paper on the Community's environmental policy, proposing the launching of a series of anti-pollution and environmental conservation campaigns. Attention was given to social issues in connection with the enlargement of the Community and the negotiations with the EFTA countries not applying for membership. Social considerations were among the matters dealt with in the Commission's memorandum of 27 July 1971 on aid to the developing countries.

So much for the social aspects of the various other common and Community policies: the following pages give some particulars, under the appropriate heads, of activities relating to social policy proper.

ACTIVITIES IN CONNECTION WITH EMPLOYMENT

226. The Commission has given every assistance to the Standing Committee on Employment, with the primary aim of encouraging the concerting and channelling of the various efforts being made in the Community to deal with employment problems. As well as providing the Committee with tabulated information on the current employment position, it put in a

number of documents setting forth practical proposals which should enable the means of action available to be progressively tailored more and more efficiently to the task in hand. These included the working programme of the Statistical Office of the Communities, designed to improve the quality of employment statistics in the years ahead,¹ the General Guidelines for a Community Programme on Vocational Training, and details of the problems involved by the reform of the European Social Fund. In addition, a memorandum from the Italian Government on employment policy in the Community and an account by the Commission of the possible impact of the international monetary crisis on the employment situation in the Six have helped to focus the Committee's attention here and now on practical ways and means for dealing with the present state of affairs. The Commission has set up an interdepartmental working party to consider the implications of the situation for employment with the assistance of the Member States.

In response to the Council's decision of 9 February and its expressed desire to discuss the trend in employment at its meetings on social affairs, the Commission's reports on the employment position were this year more noticeably dovetailed into the preparatory studies for economic and monetary union. The reports are also a response to the wish of the Standing Committee on Employment to review the situation at least twice a year. Accordingly, in 1971, the Commission followed up its twelfth report on this subject by submitting to the Council in November a summary report recapitulating the main changes which had occurred during the year and outlining the expected course of developments in 1972, in the light of the recent American economic and monetary measures.

227. With a view to intensifying employment research and preparing the preliminary draft for a programme on employment forecasting, which is being treated as a high-priority field, an initial exchange of information took place at an in-training period in Erlangen for labour service officials.

Sector-by-sector research is considered of particular value, and a study on employment in banking and insurance is now approaching completion; also, as noted above, forecasts of the employment trend in the steel industry have been worked out and incorporated in the General Objectives (Steel) for 1975-80.

The employment problems arising in respect of particular categories of workers, such as juveniles, women and physically-handicapped persons,

¹ Sec. 581.

have also been studied to enable the Commission to submit proposals for tackling them. In this connection, it has forwarded to the Council a set of findings on juvenile employment and unemployment, which it intends to follow up with an action programme.

Female employment is another aspect with which the Commission has been closely concerned, compiling a study which catalogues the available data on a Europe-wide basis, and organizing a series of discussion meetings. With the aid of the information obtained it hopes to propose steps at Community level to promote better integration of women workers into economic life.

To help keep labour service officials abreast of developments the Commission continued to arrange refresher courses for them; three such were held in 1971.

ACTIVITIES IN CONNECTION WITH VOCATIONAL GUIDANCE AND TRAINING

228. In view of the economic, technological, social and educational developments in the Community in the last few years, the Commission has been obliged to revise its thinking on the subject of training. In accordance with the General Guidelines for a Community-level Programme on Vocational Training which the Council adopted on 26 July 1971,¹ it is engaged, in cooperation with the Advisory Committee on Vocational Training, in drawing up a new programme, to be the starting-point for a more active drive to promote training on a Community-wide basis. Founded on past experience accumulated in the context of the Treaties, and at the same time taking account of changing circumstances in the Community, the programme will indicate a set of priorities in regard to training for all grades.

A key point in the programme will be promotion and coordination of training research. Recognizing this to be a very important field, the Commission has set up, in cooperation with the Governments, a working party of heads of specialized training research centres, which held its first meeting on 5 October. The object here is to secure closer cooperation on research, more especially as concerns the priority matters arising in regard to the introduction of a common training policy.

Another important Commission activity in the future will be specific moves for the approximation of levels of training. To explore ways and

¹ *Journal officiel* No. C 81, 12 August 1971.

means for dealing with the problems this involves, the Commission is conducting a survey on training levels, with special reference to the two big new considerations, the changeover to ongoing training and to training conceived on a Community scale.

In continuance of its work for better vocational counselling of both juveniles and adults, the Commission organized a course in Luxembourg at the end of the year for officials of the Government departments concerned, as an occasion for a general review and discussion of the existing guidance arrangements. It also drew up a fourth report on vocational guidance activities in the Member States.¹

Alongside its other work with the Advisory Committee on Vocational Training—that concerning its new action programme—the Commission considered with the Committee the subjects of training furloughs, training of women, and cadre and instructor training. Two seminars were organized in Turin for training officers in agriculture (19/20 April) and in transport (8-12 November), and a fifth seminar for Latin American company executives was held from 17 May to 20 June, in cooperation with the Advanced Technical Training Centre in Turin.

The Commission also began work with Government representatives on the revision of the first joint programme for promoting intra-Community exchanges of young workers.²

THE SOCIAL FUND, READAPTATION AND REDEVELOPMENT

The European Social Fund

229. Refunds by the European Social Fund in 1971 totalled 56.5 million units of account, broken down as shown in Table 10.

From 1 January 1971, under the Council's decision of 21 April 1970 that the Community should possess its own financial resources instead of being financed by contributions from the Member States, the old system whereby the charges represented by the Fund's disbursements were annually equalized among the Member States in accordance with a special percentage table ceased to apply. The Member States now receive direct, as and when the Commission takes the relevant decisions, the amounts granted to them out of the Fund.

¹ *Fourth General Report*, sec. 126.

² *Ibid.*, sec. 127.

TABLE 10
Aid from the Social Fund in 1971

(units of account)

	For retraining	For resettlement	Total
Germany (FR)	29 630 205.83	159 362.85	29 789 568.68
Belgium	1 530 517.20	1 014.08	1 531 531.28
France	6 165 224.80	—	6 165 224.80
Italy	17 468 856.57	6 234.94	17 475 091.51
Luxembourg	1 204.92	—	1 204.92
Netherlands	1 506 332.90	3 816.40	1 510 149.30
Community	56 302 342.22	170 428.27	56 472 770.49

The total amount applied for in 1971 was 55.6 million u.a., Germany asking in all for 27 million, Belgium 1.5 million, France 6.7 million, Italy 18.8 million and the Netherlands 1.5 million; no applications were received from Luxembourg. Only one million u.a. was applied for in respect of resettlement projects.

The Social Fund appropriations in the Community budget for the financial year 1972 work out altogether at 97.5 million u.a., partly for the old and partly for the new Fund: 55 million is to go on aid from the Fund under Article 125 of the Treaty for projects begun before the implementing regulations concerning the new Fund came into force, 7.5 million on aid under Article 4 of the decision of 1 February 1971 on the reform of the Fund, 35 million on aid under Article 5 of that decision, and 250 000 on pilot studies and experiments effected under Article 7 of the implementing regulation pursuant thereto.

As to the reform of the Fund, the Council, on 1 February 1971, formally adopted the decision taken at its meeting on 26 November 1970¹ concerning the general principles to govern the new Fund, and on 19 October 1971, upon proposals from the Commission, agreed a number

¹ *Journal officiel* No. L 28, 4 February 1971, and *Fourth General Report*, sec. 129.

of implementing acts,¹ which are to effect upon the adoption of a final regulation settling certain administrative and financial details.

230. As regards Community aid for redundant Italian sulphur miners,² the Commission made available to the Italian Government in 1971 a further 319 100 u.a., bringing the total so provided to 2.46 million out of the appropriation of 4.2 million authorized by the Council to go towards the reorganization of this industry. The Commission's first report on the paying-over of this aid was submitted to the Council on 18 October.

Re-employment and readaptation of workers

231. In the first half of 1971 only a handful of applications were received from Governments for Community contributions under Article 56(2 c) of the ECSC Treaty; the Commission made available a total of one million u.a. for 1 500 workers affected by closures or partial closures at three collieries. In the second half-year, however, the number of applications rose sharply, especially from Germany and Belgium, where programmes of pit closures have been adopted. In the Netherlands and in France the existing closure programmes are continuing; funds have now been allocated for the whole of the Dutch industry, while in France they are being provided in yearly instalments as the shutdown scheme proceeds. The total amount thus earmarked in 1971 overall was 16 159 970 u.a., for readaptation assistance to 11 083 workers.³

This is appreciably less than in 1970, mainly by reason of a decrease in the sums made available for the readaptation of miners in France. It should be noted, however, that the very substantial appropriation for the French industry in 1970 related to a reconstruction programme begun in 1967. In 1971 as before, the great bulk of the Community's contributions went to the coal sector.

The levelling-off in readaptation operations in the steel industry which was observed in 1970 was again in evidence in 1971.

In iron-ore mining there were again no applications for aid under Article 56(2) of the ECSC Treaty. As in 1970, such appropriations as were made were boosters to earlier ones, necessitated by increases in the cost of readaptation.

¹ *EC Bulletin* 12-71, sec. 32.

² *Fourth General Report*, sec. 130.

³ See Table 11.

TABLE 11
Readaptation assistance approved under Article 56(2) of the ECSC Treaty
(1 January — 31 December 1971)

Country	Coal industry		Iron and steel industry		Iron-ore mines		Total	
	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)	Workers aided	Amount furnished (in u.a.)
Germany (FR)	5 852	2 761 612.02	—	—	—	27 322.40	5 852	2 788 934.42
Belgium	—	60 000.00	—	—	—	—	—	60 000.00
France	5 231	5 081 929.14	—	—	—	369 990.96	5 231	5 451 920.10
Italy	—	—	—	—	—	—	—	—
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	—	7 859 116.03	—	—	—	—	—	7 859 116.03
Community	11 083	15 762 657.19	—	—	—	397 313.36	11 083	16 159 970.55

232. The agreements on readaptation procedures underwent no major change, though they were adapted on points of detail to changes in the state of the law or in social conditions in the member countries.

Redevelopment and re-employment

233. By its redevlopment work under Article 56(2 a) of the ECSC Treaty,¹ the Commission helped in 1971 to create in all 16 452 jobs, of which 6 650 go on a priority basis to former miners and steelworkers by the terms of undertakings given by the new industries or other agencies in receipt of Commission loans.

TABLE 12

Alternative employment created with Commission assistance in 1971

Country and region	Jobs created	Of these : jobs reserved for miners and steelworkers
<i>Germany (FR)</i>		
Ruhr	5 340	1 840
Aachen	730	150
Saar	2 050	350
	8 120	2 340
<i>France</i>		
Lorraine	647	295
Blanzly area	675	350
Cévennes area	285	150
Loire area	1 485	720
	3 092	1 515
<i>Netherlands</i>	5 240	2 795
Total	16 452	6 650

¹ See Table 8.

On-the-spot soundings indicate that, given the labour reserve remaining in the coal and steel areas, the successor enterprises are managing to cover their manpower requirements without any real difficulty, and generally speaking to abide by their undertaking to engage ex-ECSC workers.

Predictably, the proportion of elderly and diminished-performance ECSC workers among the redundant showed an appreciable increase in 1971. The Commission has been making efforts to secure preferential treatment for these men in the matter of employment, over and above the priority accorded to ECSC workers as such.

Reabsorption of workers leaving the land

234. As the absorption into other employment of workers leaving the agricultural sector is an important part of the common agricultural policy and of the social policy it is seeking to promote, the Commission some time ago launched a survey on the subject in the six Community countries.¹ The findings and proposals set forth in the combined summary report² were discussed towards the end of the year with the Governments and the two sides of industry, for the purpose more particularly of preparing the way for any necessary aid from the European Social Fund. Since in its view the problems the process involves can only be properly tackled if the necessary consistency is achieved between agricultural, regional and social policy, the Commission emphasized at the discussions (which are to continue further) the importance of integrated action.

FREE MOVEMENT OF WORKERS

235. Following the Commission's adoption of the regulation on the right of workers to remain in a Member State after having been employed there,³ its activities in regard to free movement of workers are now proceeding broadly as follows: firstly, it is making sure that the Community arrangements are properly carried out (the meetings of the Technical Committee on Freedom of Movement for Workers have been largely devoted to this),

¹ *Second General Report*, sec. 397.

² *Fourth General Report*, sec. 134.

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

and secondly, it is endeavouring to round them off by making provision for the elimination of certain impediments and inequalities still remaining.

In this connection, it has prepared, after consulting the Advisory Committee, a draft regulation on provisions as to conflicts of laws on labour relations within the Community.¹ In addition, on 6 June, it submitted to the Council a draft directive extending the field of application of the EEC Council directive of 25 February 1964 on the coordination of measures of public order, public safety and public health to include persons exercising the right to remain in a Member State after having been employed there; the European Parliament and the Economic and Social Committee, commenting respectively on 16 December and 28 October 1971, endorsed this proposal.¹

In view of the increase in the activities of "temporary work" enterprises in countries other than that of their head office, the Advisory Committee is currently preparing, on the basis of a study by the Commission, a draft opinion on possible action at Community level to ensure that these enterprises are not able, by reason of differences in legislation, to evade their obligation *vis-à-vis* workers.

To establish a common employment market and to keep it as far as possible in balance, while duly observing the principle of "Community nationals first", it is necessary to have the intra-Community vacancy clearance machinery operating efficiently. The Technical Committee, in an opinion rendered to the Commission on 1 December, expressed the view that the standardized arrangements drawn up by its Working Party on the Register of Occupations were calculated to facilitate the exchange of particulars of vacancies and application for international clearance purposes. Meantime, the Technical Committee is examining information on conditions at and away from work in the Member States, which it is considered should be regularly exchanged between the different employment authorities and extensively circulated among the workers concerned.

The Commission is also devoting attention to the problems posed by large numbers of non-Community nationals employed in the Member States: it is necessary on the one hand that their presence should not interfere with the employment of Community nationals, and on the other that they should receive equal treatment with the latter in regard to wages and terms of employment. To achieve both these aims it is essential to secure coordination of the Member States' policies on migrant labour. The Commis-

¹ *Fourth General Report*, sec. 135.

sion has accordingly been making a preliminary study of the laws and rules concerning the admission, residence and employment of these workers and the main bilateral recruitment agreements, and is in addition planning to conduct a survey on the terms of employment of the different classes of workers occupied in the Member States.

HARMONIZATION OF SOCIAL SECURITY ARRANGEMENTS

Social security: general

236. The Commission's work on general social security matters has been marked in the last year or two by a somewhat different approach, which was in evidence in 1971 when preparatory studies were begun with a view to the drawing-up of a European social budget. The Commission was instructed to submit a programme to the Council for the preparation of such a social budget which will be based on the social accounts established for several years now by the Statistical Office of the European Communities.

The Commission some time ago conducted a study on the financial problems of social security, which included projections of social security revenues and expenditures for 1965-70, and a second instalment now in hand, entitled "Trends in Social Security Revenues and Expenditures", will give similar projections for 1970-75. Having regard to the value of this work, the Council, on 26 November 1970, requested the Commission to continue with it.

237. The Commission's various studies on aspects of social security are to proceed as usual alongside these two main assignments. They include in particular the study on social security indicators, the first edition of which has just been issued and which will be brought up to date at regular intervals. In addition there are four sectoral studies, on the financing of social security in agriculture, the effect of colliery personnel cutbacks on social security in the mining industry (approaching completion), and social security for self-employed persons. The Commission is also preparing a report on the personal field of application of social security.

Contributions to greater clarity on the subject of finance in the sickness insurance sector—which is to figure in the social budget—will be provided by three studies on the main items involved here, namely relations between the medical profession and social security, consumption of pharma-

ceuticals under social security (both these studies are now almost completed), and the cost of hospital treatment under social security.

Activity also continued in the field of straight documentation. The existing series of comparative tables on social security arrangements, for the general scheme, the agricultural scheme and the mines scheme in each country, is to be supplemented by tables on the arrangements for self-employed persons (now partly finalized) and on the schemes in the applicant countries. A general recapitulation of social security developments over the past twelve years is in preparation, and in addition there has been the work designed to promote pooling of experience among Member States, notably the compiling of briefs (currently printing) on occupational diseases, and replies to questions from Member States concerning the position under other countries' laws as to particular complaints thought to be of occupational origin.

238. As in previous years,¹ the financial aids furnished by Member States to help meet the claims on the social security schemes in the mining industry were scrutinized for conformity with the Commission's requirements, this time under Article 4 of Decision No. 3/71.² The steady shrinkage in the number of actively employed mineworkers continued, as before, to influence the extent to which Member States were called upon to part-finance the payment of benefits.

Social security for migrant workers

239. The general revision of the regulations on social security arrangements for migrant workers, undertaken at the instance of the Commission, culminated as regards the basic instrument, revised Regulation No. 3, in its definitive adoption by the Council on 14 June (EEC 1408/71)³ and unanimous agreement on the annexes:

As regards the implementing regulation (revised Regulation No. 4), a draft⁴—which had in fact been prepared in 1968 but had had to be remodelled in line with the provisions and formulation finally adopted by the Council for the basic Regulation No. 1408/71—was submitted to the Council by the Commission on 20 July 1971. The Economic and Social

¹ *Fourth General Report*, sec. 139.

² Decision No. 3/65 of the High Authority of ECSC, revised in 1971 : *Journal officiel* No. L 3, 5 January 1971. See *Fourth General Report*, sec. 267.

³ *Fourth General Report*, sec. 140 and *Journal officiel* No. L 149, 5 July 1971.

⁴ *Journal officiel* No. C 102, 14 October 1971.

Committee and the European Parliament pronounced in favour of this draft implementing regulation on 27 October and 19 November respectively, subject to certain suggested amendments concerning which the Commission will deliberate and decide whether to amend its proposal to the Council accordingly.

As instructed, the Commission considered the technical adjustments which the applicant countries had asked should be made to the revised basic regulation by reason of special features in their own social security legislation, which will likewise have to be coordinated in the Community regulations. It duly reported to the Council on 25 November.

240. Before the revised regulations can come into force, however, there is still a good deal of preliminary work to be done, including more particularly the preparation of the Community printed forms, and of such versions of them as may be necessary under bilateral arrangements, to enable workers to assert their claims as effectively as possible in regard to the different risks covered by the regulations. In addition, the decisions and recommendations of the Administrative Committee on Social Security for Migrant Workers will need to be revised, and the information handbooks for beneficiaries in the different Member States completely rewritten. For this latter purpose the Commission plans to request the cooperation either of qualified representatives of the two sides of industry or of the tripartite advisory committee which is to be set up.¹

It should be added that the Commission's purpose in the draft revised Regulation No. 4 was to make for quicker calculation and prompter payment of benefits to migrant workers. A number of provisions to that effect are contained in the draft, but steps will need to be taken to ensure that they do in fact operate within the time intended. However, it will be difficult to achieve all that could be wished in this direction throughout the Community, given the many and varied sets of social security laws to be coordinated.

241. The Administrative Committee on Social Security for Migrant Workers was obliged to concentrate principally on the consequential adjustments to the draft implementing regulation, which were entailed by the Council's amendments to the basic Regulation No. 1408/71.

242. The Administrative Committee's Audit Board, which, in regard to the revised regulations, was more specifically concerned with ways to expedite

¹ *Fourth General Report*, sec. 140.

the clearing and payment of benefits to migrant workers and their families, has been exploring the subject with experts from the Member States. With the same end in view, a limited exchange of officials from the social security services of certain Member States has been arranged with the Commission's assistance.

243. The Court of Justice in 1971 delivered four judgments on the interpretation of Community provisions concerning social security for migrant workers.¹

Industrial relations

244. The Commission continued its dialogue with representatives of the European-level trade union and employers' federations.

One notable meeting among many was that held on 30 April to consider a paper providing a general review of trends in social policy in the Community from 1968 to 1971, and recording the activities engaged in by the Commission in this connection in accordance with the priority objectives which all concerned had helped it to work out. This was followed on 15 and 16 July by a broader-based initial discussion on the Preliminary Guidelines for a Community Social Policy Programme.

As a result of the Commission's persevering work to encourage, broaden and intensify relations between trade unions and employers' associations, there took place the first-ever European-level meeting of workers' and employers' representatives from the building industry.

The relations established with the European Trade Union Committee of Teachers were further extended, and contact was continued with the International Confederation of Executive Staffs.

Wages and terms of employment

245. As concerns wages, a progress report to 30 June 1971 on equal pay for equal work as between men and women is in preparation. Its terms of reference have been extended for the first time to include the supplementary social security schemes. In order to take account of the findings

¹ Cases 23-71, 26-71, 27-71 and 28-71.

in its last report as to possibilities for indirect discrimination against women through job classification systems, the Commission has been going into this subject with the help of outside experts.

The study on incomes and assets in the Community countries is about to be issued; it was discussed in detail in March with representatives of the two sides of industry, who gave their backing to the Commission's proposals to the Council for obtaining a fuller statistical picture of incomes not classed as wages. The account of incentives to asset formation by workers has been completed and may be expected to appear in 1972. On this subject the Commission organized meetings with Government experts and with experts from the employers' and workers' associations in order to compare and assess the main features, motivations, problems and results of the different types of incentive provided in the individual countries.

On 15 April the Commission adopted the report on the experimental collation and evaluation of collective-bargaining agreements in the mechanical-engineering and electrical-engineering industries. As the obtaining and sifting of the data had been found to present no serious difficulty, the Commission proposed to the Council that the same work should be done systematically in all sectors of industry.¹

246. In recognition of the fact that cross-frontier mergers and concentrations pose social problems which ought preferably to be settled at the same time as the legal problems, the Commission is examining the main groups of questions arising before and after merger or concentration.

In the field of labour law, the Commission drew up its final conclusions for the Council concerning, firstly, provisions for the benefit of workers in the event of dismissal, and secondly, provisions for the prevention and settlement of group labour disputes.²

The Joint Advisory Committee on Social Problems of Paid Agricultural Workers continued its examination of the implications of the reform of agriculture. It concentrated in particular on practical means for ensuring that the necessary changes could take place smoothly, in a socially acceptable manner, and sought the support of the employers' and workers' organizations represented at regional level. Direct cooperation between the Commission, the Government departments responsible and the employers and

¹ *Fourth General Report*, sec. 142.

² *Ibid.* sec. 143.

workers on accident prevention in agriculture was initiated, as the Committee had urged in the Opinion rendered the previous year.¹

An agreement on harmonization of the working hours of paid workers in regular employment in the stock-farming sector was negotiated between the two sides and signed on 18 May.

The Joint Advisory Committee on Social Problems in the Sea-Fishing Industry rendered two Opinions, one on the general subject of training and improved conditions, and the other on welfare at sea, medical attention and occupational safety on fishing vessels. The Committee also began work on harmonization of terms of employment, basing itself on tabulated information prepared by its *ad hoc* working party.

The Commission completed its consultation of the Joint Advisory Committee on Social Problems in Road Haulage in connection with the preparation of a draft regulation (the "second regulation") to harmonize social provisions other than those covered by Council Regulation (EEC) 543/69, which it hopes to submit to the Council in the near future. The Committee is meantime considering problems in regard to the carriage of dangerous goods, and to the equipment of cabs and bunks on heavy lorries.

The Commission completed its consultation of the Joint Advisory Committee on Social Problems in Inland Water Transport in connection with the preparation of a regulation to harmonize a number of social provisions in this sector, which it also expects to submit to the Council before long.

The Joint Committee on Harmonization of Terms of Employment (Coal) at its meeting in May 1971 adopted a comparative conspectus of the statutory and contractual provisions concerning the welfare of juveniles in the Community coal industries.

The Joint Committee on Harmonization of Terms of Employment (Steel) is considering a proposal by the workers' group concerning the possibility of a European skeleton collective agreement for the steel industry. Two other matters which have been receiving its attention are, firstly, the scale and nature of absenteeism, and secondly, how to tackle the social problems involved by the employment of handicapped workers.

The two committees on the terms of employment of non-manual workers in the coal and steel sectors continued their work, and are currently preparing a report on the principal social problems in these industries.

¹ *Fourth General Report*, sec. 144.

Agreement was reached between the two sides of the building industry that they should jointly catalogue those labour-relations problems which extend beyond the national framework, as a basis for settling which questions require to be dealt with at national and which at Community level.

HOUSING

247. A recapitulation of the assistance given over the years down to 31 December 1971 to the building of houses for workers in the ECSC industries shows that in all 115 153 dwellings had been part-financed by that date under the three experimental schemes and the seven major loan-aided schemes, 60% of them for renting and 40% for owner-occupation. Dwellings completed totalled 108 550.¹

Scheme VII is now under way, with a first tranche of 10 million u.a. from the special reserve of the 1971-72 budgets.² After consulting the Ministries and industries concerned, the Commission decided on the apportionment of this appropriation, namely 1.6 million u.a. for the experimental and 8.4 million for the regular scheme. The latter is intended to aid the residential building necessitated by the installation of new coastal steel plants at Fos and Dunkirk in France, IJmuiden in the Netherlands and Taranto in Italy, and to help meet the housing requirements resulting from the restructuring of the steel industry in Germany, Belgium and Luxembourg and the coal industry in Germany. The experimental scheme is for the purpose of research on modernization of existing accommodation.³

In response to repeated urgings in the European Parliament to step up funds for the ECSC housing drive, the Commission reviewed the matter at the end of the first half-year, and as a result a further two million u.a. was earmarked for the purpose, bringing the total appropriation for the budgeting years 1971/72 to 12 million u.a. The extra sum will be used for the benefit of migrant workers and of steelworkers at coastal plants, by part-financing the building of hostels, with a combined total of approximately 1 300 beds, for unmarried migrant workers in France, Germany and the Netherlands, and of some 350 dwellings in Southern Italy.

¹ See Tables 13 and 14 and Graph.

² *Third General Report*, sec. 347, and *Fourth General Report*, sec. 148.

³ *Fourth General Report*, sec. 148.

TABLE 13
Operational position of Experimental Schemes I-III and
loan-aided Schemes I-VII
 (at 31 December 1971)

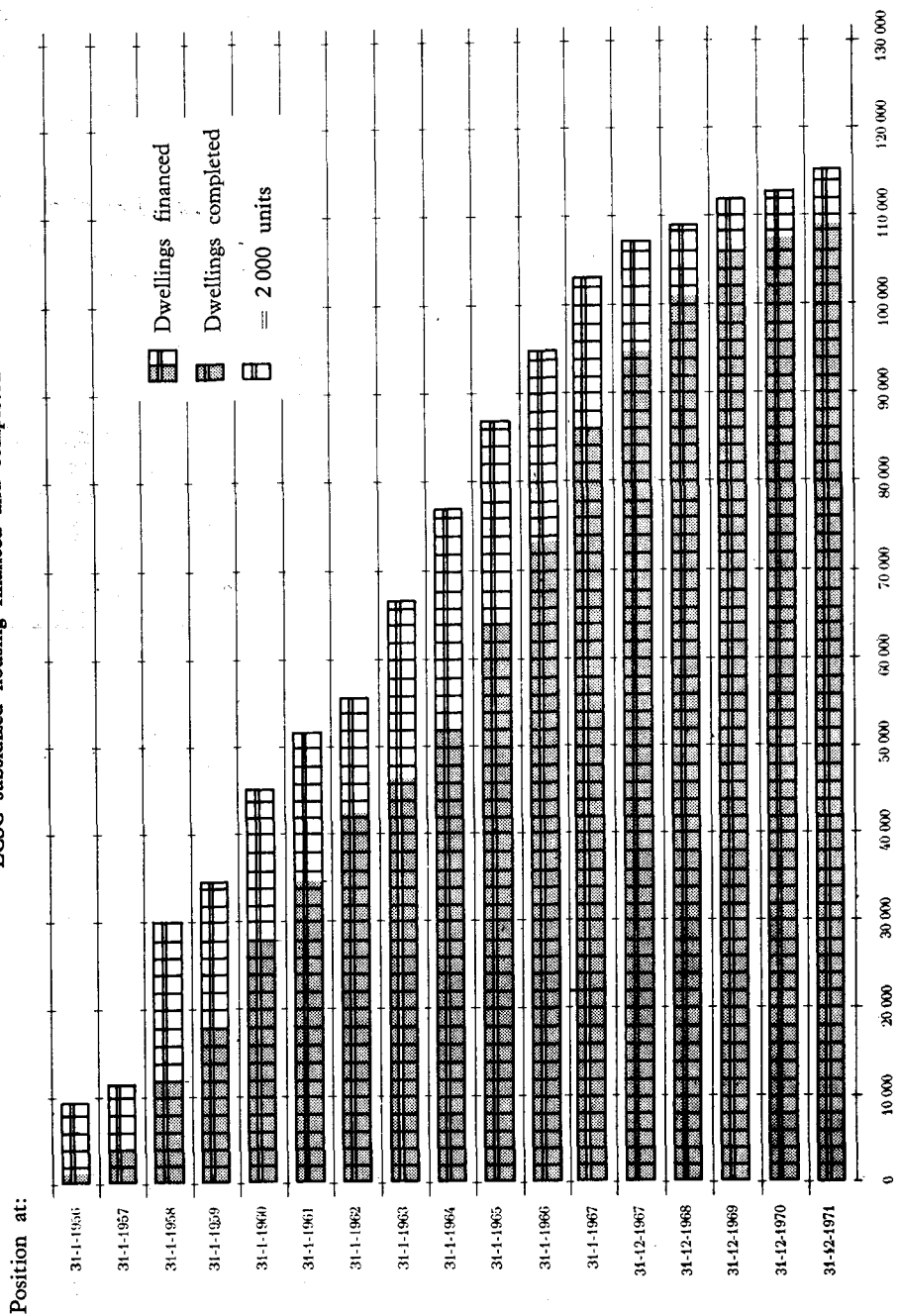
Country	Dwellings financed	of which :		
		in preparation	building	completed
Germany (FR)	79 402	3 016	1 781	74 605
Belgium	6 753	—	438	6 315
France	18 482	63	47	18 372
Italy	6 053	605	560	4 888
Luxembourg	836	5	11	820
Netherlands	3 627	58	10	3 559
Community	115 153	3 747	2 847	108 559

TABLE 14
Financial position of Experimental Schemes I-III and
loan-aided Schemes I-VII
 (at 31 December 1971)

('000 000 u.a.)

Country	Commission advances		Additional funds mobilized at Commis- sion instiga- tion	Total amount advanced	Funds from other sources (housing associa- tions etc)	Total cost of accom- modation built
	from own resources	from borrow- ings				
Germany (FR)	51.47	13.24	119.55	184.26	700.17	884.43
Belgium	4.41	19.59	2.30	26.30	26.63	52.93
France	28.59	—	8.73	37.32	136.32	173.64
Italy	9.30	8.04	4.46	21.80	27.74	49.54
Luxembourg	2.31	1.70	0.63	4.64	6.38	11.02
Netherlands	5.95	2.14	6.52	14.61	21.08	35.69
Community	102.03	44.71	142.19	288.93	918.32	1 207.25

Graph
ECSC subsidized housing financed and completed



WELFARE AND FAMILY MATTERS

248. While carefully following welfare developments generally in the six countries, the Commission devoted special attention to the welfare services for migrant workers, in view of all they can do to ensure better background conditions for these men and their dependants. Two new reports are in hand on the implementation in the Member States of the Commission's two recommendations on the welfare¹ and accommodation² of migrant workers and their families. They cover the years 1969 and 1970, and, like their predecessors,³ will be issued to the European institutions and the quarters concerned.

Moves in this connection included the holding of a conference of welfare workers (including Italians) at Egmond-aan-Zee in the Netherlands on 15-17 November, to discuss welfare problems arising out of migrant workers' return to their home countries. In the findings of the conference it was stressed that return—which must of course be just as much a free action on the worker's part as was his leaving home in the first place—should be accompanied by all due safeguards and preparations (necessitating solidarity between the host and the home countries) to allow the workers scope for bettering themselves.

The Commission is conducting a study, with expert assistance, on developments and trends in family policy in the Community countries. In addition, it convened a meeting of officers of COFACE (Comité des organisations familiales auprès des Communautés européennes) to discuss the work of this body in relation with Community activities, and sent representatives to the twelfth conference of European Ministers of Family Affairs, which met in Stockholm to discuss the subject of the "The One-Parent Family".

COMMON HEALTH AND SAFETY POLICY: THE HANDICAPPED

249. The Commission has taken the first steps towards putting into effect its proposals for helping handicapped persons;⁴ the working party set up to prepare a long-term Community programme will be proposing a method and time-table in 1972. The evaluation of the results of the second ECSC

¹ Recommendation of 23 July 1962 (*Journal officiel* No. 75, 16 August 1962).

² Recommendation of 7 July 1965 (*Journal officiel* No. 137, 27 July 1965).

³ Welfare : See III^e *rapport sur les services sociaux* (Doc. V/4128/70);
Accommodation : See II^e *rapport sur le logement* (Doc. V/7223/70).

⁴ *Fourth General Report*, sec. 150 *et seq.*

research programme on traumatology and rehabilitation continued.¹ A meeting was held in February on adjustment to the industrial environment, pending further research, and a symposium was organized on 8-9 November on bone degeneration due to inactivity. A questionnaire was sent to the Governments to elicit details of what is being done for the handicapped in the member countries.

Being concerned in addition to encourage an extensive pooling of experience on the occupational rehabilitation and employment of handicapped persons, as seen from the practical, the medical and instructional and the legislative angles, the Commission arranged a European conference—attended by 260 delegates—on 24-26 May in Luxembourg. Following this meeting, it noted that there was a need to organize regular liaison among the persons and bodies dealing with this question.

Industrial health and medicine

250. The research programme on chronic respiratory disease² has involved much hard work on methodology. Two treatises were brought out on the standardization of respiratory tests, a seminar was held in Edinburgh on 15-19 November, attended by Community researchers and British National Coal Board experts, on the epidemiological methodology for conducting surveys on chronic bronchitis, and a clinical observation model was developed for use in the rehabilitation of sufferers from respiratory trouble. Meantime, the studies on the correlation between the incidence of pneumoconiosis and environmental factors also continued.

251. In the fields concerned with adaptation (ergonomics, work organization, safety and health precautions, rehabilitation of handicapped workers), the Commission thought it well to leave an interval for the closer scrutiny and appraisal of research results to date before embarking on a further programme. It encouraged the Community research teams on the ergonomic side to extend their activities, both in the steel and in the coal sectors. A seminar was held at IJmuiden in March, at which attention was drawn to the social value of judicious shift apportionment.

The year 1971 was thus mainly devoted to work on specific practical matters (such as personal protective equipment against heat and flames),

¹ *Fourth General Report*, sec. 150 *et seq.*

² *Ibid.*, sec. 151.

on the extension in depth of research in industry, and on improvements in technical and psycho-sociological working conditions.

252. A project approved in 1971, on the elimination of nitrous diesel and shotfiring fumes (measurement and scrubbing methods), will complete the second programme, adopted in 1964. A third programme on health in mines, with a grant of 4.5 million u.a., was approved on 28 July, in view of the new dust and other environmental problems being created by technical advances in the equipment used and by the progressive concentration of workings.

253. Under the second programme on control of air pollution in the steel industry, further research was put in hand on measurement of ambient dust and on the de-dusting of a Kaldo converter by a combination of the Venturi technique with a new electrostatic device. Cooperative activities in connection with this programme include work on the harmonizing of methods of measuring pollutant concentrations on industrial premises.

Industrial safety

254. A meeting of directors of national safety establishments in February 1971 was the starting point for a series of fresh activities. Working parties were set up on research, on accident prevention films, safety signs at plants, and training of migrant workers. They are at present engaged in taking stock of the existing position and exchanging information.

Work continued on the drawing-up of agricultural safety rules. In cooperation with experts from the Member States safety rules for the use of farm trailers, powered machinery, threshers and cutters have now been finalized, to facilitate the introduction of appropriate measures in the member countries. The Commission again gave support to the prize contest organized by the Italian national institute for the prevention of accidents, ENPI, for safety devices on agricultural machinery; entries for the contest in 1971 came from France and Germany as well as from Italy.

255. The programme of factory inspectorate traineeships instituted in 1965 was continued, some 40 national officials each being given the chance to study either (1) official approval, authorization and type-checking, (2) safety services in enterprises, (3) the use of cranes and hoists on sites, or (4) materials handling at ports. In addition, discussions were held on safety services in enterprises, in connection with the German parliamentary

bill on the subject. As in past years, close attention was devoted to basic safety requirements in a number of working parties dealing with the implementation of the Commission's general programme for the elimination of technical obstacles to trade.

256. In the mines sector, research was approved on roadway fires and underground combustion, alongside the projects already in hand on the rescue of trapped miners and on trigger barriers.

Steel Industry Safety Commission

257. Meeting on 18 June, the Steel Industry Safety Commission adopted a statement of views on blast-furnace taphole sealing. It also decided to promote the circulation of the *aide-mémoire* on principles of accident prevention, and adopted its second report.

The annual survey of the Statistical Office of the Communities having recorded a rise in the accident rate in the steel industry since 1967, the Commission held a seminar in Dortmund on 20-21 October on accident prevention in this sector, in cooperation with the German steelworkers' union, Industrie-Gewerkschaft Metall für die Bundesrepublik Deutschland.

Mines Safety and Health Commission

258. On 26 March the Mines Safety and Health Commission reconsidered its general approach to its tasks in the light of conclusions drawn from accident statistics and changes in operating techniques, and set up three new working parties, on roof control, on mechanization and on ventilation and firedamp. Further studies are being conducted on medical factors in mine health and on the working conditions of migrant labour.

On 25 June the MSHC adopted a recommendation on the combined accident statistics, altering the presentation and extending the coverage, which now includes minor accidents, place of occurrence of accidents and nature and location of injuries. It also took a formal stand on the following:

- (a) Ill effects of salt pastes and powders used to lay dust;
- (b) Action in regard to electric locomotives (reduction of sparking);
- (c) List of rescue specialists and rescue equipment, especially for rescues by large boreholes;
- (d) Tabulation of official provisions and directives concerning mine safety;

- (e) Report on accidents with winding-rope capels and detaching hooks and balancing of ropes in multi-rope systems;
- (f) Fourth report on specifications and testing conditions for fire-resistant fluids in mechanical transmission.

These were then referred to the Governments for action.

259. The board of the Paul Finet Foundation held its twelfth meeting on 8 June. Since it was set up by the High Authority in 1965 the Foundation has made 1646 grants, totalling Bfrs. 12 686 123, to the children of workers in the ECSC industries who died as a result of occupational accidents or diseases.

Health and safety (Euratom)

260. In the field of radiation protection, new provisions on particular points involved in the implementation of the directives laying down the basic standards as to protection of the public and of workers from the dangers of ionizing radiation came into force in Belgium, Germany, Italy and the Netherlands, improving and supplementing the existing corpus of rules on the subject in the Member States.

After consulting the panel of experts set up under Article 31 of the Euratom Treaty, the Commission finalized its proposals for the general revision of the 1959 basic standards on radiation protection, and the procedure for their adoption is now in hand. Much highly complex work has gone into the draft, which takes account of changes in international thinking, more particularly in the International Radiation Protection Commission, on certain aspects of radiation protection and radiation biology, as well as of twelve years' experience in applying the standards in the legislation of the Member States. The Commission devoted particular care to the revision of the radiation protection standards, not only because they needed to be updated but also because a number of principles in regard to the practical organization of the physical and medical control of ionizing radiation are now having to be changed in order to improve on the safety level hitherto prevailing in nuclear activities. Since radiation protection in the applicant countries is based on the same scientific foundations as the Euratom standards, and the Commission has already been in touch with the competent authorities there while the revision of the Community standards was in preparation, the application of the revised standards, on which the Council of Ministers will rule in 1972, does not look like presenting any serious problems in the enlarged Community.

As it has been possible to create a genuine health policy at Community level to combat radioactive risks, the Commission is studying the possibility of applying, by transposition, the principles and lessons of health protection in the Euratom basic standards to other risks associated with or similar to ionizing radiation and non-radioactive pollution. As there are no legal or technical accident prevention schemes at national level for certain new techniques such as laser and maser radiation and microwaves, the use of which is rapidly spreading in industry, research and medicine, the Commission feels that Community action should be taken to combat these new dangers. It has opened the necessary contacts with other international organizations concerned with the same problems.

261. With regard to non-radioactive pollution of the environment, the experience gained by the Community in the field of radioactivity will enable the Commission to put forward a joint plan for health protection measures against the pollution of the air, water, soil and foodstuffs. At the symposium in Rome in September 1971 it was pointed out what new tasks existed in radioecology applied to overcoming radiation protection hazards and to the prevention and control of non-radioactive pollution of the environment. Some guidelines were also laid down for research on the radiation acceptance capacity of the environment, the applications of mathematical models to thermal pollution and the contamination of hydro-biological environments. Priority studies must be carried out at Community level on regions of atmospheric pollution covering more than one country and on international rivers. Three problems stand out because of their urgency: health aspects connected with the presence of lead in the environment, health aspects of mercury discharges in rivers and the resultant contamination of the food chain, establishment of a joint method to study the pollution of the Rhine basin to follow up the lessons drawn from the study on radioactivity in this river carried out by the Commission from 1962 to 1966 and published in 1968.

262. Under Article 37 the Commission must be notified of any project for discharging radioactive substances which might contaminate the water, air or soil of a neighbouring State. So far 64 projects have been examined and motivated opinions sent to the Member States. The examination procedure set up by the Euratom Treaty has proved extremely useful, for it has contributed to better understanding of a difficult problem and to harmonization of the views of the various authorities responsible for health and safety. In this respect Article 37 can be considered as an example, which, if applied to non-radioactive pollution, would facilitate the task of preventing contamination of the environment at international level.

263. The new multiannual research programme adopted in 1971 will enable the Commission to pursue studies concerned in particular with radioecology, dosimetry, contamination of the food chain, toxicology and epidemiology of retarded effects of radiation. To accompany the implementation of this programme—a major pillar of the process for laying down standards—many studies are being carried out on subjects felt to be topical and directly concerned with applied radiation protection.

In the field of information and training in radiation protection, the Commission is at present preparing a study to provide a practical guide for nuclear workers which would enable them to improve their personal protection system. A list of the possibilities of training in radiation protection existing in the Member States has been made available to those concerned with this problem.

A technical harmonization programme in the field of personal dosimetry which also covered neutron dosimetry has continued with the participation of a growing number of national institutes, thus furthering efforts at Community level to improve the quality of measuring methods and instruments.

264. In connection with documentation, mention should be made of the publication of the records of the seminar on information and training in radiation protection and of the seminar in matters relating to the demarcation of the controlled area in medical and university facilities, in research laboratories and in industry around sources used in industrial gamma-radiography, the publication of the records of the seminar on the effects on health of storing radioactive substances at ground level and underground and on the identification of irradiated foodstuffs.

Two studies on particular problems arising from the application of the basic standards in national legislation were completed and are being published. The first is the result of a critical analysis of the application of Euratom radiation protection standards to the transport of radioactive substances within the Community countries, and the second a comparative study of control and information in the Member States concerning radioactive substances not subject to prior notification and authorization (application of Article 4 of the Euratom basic standards). Two other publications which should be mentioned are a summary of the position reached in applying the basic standards in the Member States' regulations and the results of a programme of inter-comparison with gamma body-counter.

SECTION B

SECTORAL POLICIES

1. Common agricultural policy

265. In 1971 a series of events stood out; although their causes lay outside agriculture, they nevertheless had a direct and far-reaching impact on the common agricultural policy.

These events were the monetary measures taken by the Member States and other countries after 9 May which prompted certain Member States to introduce compensatory measures at their frontiers for trade in a number of agricultural products. This occurred at a time when some of the special measures taken in the wake of the D-mark revaluation and the French franc devaluation in 1969 were still in force. The situation was made worse by the protectionist measures later adopted by the United States.

Secondly, on 25 May 1971—two and a half years after the Commission had submitted its memorandum on the reform of agriculture in the EEC (October 1968)—the Council finally adopted in a resolution the general guidelines for a socio-structural policy in agriculture. This resolution, which is an important and decisive step along the road towards completion of the common agricultural policy, enables the Commission, for the first time, to base its agricultural price proposals for the 1972/73 marketing year on an overall concept, with the principal aim of helping agricultural workers to obtain incomes equivalent to those of workers in other sectors or to create conditions which would allow them to change their occupation or to give up all agricultural activity without any social or economic difficulties.

Agricultural markets developed in such a way last year that there were practically no problems of surpluses worth mentioning. Nevertheless, trends should be watched closely, in particular that of cereal production, which in 1971 reached a record level of 76 million tons. In comparison with the Community's estimated consumption, the net requirements for imported cereals will be relatively small in the 1971/72 marketing year. Once again the amount of sugar manufactured from Community beet was considerably in excess of domestic needs. Milk production at present appears to be levelling off, partly as a result of the dry weather

which was a feature of 1971. The markets in animal products (pigs, eggs, poultry) seem to have recovered somewhat after the low price levels in 1970.

Throughout the year under consideration, prices of non-agricultural products continued to rise at the same rate as in 1970 and even gathered further momentum in some branches. As there was little or no increase in producer prices in agriculture, the economic position of some major sections of European agriculture again grew worse.

A new system for financing the common agricultural policy (own resources) was also introduced in 1971.

I - NEW GUIDELINES FOR THE COMMON AGRICULTURAL POLICY

266. On 25 May 1971 the Council adopted a resolution on the new guidelines for the common agricultural policy.¹ This resolution is based on the Commission proposals of 29 April 1970² on the reform of agriculture and on the draft Council resolution drawn up by the Commission on 15 February 1971, and takes into account the resolution adopted on the subject by the European Parliament on 11 February 1971³ and the Opinion of the Economic and Social Committee of 24 March 1971.⁴ In it the Council defined the overall concept to govern the common agricultural policy in the future. This concept consists, in particular, in the basic principles for joint programmes under the socio-structural policy for agriculture, the price policy for the 1971/72 marketing year, and the policy for competition in agriculture. The resolution of 25 May 1971 created a policy linking together these three major parts of the common agricultural policy.

At the same time the Council reiterated the need for rapid progress in other Community policies, especially in the establishment of economic and monetary union, regional policy and social policy. In this connection particular emphasis is placed on creating new jobs in predominantly agricultural areas.

¹ *Journal officiel* No. C 52, 27 May 1971, p. 1.

² *Ibid.* No. C 70, 12 June 1970, p. 1.

³ *Ibid.* No. C 19, 1 March 1971, p. 26.

⁴ *Ibid.* No. C 60, 14 June 1971, p. 8.

Joint programmes affecting agricultural structures

267. The main features of the joint programmes proposed in the Council resolution are that they should be based on Community principles and that the various Member States should implement them in the light of the regional, economic and social situation. The Community's contribution towards the financing of these measures will be 25%. This figure will be raised to 65% in those regions where no measures have yet been taken to encourage retirement from farming. In addition, the funds provided for in Regulation (EEC) No.729/70 and resources left over from previous years will be used to implement the joint programmes.

The fields of application of the joint programmes set out in the resolution are as follows and involve measures to :

- (i) help those who wish to leave farming;
- (ii) help those who remain in farming;
- (iii) provide information and vocational training for farmers;
- (iv) improve the marketing of agricultural produce.

On the basis of this Council resolution and in the light of the Opinions of the European Parliament and Economic and Social Committee mentioned above, the Commission submitted to the Council on 7 June 1971 the amended proposals for the reform of agriculture.¹ The six initial proposals were reshaped into three proposals for directives and a draft regulation; a proposal for a directive on the limitation of farmland was to be drawn up at a later date.

These proposals are as follows :

- (i) Council directive on the modernization of farms;
- (ii) Council directive on encouragement to retire from farming and allocation of farmland to improve agricultural structures;
- (iii) Council directive on socio-economic information and the occupational qualifications of persons engaged in agriculture;
- (iv) Council regulation on producers' groupings and unions thereof.

The Council is continuing its discussions on the subject.

268. The Commission feels that these proposals cover the first part, and at the same time the main part, of a whole body of questions to be solved in connection with the reform of agriculture. They will be followed by

¹ *Journal officiel* No. C 75, 26 July 1971, p. 1.

further proposals dealing with the possibilities of vertical integration in agriculture, the creation of European inter-occupational bodies, and the special position of hill farmers. The Commission also intends to recommend the Member States to encourage the conclusion of long-term leases for farms and farmland and to award study grants to the children of poorer farmers.

Furthermore, the Commission will submit to the Council amended proposals which take account of the Opinion rendered by the Parliament on 18 November 1971 on the proposed directives in question.

The Commission notes that, three years after it first submitted its "Memorandum on the reform of agriculture", and after political discussions have taken place in all the Community institutions and amongst those directly concerned on the basic ideas of this memorandum, it has undergone no fundamental changes and, above all, no equivalent solution which might replace the system put forward by the Commission has been drawn up or proposed.

Aid policy in agriculture

269. In the resolution of 25 May 1971 the Council stated that certain types of aid which conflict with the objectives of the joint programmes can no longer be granted after the Community legislation introducing these programmes has been passed. For a limited period (five years), during which the joint programmes will gradually take full effect, the Member States will be authorized to grant transitional aid in certain instances.

The role that the agricultural aid policy has played in the gradual development of the common market was underlined by the fact that the Council, in its above-mentioned resolution, took note of the Commission's decision to examine, under Articles 92 and 93 of the Treaty, all aids according to a set time-table and in accordance with certain guidelines. These proceed from the general principle that, in the existing *de jure* and *de facto* circumstances, only aids producing some lasting reorganization of the agricultural sector may be considered compatible with the common market. The guidelines are :

- (i) Harmonization of investment aids
- (ii) Elimination of all other aids affecting production costs.

The Commission has taken on the task of making decisions in stages by 1 July 1973 on all aids granted for the various agricultural products.

It has also decided to draw up general principles for aid in the light of the trend and development of the common agricultural policy. In 1971 the Commission completed the first stage of the examination referred to in this Council resolution.¹

Concerted development of the common agricultural policy and of Community policy in other fields

270. In its resolution the Council emphasized that, if the reform of agriculture was to succeed, rapid progress must be made in developing other Community policies, in particular the establishment of economic and monetary union, regional policy and social policy.

Following this resolution, the Council, on a Commission proposal, fixed the conditions in which the reformed European Social Fund can contribute towards retraining farmers for other jobs.

In addition, taking the resolution as a basis, the Commission submitted to the Council a proposal for allowing EAGGF resources to be used so that the Community could help financially in creating non-farming jobs in certain predominantly agricultural regions. The European Parliament has given a favourable Opinion on this proposal; the Council has not yet taken any decision.

Price policy

271. Convinced that the market and price policy alone is incapable of solving the fundamental problems of the disparity of agricultural incomes, and in order to lay down an overall and coherent line of action for the common agricultural policy, the Commission insisted, when the resolution on the new guidelines for the common agricultural policy was adopted, that the Council should take decisions aimed at improving agricultural structures at the same time as the prices for certain agricultural products for the 1971/72 marketing year were fixed. On 15 February 1971 the Commission submitted to the Council proposals covering these two fields.²

In adopting a resolution to this effect on 25 March 1971, the Council also agreed in principle to the common agricultural prices fixed for the 1971/72 marketing year. The rise in common price levels amounts to

¹ Secs. 284 and 285.

² *Journal officiel* No. C 27, 25 March 1971.

some 3 % on average. However, in view of the particular economic circumstances in the beef and veal and milk sectors, the increases planned for products from these sectors were higher than those for crop products. A special stimulus was given to beef and veal production (Table 15).

Encouraged by this fundamental decision, the Commission submitted to the Council on 18 June 1971 its price proposals for certain agricultural products for the 1972/73 marketing year.¹ These proposals covered all agricultural produce for which prices must be fixed each year by the Council; prices for wine and fishery products were included for the first time. However, because of the seasonal character and the widely differing periods for which the prices apply, fruit and vegetable cannot be included in the overall proposals.

The proposals of 18 June 1971 are founded on a new view of price policy which follows on logically from the principles adopted by the Council in its Resolution of 25 May 1971. Together with the socio-structural policy in agriculture, the price policy must ensure that farms which have already attained the objectives set in this resolution can maintain comparable incomes. In this connection the Commission persuaded that greater objectivity should be employed in establishing the general level of agricultural prices, proposed to the Council that objective criteria should be applied. With the object of making it easier for farms which are being modernized to attain the objective of comparable incomes, the Commission also proposed that the Council should introduce income subsidies on a degressive scale for farmers who are modernizing their farms. It insisted that the Council should take socio-structural measures as soon as possible. In addition, the Commission proposed that income subsidies should be provided for farmers aged from 45 to 55 who undertake to leave their farms at the age of 55 in accordance with the conditions contained in the directive on retirement from farming.

272. The average price increase in the Commission proposals of 18 June 1971 for the 1972/73 marketing year was between 2 and 3 % (Table 15). The monetary events of 1971 and especially the prolonged floating of certain Community currencies made it impossible for the Council to take decisions during the year on common agricultural prices for 1972/73, except for what is indicated below. Nevertheless, the Economic and Social Committee and the European Parliament each delivered an Opinion on 28 October 1971 and 18 November 1971 on the

¹ *Journal officiel* No. C 75, 26 July 1971.

TABLE 15
Common agricultural prices for the 1971/1972 and 1972/1973
agricultural years

Product	Nature of prices	Price fixed for 1971-1972	Price proposed for 1972-1973	Percentage increase ¹	Period for which the proposed prices will be in force
Durum wheat	Target price	127.50	130.00	2.0	1.8.1972-31.7.1973
	Basic intervention price	119.85	123.00	2.6	
	Minimum price (wholesale) guaranteed to producer	147.90	151.00	2.1	
Common wheat	Target price	109.44	112.00	2.3	
	Basic intervention price	100.72	103.00	2.3	
Barley	Target price	100.21	103.00	2.8	
	Basic intervention price	92.02	94.00	2.2	
Rye	Target price	100.42	103.00	2.6	
	Basic intervention price	92.82	94.00	1.3	
Maize	Target price	96.90	100.00	3.2	
Husked rice	Target price	202.00	206.00	2.0	1.9.1972-31.8.1973
Sugar	Minimum price for beet	17.00	17.20	1.2	1.7.1972-30.6.1973
	Price for "half-lean" beet	10.00	10.00	0.0	
	Target price, white sugar	238.00	239.60	0.7	
	Intervention price, white sugar	226.10	227.60	0.7	
Olive Oil	Production target price	1 152.50	1 187.50 ⁽²⁾	3.0	1.11.1971-31.10.1972-
	Market target price	721.00	783.00 ⁽³⁾	8.6	
	Intervention price	648.50	710.50 ⁽⁴⁾	9.6	

¹ Round figures.

² Price fixed by the Council on 29 October 1971 : 1 187.50 u.a./ton.

³ Price fixed by the Council on 29 October 1971 : 756.00 u.a./ton.

⁴ Price fixed by the Council on 29 October 1971 : 683.50 u.a./ton.

TABLE 15 (continued)

Product	Nature of prices	Price fixed for 1971-1972	Price proposed for 1972-1973	Percentage increase ¹	Period for which the proposed prices will be in force
Oil seeds	Target price				
	Colza and rapeseed	202.50	202.50	0.0	1.7.1972-30.6.1973
	Sunflower seeds	202.50	202.50	0.0	
	Basic intervention price				
Colza and rapeseed	196.50	196.50	0.0		
	Sunflower seeds	196.50	196.50	0.0	
Flax and hemp	Standard subsidy (per hectare)				
	Flax	110.00	125.00	—	1.8.1972-31.7.1973
	Hemp	80.00	95.00	—	
Milk	Target price of milk	109.00	111.20	2.0	
	Intervention prices				
	butter	1 780.00	1 780.00	0.0	1.4.1972-31.3.1973
	skim milk powder	470.00	494.20	5.2	
	cheeses				
	Grana padano				
	30-60 days	1 320.50	1 350.00	2.2	
	6 months	1 566.00	1 598.00	2.0	
	Parmigiano-Reggiano	1 710.00	1 742.00	1.9	
Direct subsidies for skim milk					
powder	130.00	130.00	0.0		
liquid	16.50	16.50	0.0		
Beef and veal	Guide price for mature cattle (live weight)	720.00 750.00 ⁽²⁾	772,50	7.3	3.4.4972-1.4.1973
	Guide price for calves (live weight)	942.50	950.00	0.8	

¹ Round figures.² Price fixed for 1972/73.

TABLE 15 (continued)

Product	Nature of prices	Price fixed for 1971-1972	Price proposed for 1972-1973	Percentage increase ¹	Period for which the proposed prices will be in force
Pigmeat	Basic price (slaughtered)	772.50	800.00 ²	3.6	1.11.1971-31.10.1972
Wine	Guide price	3	3 ⁴	2.5	16.12.1971-15.12.1972
Tobacco	Norm price Intervention price	3	3	1.3	1.6.1972-31.5.1973
Fisheries	Guide price Community production price Intervention price	3	3 ⁵	.0.	1.1.1972-31.12.1972

¹ Round figures.

² Price fixed by the Council on 29 October 1971 : 800 u.a./ton.

³ Various prices depending on the categories concerned.

⁴ Prices fixed by the Council on 29 November 1971.

⁵ Prices fixed by the Council on 15 December 1971.

Commission's proposals on prices for certain agricultural products for 1972/73 and income subsidies for certain categories of farmers. In view of the uncertainty in the monetary field, however, the European Parliament limited its Opinion on prices to the general aspects of the Commission's proposals, and asked the Commission to reconsider its proposals when fixed parities had been restored for the Community currencies and to take into consideration the need for the general agricultural price level to catch up with other price increases. For 1972/73 the European Parliament is proposing an increase of 8% in the general level of agricultural prices.

The Commission is to submit to the Council amended proposals which take the European Parliament's Opinion into account.

As the marketing years for pigmeat, olive oil, wine and fishery products begin between 1 November 1971 and 1 January 1972, the Council,

after studying the European Parliament's Opinions, fixed the basic prices for slaughtered pigs and several common prices for olive oil on 29 October 1971, the guide prices for wine on 29 November 1971, and several common prices for fishery products on 15 December 1971.

II - GENERAL PROBLEMS

Repercussions of the monetary situation

Effects on management of the common agricultural policy

273. The monetary measures¹ of May and August 1971 prompted the Council to take the appropriate steps² in order to counter any disruptions which might occur in trade in agricultural produce. On several occasions the Commission expressed its grave concern at the effects which both the events in the monetary field and the protectionist frontier measures were having on the application of the common agricultural policy. At the Council's request it submitted a special report on the matter on 27 September 1971.

The price policy has already felt the effects of the monetary crisis. As already stated, the Council was unable to make any decisions in 1971 for the 1972/73 agricultural year.³ The Commission felt that this delay was all the more unfortunate since it was due to the fact that not enough progress has been made in harmonizing Community policies, in particular economic and monetary policy with the common agricultural policy. There is a danger that this situation will disrupt the system in which integration is most advanced.

Owing to the difficulties encountered in implementing the common agricultural policy, pressures—originating mainly from a number of professional bodies—came to be exerted with the object not only of abandoning the unit of account system but even of returning to fixing agricultural prices at national level. This trend of opinion was reinforced by the uncertainty as to how long the abnormal monetary situation might last.

At its meeting of 27 and 28 September 1971, the Council reaffirmed the underlying principles of the common agricultural policy: free movement

¹ Sec. 190 *et seq.*

² Sec. 276.

³ Sec. 271.

of goods, Community preference and financial solidarity. It noted that a solution had to be found as early as possible in the monetary field in order to re-establish fixed parities within the Community and to advance towards economic and monetary union.

In its resolution¹ of 22 September 1971, the European Parliament expressed its regret at the situation and its effects on agriculture; it reiterated its firm wish to see joint action taken to overcome the difficulties and to re-establish monetary equilibrium.

Following the decisions taken in Washington on 17 and 18 December 1971, which should be seen as an initial step towards a final solution in the monetary field, the frontier measures² were extended to cover all the member countries.

Measures taken

Application of the measures taken after the devaluation of the French franc in 1969

274. Following the devaluation of the French franc in August 1969, the Council decided,³ in the case of certain products, not to change the intervention and buying-in prices in French francs which are paid by France under the regulations establishing a common organization of the agricultural markets whenever there is intervention on the domestic market. This amounted to an 11.11% drop in these prices; nevertheless France was to adjust them to the common price levels by the beginning of the 1971/72 marketing year at the latest. To make it possible to maintain these differentials, compensatory amounts were granted or levied on French imports and exports.

At the beginning of 1971 French prices were still below the common prices; consequently, compensatory amounts were still being applied to the following: cereals, pigmeat, eggs, poultrymeat, sugar, milk and milk products, processed fruit and vegetables, oilseeds and processed non-agricultural products made from agricultural products.⁴

¹ *Journal officiel* No. C 100, 12 October 1971.

² Sec. 276.

³ Council Regulation (EEC) No. 1586/69 of 11 August 1969; *Journal officiel* No. L 202, 12 August 1969.

⁴ Council Regulation (EEC) No. 1059/69 of 2 May 1969; *Journal officiel* No. L 141, 12 June 1969.

During 1971, as French prices rose, the regulations concerning these products were repealed one by one, on 16 January for milk products, on 22 February for pigmeat, eggs and poultrymeat, and at the beginning of the 1971/72 marketing year for the other products. This departure from the common agricultural policy therefore came to an end after two years, as was initially planned.

Application of the measures taken following the revaluation of the German mark in 1969

275. In accordance with the provisions adopted by the Council in December 1969,¹ the German Government must submit a report to the Commission each year on the effects of the measures on German agricultural incomes. The first report was sent to the Commission in the second half of 1971. The Commission carefully examined the information in this document from the point of view of the rules of competition and in order to see how the application of the compensatory measures filled in with the special Community provisions,² notably as regards the overall amount of aid, the principle of the advance payment to German agriculture in the form of aid through the value-added tax system, and the effects of the compensatory measures on German agricultural incomes. The Commission heard the opinions of the Member States on the matter in working parties.

Measures taken in 1971 following the floating of the currencies of certain Member States

276. When Germany and the Netherlands decided to widen temporarily the margins of fluctuation of their currencies, the Council authorized³ these countries to make a compensatory levy on imports and grant a subsidy on exports of products for which intervention measures are taken in accordance with the common organization of agricultural markets and also of any other products whose price depend on the price of products subject to intervention. The compensatory amounts were fixed by the Commission according to the Management Committee procedure. This measure was

¹ *Third General Report*, sec. 130.

² Council Regulation (EEC) No. 2464/69 of 9 December 1969; *Journal officiel* No. L 312, 12 December 1969.

³ Council Regulation (EEC) No. 947/71 of 12 May 1971; *Journal officiel* No. L 106, 12 May 1971.

necessary if the common organization system was to continue to operate. As parities had not been changed, the common prices were maintained at their old levels; and the floating of the currencies, which brought about a *de facto* revaluation of a variable amount in relation to the other currencies, resulted in import prices below these price levels, with a consequent danger of serious disruptions. In applying this measure the Commission sought to create as few obstacles as possible to the free movement of goods. However, as the mark floated higher and higher, it proved necessary to extend the lists of products to which the compensatory measures at the frontiers applied in order to avoid these disruptions.

When Belgium, Luxembourg and Italy decided in August 1971 to widen the margins of fluctuation of their currencies too, the relevant regulation was made applicable to them. At the same time the three Benelux countries decided to maintain between their currencies the fluctuation margins which were in force before 9 May 1971. Consequently, the fluctuations in the currencies of these three countries had no effects within Benelux but only in relations with other member countries and non-member countries. The Commission took this into account when fixing the levels of the compensatory amounts, by fixing uniform sums for these three Member States which do not apply to intra-Benelux trade. As the lira did not float very high, it did not prove necessary to fix compensatory sums for Italy.

Difficulties arose, of course, in the concrete application of this system. The main one, apart from the obstacle which was placed in the way of trade, was the uncertainty about the level of the compensatory amounts which were fixed *a posteriori*. Such uncertainty is inherent in the principle of a floating currency. This was one of the basic reasons why the Commission, on several occasions, expressed its regret at the delay in re-establishing a sound monetary situation, bearing in mind not only the interest of the smooth running of the common market, but also the prospect of the enlargement of the Community.

Following the monetary decisions taken in December 1971, Regulation No. 974/71 made it possible to take the necessary temporary measures: all the Member States used the authorization provided for to apply the compensatory amount system. These amounts were fixed by the Commission.¹ Now that official parities have been re-established, the

¹ Regulation (EEC) No. 17/72 of 31 December 1971; *Journal officiel* No. L 5, 6 January 1972.

common agricultural market should be able to operate again under normal conditions.

Financing the common agricultural policy

Guarantee Section

277. The definitive system for financing the common agricultural policy came into force on 1 January 1971,¹ side by side with the arrangements for own resources for the Community. It increases the Community's financial responsibility by the introduction of a system of advances to Member States followed by an annual settlement of accounts. A clearing system is no longer used for the Community's budget; instead, the necessary funds are made available to the Member States. The budget of the European Communities has, to a large extent, taken over from the Member States' budgets for the Guarantee Section.

To put this system into effect, on 29 December 1970 the Commission adopted a regulation making Community financial resources available to the Member States under the EAGGF Guarantee Section.² The Member States must now submit to the Commission, before the 20th of each month: a statement of payments up to the end of the preceding month; a statement of estimated expenditure for the current month and the two following months; and a statement of financial resources available. On the basis of these details, the Commission, after consulting the EAGGF Committee, decides on an overall advance to be made to each Member State; the amounts decided are paid into a special EAGGF Guarantee Section account opened in each of the Member States. The funds are then distributed to the 40 disbursing agencies or services which at present exist in the Community. In this system the central administration of each country acts as intermediary between the Community and the disbursing services, takes responsibility for submission of the claims for financing, and distributes the funds between the services.

278. From January to December 1971, advances to the Member States to cover expenditure up to 31 December 1971 were approved and made

¹ Council Regulation (EEC) No. 729/70, 21 April 1970; *Journal officiel* No. L 94, 28 April 1970.

² Commission Regulation (EEC) No. 2697/70 of 29 December 1970; *Journal officiel* No. L 285, 31 December 1970.

available to a total of 1 793 585 946 u.a., which can be broken down as follows:

TABLE 16
Advances approved for 1971

(in u.a.)

Belgium	106 600 000
Germany (FR)	403 990 984
France	611 476 864
Italy	396 746 922
Luxembourg	1 521 728
Netherlands	273 249 448
	1 793 585 946

Expenditure up to 31 October 1971 can be broken down as shown in Table 17 between the main sectors of the common market organizations

TABLE 17
Payments made by Member States

(million u.a.)

Sectors	Refunds	Intervention
Cereals including rice	245.27	140.46
Milk and milk products	266.11	217.39
Oils and fats	1.50	103.14
Pigmeat, eggs, poultrymeat, beef and veal	65.61	3.81
Sugar	42.55	40.68
Fruit and vegetables, including processed products	3.16	40.95
Wine, tobacco, fishery products, textile fibres	0.05	88.88
Products outside Annex II	15.17	
Total	639.42	635.31
Total	1 274.73	

On the whole, payments have been less than estimated because of a temporary slowing-down of expenditure in several sectors, including cereals, and above all because of the time-lag between the exporting or intervention

operation and the related payments; the average delay has been calculated at more than two months. Finally, in one Member State, Italy, the definitive arrangements could not take effect until legislation had been passed and administrative provisions made. Consequently, payments did not start before June; it has not yet been possible to make up for the delays which this caused.

Independently of this system of advances, the Commission paid Germany, in December 1971, 90 million u.a. as the Community contribution to financing the compensatory payments made to German farmers to offset the effect of the revaluation of the mark.¹

In order to solve the problems of liquidity raised by the changeover from the reimbursement system to direct financing, on 21 April 1971 the Council also adopted the "accumulation" resolutions.² This resolution settled the problems facing debtor Member States because of the accumulation of payments under the new and the old system, a situation made more serious by delays in the granting of aids from the Fund. It gives creditor countries the guarantee that they will receive in full the payments made by the debtor Member States, no matter what delay may occur in taking decisions on granting aid under the Guarantee Section. France and the Netherlands thus received, through the Commission, the payments made by Germany, Belgium and Luxembourg. However, as the division of expenditure was different from that initially expected, the Commission is soon to propose that the payments provided for in the resolution should be adjusted.

With regard to the periods prior to 1 January 1971 when the reimbursement system was in force, on 30 June 1971³ the Commission decided to make a payment on account of 1 122 806 903 u.a. for expenditure in the second half of 1970. This decision was carried out by a clearing procedure on the basis of the contribution scales provided for in Article 7 of Council Regulation (EEC) No. 728/70 of 21 April 1970 laying down additional provisions for the financing of the common agricultural policy.⁴

The Commission resumed its auditing work, including on-the-spot checks, to close accounts for 1966/67.

¹ Council Regulation (EEC) No. 2464/69 of 9 December 1969; *Journal officiel* No. L 312, 12 December 1969.

² *Journal officiel* No. C 50, 28 April 1970.

³ *Ibid.* No. L 161, 19 July 1971.

⁴ *Ibid.* No. L 94, 23 April 1970.

The EAGGF Committee was consulted on 16 December 1971 about the draft decisions to grant aid amounting to 395 540 429 u.a. for 1966/67, and the Commission will make a final decision concerning this aid at the beginning of 1972.

The accounts for 1967/68 and 1968/69, for the second half of 1969 and for 1970 still have to be closed, and the rules whereby the Member States are to submit claims to the Commission have not yet been finalized. Because of all the tasks that had to be done to implement the new financing system, the Commission was unable to close these accounts by the dates set. The work will be resumed in 1972.

279. In 1971 further progress was made in laying down Community rules. The Community financing system was extended to include fishery products (from 1 February 1971), cotton seeds (1 August 1971), hops (1 August 1971) and seeds (25 October 1971). In addition, the refund arrangements were applied to processed fruit and vegetable products from 2 July 1971. On 13 October 1971 the Commission also proposed to include silk worms in the Community financing system. The work of legal consolidation continued: five regulations were drawn up and later adopted by the Council, laying down the conditions for financing intervention in tobacco, flax and hemp, wine, fisheries and, for the first six months of 1970, fruit and vegetables. The Commission submitted to the Council two proposals for regulations on the financing of intervention in the fruit and vegetable and cotton seed sectors. Furthermore, the Commission adopted a number of standard amounts for various sectors to finance intervention carried out by public agencies.

Guidance Section

280. The Commission continued to grant aid for financing schemes to improve agricultural structures under Council Regulation (EEC) No. 17/64 of 5 February 1964;¹ this aid was given in several instalments in order to limit delays between the submission of claims and the aid decisions.

Three instalments were approved for 1970 (10 March 1971, 14 July 1971 and 22 December 1971) involving 159 999 497 u.a. The aid, which was granted for 548 schemes, can be broken down as shown in Table 18.

¹ *Journal officiel* No. 34, 27 February 1964.

TABLE 18

Aid from the Guidance Section of the EAGGF 1970

Member States	Schemes to improve the structure of production	Schemes to improve the structure of marketing	Mixed schemes	Total	
				u.a.	%
Belgium	4 939 892	3 876 362	2 849 280	11 665 534	7.30
Germany (FR)	20 199 007	24 765 162	—	44 964 169	28.10
France	14 660 565	19 133 867	1 649 027	35 443 459	22.15
Italy	43 972 722	7 758 156	2 534 677	54 265 555	33.92
Luxembourg	—	271 715	103 152	374 867	0.23
Netherlands	7 611 904	5 673 969	—	13 285 913	8.30
Total	91 384 130 (57.1 %)	61 479 231 (38.4 %)	7 136 136 (4.5 %)	159 999 497	100.00

Some 750 new schemes were submitted for 1971. To these may be added 208 schemes for which no funds were available in 1970. Council Regulation (EEC) No. 2591/70 of 17 December 1970¹ earmarked 200 million u.a. for schemes in 1971.

281. In July 1971 the Commission submitted to the Council a proposal for a regulation on aid from the EAGGF Guidance Section for 1972. This proposal specifies that the final date for submitting claims for 1972 should be extended to 1 July 1972; that it should be possible, as in 1971, to make a maximum grant of 45 % of the investment; and that the minimum share of the beneficiary should be adjusted according to whether the scheme is to improve the production structure (20 % minimum) or the marketing structure (38 %).

The interval between the decision to award aid and the actual payment may be fairly long, as schemes often take several years to complete. The number of payments made after supporting evidence had been checked

¹ *Journal officiel*. No. L 280, 26 December 1970.

and, in some cases, after on-the-spot audits had been carried out has therefore tended to increase sharply. The aggregate number of schemes financed by the Fund has risen from 57 in 1965 to 408 in 1967 and 2 209 in 1971. The number of requests for payment examined has risen from 15 in 1966 to 42 in 1967, 106 in 1968, 191 in 1969, 325 in 1970 and 430 in 1971.

On 31 December 1971 some 89 million u.a. had been paid out from a total of 508.7 million u.a. committed credits. The breakdown by Member States of payments up to 31 December 1971 is shown in Table 19.

TABLE 19
Payments made for projects

Member State	Total (million u.a.)	% of total commitments
Belgium	9.82	25.9
Germany (FR)	37.00	25.8
France	17.08	15.2
Italy	10.98	6.3
Luxembourg	1.12	42.9
Netherlands	13.82	33.8
Community	89.82	17.6

It should, however, be borne in mind that a large part of the commitments date from 1968, 1969 and 1970, and that relatively few payments were made for these years, in view of the time needed to complete schemes.

In accordance with regulations (EEC) Nos. 2010/68, (EEC) 1534/69 and (EEC) 2591/70¹ the 351 million u.a. left over from 1969, 1970 and 1971 have been earmarked for carrying out the joint programmes

¹ *Journal officiel* No. L 229, 13 December 1968.
Ibid. L 189, 2 August 1969.
Ibid. L 280, 26 December 1970.

provided for in the Council resolution of 25 May 1971 on the new guidelines for the agricultural policy.

As regards the special appropriations agreed by the Council, the following amounts were paid in 1971 after the Commission had taken decisions:

- (i) 2 685 131 u.a. to finance schemes connected with the floods in Italy;
- (ii) 135 030 u.a. to Italy for farm structure surveys (Council Regulation No. 70/66/EEC of 14 June 1966);¹
- (iii) 31 948 124 u.a. to Italy for the fruit and vegetable sector for 1968/69 (Article 12(4) of Council Regulation No. 159/66/EEC of 25 October 1966);²
- (iv) 1 242 301 u.a. to Germany in repayment of aid granted in 1967 and 1968 to fruit and vegetable producers' groupings (Article 12(3) of the same regulation);
- (v) 80 999 u.a. to Italy for research into African swine fever (Council Regulation (EEC) No. 349/68 of 27 March 1968);³
- (vi) 1 200 000 u.a. for the pig survey (Council Regulation (EEC) No. 350/68 of 27 March 1968);³
- (vii) 24 773 340 u.a. to Member States (Germany 14 255 500 u.a., Belgium 2 065 930 u.a., France 7 216 577 u.a., Luxembourg 81 923 u.a. and Netherlands 1 153 350 u.a.) in repayment of subsidies paid in 1970 for slaughtering dairy cows and withholding milk and milk products from the market (Council Regulation (EEC) No. 1975/69 of 6 October 1969);⁴
- (viii) 336 543 u.a. to Germany in repayment of subsidies paid in 1970 for grubbing fruit trees (Council Regulation (EEC) No. 2517/69 of 9 December 1969);⁵
- (ix) 546 326 u.a. to Germany in repayment of aid paid in 1969 to fruit and vegetable producers (Article 12(3) of Council Regulation No. 159/66/EEC of 25 October 1966);²
- (x) 12 381 929 u.a. to Italy for the fruit and vegetable sector for the second half of 1969 (Article 12(4) of the same regulation).

¹ *Journal officiel* No. 12, 24 June 1966.

² *Ibid.* No. 192, 27 October 1966.

³ *Ibid.* No. 76, 28 March 1968.

⁴ *Ibid.* No. L 252, 8 October 1969.

⁵ *Ibid.* No. L 218, 18 December 1969.

Financing food aid

282. Community financing of food aid developed considerably in 1971 as a result both of Commission initiatives and of certain Council decisions, but long delays still occur before payments are made. In some cases, in particular for fob refunds, payment is made from the Guarantee Section of the EAGGF, and in others it is made under the special food aid heading, to the value of the gift.

With regard to cereals, considerable delays have occurred in the financing of the first Food Aid Convention; accounts for expenditure in the 1968/69 accounting period should be settled shortly. The second Convention, signed in February 1971, was the subject in June 1971 of a Commission proposal to the Council on Community financing of expenditure under the Food Aid Conventions of 1967 and 1971, and in July 1971 of a report on the implementation of Regulation No. 2052/69.¹

On 19 July 1971 the Council decided² to grant emergency food aid to the Bengali refugees in India. In the autumn the Commission made advances of more than 6 million u.a. to Italy and Belgium to finance the Community grant of 43 000 tons of rice and 7 000 tons of cereals.

As regards milk products, food aid action involving butteroil and other milk products is financed by the Guarantee Section.³ Since the milk products market had improved to the point that public stocks had been completely run down, the Commission proposed in October 1971 that these products might possibly be bought on the internal or world market in order to fulfil Community commitments to developing countries.

As regards the other sectors it should be noted that the Council adopted a regulation⁴ on the supply of eggs to the World Food Programme.

Miscellaneous provisions

283. To implement the provisions of Article 8 of Regulation (EEC) No. 729/70⁵ on the prosecution of irregular practices, the Council gave

¹ *Journal officiel* No. L 263, 26 October 1969.

² Council Regulation (EEC) No. 1552/71 of 19 July 1971; *Journal officiel* No. L 164, 22 July 1971, p. 3.

³ Council Regulation (EEC) No. 2306/70 of 10 November 1970; *Journal officiel* No. L 249, 17 November 1970.

⁴ Council Regulation (EEC) No. 1577/71 of 20 July 1971; *Journal officiel* No. L 167, 26 July 1971, p. 9.

⁵ Council Regulation (EEC) No. 729/70 of 21 April 1970; *Journal officiel* No. L 94, 28 April 1970.

its agreement on 6 December 1971 to a regulation concerning irregularities, the recovery of sums improperly paid under the arrangements for financing the common agricultural policy, and the organization of an information system.

This regulation, which should be finally adopted soon, will make it possible to establish a Community information system, to step up the fight against irregularities, and to increase Community activities.

At the present stage additional legislation for the on-the-spot checks does not seem absolutely necessary. The Commission has already begun to apply the existing provisions¹ by carrying out on-the-spot audits to close accounts for 1966/67 for the Guarantee Section and also in connection with the payment of certain subsidies.

Establishment of conditions of competition in agriculture

284. Under the procedure laid down in Article 93 (1) of the EEC Treaty, the Commission continued its work on harmonizing aids granted by the Member States. In carrying out this action attention was paid above all to the two following elements:

- (i) the position on agricultural markets where surpluses existed or where there was a danger of them arising;
- (ii) the Council Resolution of 25 May 1971 and the Commission proposals to the Council on the measures to be taken to implement the reform of agriculture.

The Commission proposed to the Member States, by the dates set out in the Council resolution referred to above, appropriate measures within the meaning of Article 93(1) of the Treaty for beet, sugar cane and sugar, vegetables, inedible horticultural products and products processed from them.

On investment aid the Commission proposed to abolish all aids to specific investments for the production of these products and to apply common rules (maximum rate of 35%, priority given to producers' groupings and organizations) to investments for the preparation, proces-

¹ Article 9 of Council Regulation (EEC) No. 729/70 of 21 April 1970; *Journal officiel* No. L 94, 28 April 1970.

sing and marketing of vegetables and inedible horticultural products. Taking into account the fact that, under the common organization of the sugar market, prices are fixed at various stages and cost factors are included in the marketing margins, the Commission proposed that aids should no longer be applied to any investment here. It also proposed to the Member States that they should abolish from 1 April 1972 all other aids directly affecting production costs of the products concerned, except aids to schemes for sharing specific equipment and aids to insurance against natural disasters which it feels to be measures fulfilling the conditions of Article 92(3)(c) of the Treaty. The Commission also judged that the exceptional conditions provided for in Article 92(3)(a) applied to certain reorganization aids to sugar granted in French overseas departments under development plans for limited periods. On the other hand the Commission could not agree to the German Government's request to be able to take measures in sugar manufacture under Article 92(2) and (3).

In proposing these appropriate measures under Article 93(1) the Commission also stated that it was willing to examine any request from a Member State for the application of one of the provisions for exceptions of the EEC Treaty to aids affected by this procedure and granted in certain regions. It also announced its decision to re-examine existing aid when the Member States implemented the measures for the reform of agricultural or, at the latest, two years after.

In pursuing its work of harmonizing existing aid for fruit (excluding citrus) and preparations of fruit, the Commission decided to initiate proceedings under Article 93(2) of the Treaty against some of these aids. It also added to its proposals for appropriate measures, of which the Member States were informed in a letter dated 26 September 1970, the possibility of granting aid to investments in the fields of the preparation, processing and marketing of fruit (except citrus) and preparations of fruit, to a maximum level of 65% of expenditure for financing for a maximum period of five years and in regions of the Community where the present volume of these investments does not exceed 20% of the fruit production.

285. During 1971 a tendency to introduce new aids appeared in certain Member States. These attempts were prompted by economic or monetary difficulties, decisions on common agricultural prices or the need to redirect agricultural production at national or regional level. The Commission was notified under Article 93(3) of the EEC Treaty of 38 new aid systems (or amended systems), some of which covered all agricultural produce and other livestock products, fruit production and sugar production, where large sums were involved in some cases. The result of the examination

carried out by the Commission under Article 93(3) was that, in 11 cases, these aids were judged incompatible with the common market and proceedings were initiated against them under Article 93(2) of the Treaty. They were mainly aids for the operation of farms or for the processing of agricultural produce which would not result in any lasting reorganization of the branches concerned.

Harmonization of legislation

Veterinary legislation

286. Out of ten Commission proposals pending before the Council at the beginning of the year, two were adopted:

- (i) Council Directive of 15 February 1971 on health problems associated with trade in fresh poultrymeat;¹
- (ii) Council Directive of 19 July 1971 amending the directives of 26 June 1964 on health control problems in intra-Community trade in live cattle and pigs.²

Food legislation

287. Thanks to the speeding up of work in the Council, an agreement in principle was reached between the Six on the various points under discussion in the proposals on emulsifying and similar agents, cocoa and chocolate, fruit juices and similar products, tinned milk and sugar.

On 30 March 1971, after obtaining the Opinions of the European Parliament and the Economic and Social Committee, the Council adopted a directive allowing the temporary use of thiabendazole for preserving citrus fruits and bananas.³ At its session of 14 May 1970 the European Parliament gave a favourable Opinion on the matter. The Economic and Social Committee had given a similar Opinion on 23 April 1970.

Animal feedingstuffs legislation

288. The Commission proposed two regulations to the Council; the first deals with the marketing of feedingstuffs and the second fixes the maximum

¹ *Journal officiel* No. L 55, 8 March 1971.

² *Ibid.* No. L 179, 9 August, 1971.

³ *Ibid.* L 87, 17 April 1971.

permissible content of undesirable substances and products in these feedingstuffs. These proposals are intended to complete harmonization in this field. At the same time the Commission began to lay down the methods of analysis for the official inspection of animal feedingstuffs.

Plant health legislation

289. The three Commission proposals to the Council on measures to be taken against the introduction into Member States of organisms harmful to plants, on the setting of maximum permissible levels for pesticide residues on and in fruit and vegetables, and on the establishment of a Standing Plant Health Committee have reached a stage justifying the expectation that they will be adopted in the very near future.

Regulation on agricultural, horticultural and forestry seeds and seedlings

290. The first stage of harmonization here was completed with the adoption of three Council directives: the first on 30 March 1971, was on the external quality standards for forestry reproductive material marketed within the Community;¹ the second, on 22 March 1971, amended the directive of 9 April 1968 on the marketing of material for the asexual propagation of vines;² and the third, on 30 March 1971,¹ amended the directives of 14 June 1966 on the marketing of beet seed, forage seed, seed grain and seed potatoes, of 30 June 1969 on the marketing of seeds of olexaginous and fibrous plants, and of 29 April 1970 on the marketing of vegetable seeds. The Commission adopted several decisions pursuant to these directives.

Agricultural research activities

291. In 1971 work centred mainly on drawing up a draft of a new joint research programme to tackle ordinary swine fever (hog cholera) and African swine fever. This programme, which is due to last four years, covers three main fields of research: virology, pathogenesis and immunology. Research is to be carried out simultaneously on the ordinary and African types of virus. Work is to be divided between ten European research institutes specializing in ordinary swine fever, and institutes in the Iberian peninsula dealing with African swine fever.

¹ *Journal officiel* No. L 87, 17 April 1971.

² *Ibid.* L 71, 25 March 1971.

Side by side with this activity the Commission is shortly to submit a report to the Council on the results achieved in this field in the past four years. It has three main parts: study of the virus of ordinary swine fever, diagnosis of ordinary swine fever and diagnosis of African swine fever.

On a more general plane, and in collaboration with the directors-general of agricultural research in the national administrations work has been done on laying down priorities in the field of coordinating agricultural research.

III - THE FUNCTIONING OF THE COMMON ORGANIZATION OF AGRICULTURAL MARKETS

292. There is a common organization of the markets for almost all the agricultural products listed in Annex II of the Treaty. During the year hops and seeds were added to those for which such an organization existed on 1 January 1971. Basic provisions still have to be adopted for 10 or so products or groups of products. As far as some of them are concerned, the Council has, pending the new provisions, extended until 31 December 1972 the arrangements for minimum prices of ware potatoes (France) and early potatoes (France, Germany, BLEU) and for charges imposed to replace minimum prices for seed potatoes (France) and vinegar and substitutes for vinegar other than wine (Germany). To encourage the breeding of silkworms the Commission submitted to the Council on 14 October 1971 a proposal for a regulation providing for special measures.

Basic regulations already in force

Crop products

Cereals

293. No special problems arose in the management of the cereal market in the first half of 1971. Intervention stocks were greatly reduced by heavy expenditure; in addition, the poor harvest in 1970 made further intervention on the market unnecessary. However, the experience of previous years showed that there was a growing tendency for the intervention system to become a form of marketing and to lose its original function of "a last resort". This prompted the Commission to consider

the idea of reducing the absolute price guarantees contained in the intervention procedure, an idea which it had submitted to the Council before, in its memorandum on the balance of agricultural markets in November 1969.¹ On 15 February 1971 it proposed to the Council that the intervention period should be cut down by leaving out the first months of the marketing year. The European Parliament backed this proposal in its Opinion of 19 March 1971. Nevertheless, the Council did not accept it. On the other hand, the quality requirements for cereals offered for sale to intervention agencies were considerably modified by the Commission,² with the object of making the minimum buying-in conditions stricter and of not accepting cereals which are not good enough for use or for adequate storage. In taking these measures, the Commission was aware of the fact that the amendments would increase the producers' share of financial responsibility. However, to limit the reduction in producers' revenue, the Commission was obliged for the 1971/72 marketing year to depart from the minimum intervention conditions for barley of the 1971 crop.

For maize, the basic cereals regulation laid down a single intervention price provided the quantities marketed were less than 45% of domestic needs. This restriction was lifted from 1 August 1971. At the same time a system was introduced for durum wheat involving a single derived intervention price. Responding to a proposal from the Commission, the Council felt that derived prices were not necessary for cereals of which there was a large deficit in the Community. The European Parliament had made its approval subject to the conditions that producers would not suffer in any way and that the general rule of fixing derived intervention prices would be applied in the future when the situation demanded it.

The regulations which have to be adopted for each marketing year underwent no major changes, the only adjustments necessary being those resulting from the new cereal prices. Because of the new differential between the prices for barley and maize, the Commission was forced to pursue an active export policy for barley from the beginning of the 1971/72 marketing year by making export markets to non-member countries easier so that intervention should become unnecessary. The international monetary situation and the considerable fluctuation of prices on the world market created a further problem for the management of the cereal market. In order to prevent the normal sales of home-produced

¹ *EC Bulletin* 1-70.

² *Journal officiel* No. L 157, 14 July 1971.

cereals, including rice, from being disrupted by imports at prices lower than the threshold price, the Commission suspended the prior fixing of levies for the main cereals on 17 August 1971.¹ This measure was abolished on 13 October 1971.² At the same time the Commission shortened the validity of import certificates to 30 days, as the two causes of disruption referred to above have not yet been entirely removed.³

Rice

294. Since 1 September 1971, new measures adopted by the Council⁴ apply, the main aim of which is to fix the level of levies in such a way that they follow more closely prices on the world rice market and to improve intra-Community trade in home-produced rice. This improvement is already visible. Further efforts will be necessary if the quality of Community production is to come up to the requirements of consumers in the Community and if consumption which is at present declining is to increase again and even to exceed previous levels. The corollary of these objectives is a drop in surpluses to be exported on to a world market which is marked by supplies in excess of demand and by a constant lowering of prices.

Sugar

295. When the prices for 1971/72 were fixed, amendments were also made to the arrangements for determining the guaranteed quota which must now be equal to estimated human consumption in the Community, without, however, falling below the total of the basic quotas. For the current sugar year, consumption is expected to take up almost all the basic quotas (6 480 000 tons).

Surplus sugar was disposed of in general through the Community export tender system. The denaturing of sugar for animal feed enabled an outlet to be found only for some minor quantities, for bee-keeping. In view of the level of the export refund there was clearly no point in awarding more denaturing subsidies.

A record crop of about 8.1 million tons of white sugar is expected for 1971/72. But 0.6 million tons will be in excess of the maximum quota, and so the Community will not be financially responsible for this

¹ *Journal officiel* No. L 186, 18 August 1971.

² *Ibid.* No. L 231, 14 October 1971.

³ These Commission decisions also apply *torrice*.

⁴ *Journal officiel* No. L 164, 22 July 1971.

amount. Moreover, consumption has increased, production in some areas failed to reach the basic quota, and world market prices developed favourably; consequently, the cost of marketing the surpluses from this year's harvest will be largely covered by the levy paid by manufacturers.

Oils and fats

Olive oil

296. In addition to raising the common prices for 1971/72, the Council decided to put the monthly increases in the market target price, the intervention price, and the threshold price up from 0.62 to 0.67 u.a./100 kg. Apart from a new technical provision, the system for aiding producers of olive oil was extended by the Council for the 1971/72 marketing year. The arrangements for intervention agencies to buy-in olive oil were amended to reflect experience gained, in particular, on adjusting the bonuses for the various grades to the market position. The Council provided for the introduction of a compensatory amount on imports of refined olive oil, in accordance with the provisions of the basic regulation.

At its meeting of 20 September 1971, the Council adopted a decision on the Community's accession to the International Olive Oil Agreement. This decision authorizes the Commission to open negotiations leading to the Community's participation as a unit in the Agreement. On 1 September 1971 the interim agreement between the European Economic Community and Turkey came into force, whereby Turkey enjoys the same preferential system as Morocco, Tunisia and Spain for imports of olive oil into the Community. This system enables these countries to collect as a tax part of the levy applied to such imports.

Oilseeds

297. When fixing the prices for the 1971/72 marketing year the Council also raised by 8% the monthly increases in the basic prices. Additional aid for colza and rapeseed processed in Italy, and the certificate system for imports of some oils and fats into Italy, were extended for 1971/72, as the Council had not found a permanent solution for the problem connected with the mobility of colza seeds in the Community.

So that the Community market would remain more stable when oils and fats were imported from non-member countries in quantities and under conditions such that these imports caused or were likely to cause serious hardship for producers, the Council defined the conditions under which a

compensatory amount might be added to the customs duties. In accordance with the general guidelines on certificates, the Council decided to introduce a certificate valid throughout the Community for granting aid to producers. It was also decided that support was advisable for the production of cotton seeds, which is of no little importance in the economy of certain regions situated mainly in the south of Italy. The Council introduced¹ a system of aid which came into force on 1 August 1971.

Fruit and vegetables

298. The regulations governing fruit and vegetables, which were amended on several points at the end of 1969, were applied without any major difficulties in 1971. On the basis of the buying-in prices fixed at the beginning of the marketing year, operations were begun to clear the markets in certain products. Daily checks on import prices, and comparisons with the reference prices applicable for the year, showed that non-member countries respected in almost all cases the minimum price levels demanded for produce sent to Community markets.

Because of the need to strengthen the grubbing measures intended to reduce the production potential of some fruits which are in surplus (apples, pears, peaches), the grubbing bonus was increased from 500 to 800 u.a. per hectare, and it was also decided that the bonus would be paid in a single sum.

Common quality standards better suited to market conditions replaced the standards in force for a number of major products: apples and pears and citrus fruits. Furthermore, to clarify the situation concerning basic regulations, which have been amended several times since 1962, a consolidated regulation was submitted to the Council; it incorporates in a single text the basic provisions for the common organization of the markets in fruit and vegetables.

Processed fruit and vegetable products

299. Except for a problem of interpreting provisions for determining the import levy on various added sugars in certain tinned fruits, the application of the regulation in question did not give rise to any difficulties. The Commission has submitted proposals to the Council for settling the problem of interpretations.

¹ *Journal officiel* No. L 160, 17 July 1971.

The discussions in the Council on the Commission proposals concerning commercial policy have not yet reached an entirely satisfactory conclusion. The serious difficulties encountered by the Italian and French tomato concentrate industries in trying to meet competition from some non-member countries on the European market have resulted in the introduction of temporary safeguard measures, involving a system of minimum prices and quantitative restrictions. The Council also adopted¹ a regulation on the application of export refunds here. Under this regulation refunds may be granted on canned tomatoes, cherry preserves and some fruit juices.

Live plants and cut flowers

300. No difficulties were encountered in 1971 in applying the regulation on the establishment of a common organization of the market in live plants and cut flowers. In accordance with this regulation the Commission fixed² the minimum export prices for flowering bulbs, corms and tubers for 1971.

The discussions in the Council on the commercial policy measures proposed by the Commission have not yet achieved any result. This is also true for the proposed directive on the financing and coordination of product advertising at national level in this field.

Wine and vine products

301. The conditions for the free movement of wine and vine products were created with the abolition of quantitative restrictions and measures with equivalent effect. However, in some cases trade between member countries is hindered by tax or public health provisions. The evolution of wine production will be increasingly determined in years to come by the Community classification of vine varieties and Community provisions on oenological practices. Checks on vineyard development, for which a scheme has been drawn up, will also help to confirm this evolution. The producer's income very much depends on the price at which he sells his harvest and on the real sales possibilities. The fixing of guide prices and, in relation to them, prices at which intervention takes place for the various types of table wines enables the Community authorities to prevent drops in prices by withdrawing surpluses from the market, either temporarily

¹ *Journal officiel* No. L 151, 7 July 1971.

² *Ibid.* L 277, 22 December 1970 and L 27, 3 February 1971.

by concluding storage contracts or permanently by distillation. During the 1970/71 marketing year, when supplies were extremely abundant, much use was made of these measures; this helped to reduce the depressive effect of the abundant supplies on prices. The competitive position of wines originating in the Community, and thus their real sales possibilities, were strengthened by the fact that wines from non-member countries were unable to enter the Community, apart from certain exceptions, at prices below the reference prices fixed by the Commission.

The application of the above provisions, while having a beneficial effect on the maintenance of producer prices, did not, however, harm consumers' interests.

Flax and hemp

302. With regard to the general rules for granting aid, the Council laid down¹ that, for flax intended for the production of oil and for hemp, aid is granted only to the producer, whereas for textile flax half the aid is paid to the producer and the other half to the initial purchaser. The Council has drawn up general rules covering storage;² in particular, it fixed the criteria for judging whether a temporary imbalance exists on the textile fibre market, the basis for calculating the amount of aid, who is to receive it, and the basis for calculating the length of contracts. In addition to the procedure for granting aid and for storage contracts, the Commission also adopted outline terms for contracts concerning the sale of flax and hemp straw.³

Unmanufactured tobacco

303. On the whole, the common organization of the market in unmanufactured tobacco operated satisfactorily despite the difficulties connected with the initial period of implementation of the new common arrangements. As a result of the difficulties, transitional measures were taken regarding the operations of the intervention agencies.

Following the entry into force of this market organization, a conspicuous increase in intra-Community trade in unmanufactured tobacco was recorded, especially in sales of tobacco grown in Italy to other member

¹ *Journal officiel* No. L 72, 26 March 1971.

² *Ibid.* No. L 123, 5 June 1971.

³ *Ibid.* No. L 127, 11 June 1971.

countries. A number of implementing regulations were adopted to supplement the measures adopted in 1970. They deal with the general terms for granting refunds, for initial processing and treatment contracts, storage contracts, and the sale of tobacco held by intervention agencies. The norm and intervention prices for leaf tobacco fixed for the first time for the 1970 harvest were applied also for the 1971 harvest. The bonuses and the derived intervention prices for baled tobacco also remained as they were except for two varieties for which adjustments were made¹ in accordance with a Commission proposal following a favourable Opinion from the Parliament.

The basic regulation was amended to specify that the Parliament should be consulted on fixing bonuses as well as prices, beginning with the 1971 crop.¹

Livestock products

Beef and veal

304. To take into account, firstly the changes in the list of representative markets which must be made in some Member States and which will bring about a rise in the established Community prices, and secondly its proposal to increase by 2% the target price of milk for 1972/73, the Commission proposed that the Council should review the guide price for mature cattle for 1972/73 and fix it at 77.25 u.a./100 kg. In connection with the special import arrangements for certain types of frozen meat, the Council estimated that processing industry would need to import 108 000 tons of beef and veal for the period from 1 January to 31 December 1971. This estimate does not cover meat required for the manufacture of preserves containing nothing but pure beef and veal, since this meat is not subject to a levy.

As there tends to be a dip in prices for mature cattle every autumn, the Commission adopted the necessary provisions so that optional intervention can begin as soon as prices fall to the activating threshold referred to in the basic regulation. However, in October and November 1971 the seasonal drop was unusually small, with the result that prices did not reach the level which triggers off optional intervention.

Council Regulation (EEC) No. 1975/69 of 6 October 1969 introducing a system of subsidies for slaughtering dairy cows and for with-

¹ *Journal officiel* No. L 167, 26 July 1971.

holding milk and milk products from the market¹ continued to be applied in 1971 with the payment of subsidies up to June 1971 for withholding milk from the market. These subsidies have been paid in respect of about 250 000 cows since the scheme began in 1969. This figure includes 8 750 cows for which applications have been lodged in Italy; on 30 June 1971, however, Italy had not yet taken the necessary measures at national level to apply the system of subsidies provided for in Regulation (EEC) No. 1975/69, because no legislation exists for making available the necessary credits to pay the subsidies. In view of this situation, the Commission requested the Italian Government to take rapid steps to implement the Community regulation. On 26 October 1971 the Italian Government passed the law authorizing the Ministry of Agriculture to take the necessary implementing measures.

Pigmeat

305. As expected, the main feature of the pigmeat market in 1971, as in 1968, was the cyclical fall in prices; this sparked off the second programme of intervention on the market. The intervention system had been improved by raising the level at which intervention measures are triggered off to 103% of the basic price and by fixing in advance the level of aid for private storage and the buying-in price of pig carcasses. This price was fixed at its maximum level of 92% of the basic price. Intervention on the market triggered off on 26 April 1971 was successful in stabilizing prices, thanks to the active participation of the farmers concerned, who, receiving the aid for private storage, withdrew from the market and stored almost 24 000 tons of cuts of pork. As offer prices for imports into the Community fell short of the sluise-gate prices, the Commission fixed amounts to be added to the normal levy on imports of certain types of pigmeat. Furthermore, in order to ease the market the Commission paid, from 15 March 1971, additional export refunds for deliveries of pig carcasses and breast of pork to certain East European countries, including Poland, Czechoslovakia and Bulgaria.

Work continued on establishing quotations for slaughtered pigs on a common basis. These quotations are to be made comparable from one Community region to another; in order to establish them on the representative markets of the Community according to the Community scale for grading pig carcasses, a brochure was produced describing this grading and

¹ The arrangements were cancelled applications lodged after 30 June 1971; *Journal officiel* No. L 137, 23 June 1971.

it was laid down that the marketing stage to be adopted was the slaughter-house stage for pig carcasses on the hook, i.e. the stage at which the quality payment to the producer is made.

Milk and milk products

306. The milk market pursued the favourable course which had been apparent in 1970 with the reduction in surpluses. The feature characterizing 1971 was the disappearance of stocks of butter and of skim milk powder. Consequently, the policy followed in this market fundamentally reflects the healthier position. For the first time there is no need to dispose of surpluses. The improvement in conditions is mainly due to the increased export opportunities available on the world market. This provided an outlet for the surplus stocks which could not have been run down solely by the slight drop in milk production, the more appreciable reduction in butter and skim milk powder production, and the increase in consumption of cheeses and certain other products. The disappearance of the public stocks led to abolition of the measures for selling stocks of butter and skim milk powder at reduced prices, except for supplies to the World Food Programme.

The easing of the market had some welcome effects on overall price trends. Market prices, recovered substantially because they were not only hoisted up by the rise in intervention prices but they also went above the support level. Intervention agencies did practically no buying-in. For the first time since 1968 the producers' price for milk increased appreciably throughout the Community, reaching and even passing the target price, which itself was increased at the beginning of the marketing year. Price rises in international trade were even higher than on the internal market. In the second half of the year the supply of skim milk powder on the world market fell away sharply, and prices for this product shot up so rapidly that the Community was forced to place a tax on its exports in order to prevent massive outflows and serious disruptions of its market. In view of the world market trend the Commission greatly reduced the export refunds for milk products in general and in many cases abolished them altogether.

In spite of the extremely favourable development which made it possible to cut back sharply on expenditure in the milk market, there is no denying that the Community's milk production still exceeds internal consumption at market prices, by some 3 to 4 million tons and that consequently the surplus must be disposed of outside the Community. It should also be said that further provisions affecting the common organization of the market in milk were adopted by the Council in June 1971, following

an Opinion given by the European Parliament. They relate to the Community arrangements for liquid milk; their purpose is to create freedom of movement for this milk, and to assist efforts to provide consumers with a high-grade product.

Eggs and poultrymeat

307. The problem of the imbalance between supply and demand was particularly worrying on the egg market. Steadily falling prices forced many producers to give up their activities in this field of agriculture, and others were faced with serious financial difficulties. The supply of poultrymeat, too, amply satisfied demand.

During the period under review the export refund machinery was used with caution and moderation, as it has not proved a suitable means of promoting a lasting balance between supply and demand in connection with easing the internal market. The Commission feels that the very structure of these activities, and their constant evolution, are such that the means of stabilizing the markets ought to be in the hands of the producers themselves. Community support for initiatives which could be developed could be given in accordance with the provisions of the basic regulations. It is of fundamental importance to improve the transparency of the market, as planned in a draft regulation submitted to the Council on hatching eggs and one-day chicks, and to improve the organization of poultry-farming activities.

In 1971 the growth of intra-Community trade was hindered by the appearance of fowl pest in some Member States and the subsequent health and veterinary measures taken in the others.

The Commission submitted to the Council a proposal for a regulation reducing the possibilities of applying the inward processing system to these products. This proposal was made because, under the existing provisions, Community import levies can vary appreciably for the same product. In addition, a proposed regulation on marketing standards for poultry and cuts of poultry was also submitted to the Council.

Fishery products

308. At the beginning of 1971 the Council adopted the main regulations for implementing Council Regulation (EEC) No. 2142/70 of 20 October 1970 establishing a common organization of the market in fishery products.¹ For trade with non-member countries, reference prices for these

¹ *Journal officiel* No. L 236, 27 October 1970.

products were applied. In view of the market situation, the level of imports was not high enough to warrant banning or limiting them, as had been provided for.

The Council fixed the common marketing standards for those fresh products which are of most importance for the operation of the market organization.^{1, 2} Regulations were adopted on the recognition of producers' organizations and the granting and repayment of aids allocated to these organizations.¹ Since then some major producers' organizations in certain Member States have asked to be recognized and have begun to apply the price support system.

With the entry into force of the common fisheries policy, the trade arrangements contained in the association agreements with the AASM, Tunisia, Morocco and Turkey lapsed. New systems had to be found which took the interests of these countries into account.^{3, 4} In addition to the advantage accruing to them from the removal of quantitative restrictions in the fisheries sector the Community also granted them some customs concessions.

*Activities of the Management Committees responsible
for market organizations (a)
and of agricultural regulation committees (b)*

TABLE 20

Committees	1 January to 31 December 1971			
	Meetings	Favourable opinion	No opinion	Contrary opinion
a) Management Committee for cereals	63	424	9	—
Management Committee for pigmeat	26	37	8	—
Management Committee for poultrymeat and eggs	24	59	12	—
Management Committee for fruit and vegetables	19	40	1	—

¹ *Journal officiel* No. 23, 29 January 1971.

² *Ibid.* No. L 264, 5 December 1970.

³ *Ibid.* No. L 139, 25 June 1971.

⁴ *Ibid.* No. L 176, 5 August 1971.

TABLE 20 (Contd.)

Committees	1 January to 31 December 1971			
	Meetings	Favourable opinion	No opinion	Contrary opinion
Management Committee for wine	28	34	3	—
Management Committee for milk and milk products	40	165	16	—
Management Committee for beef and veal	26	47	2	—
Management Committee for oils and fats	26	60	3	—
Management Committee for sugar	55	187	5	—
Management Committee for live plants and cut flowers	4	4	—	—
Management Committee for processed fruit and vegetable products	8	5	2	—
Management Committee for tobacco	4	5	—	—
Management Committee for flax and hemp	7	10	1	—
Management Committee for fishery products	21	32	1	—
	—	—	—	—
	2	2	—	—
Standing veterinary Committee	1	—	—	—
Standing Committee for seeds and seedlings	13	16	—	—
EAGGF Committee	15	73	1	—
Standing Committee for agricultural structures	5	7	—	—
Standing Committee for seeds and seedlings	1	—	—	—
Community Committee for the information service on farm accounts	3	—	—	—

On 28 October 1971 the Commission submitted to the Council proposed regulations fixing common marketing standards for frozen fish of those varieties for which standards already exist in the fresh state, and also for frozen squids, cuttlefishes and octopus for which aid is to be granted for private storage.

309. During the period under review, the various Committees listed in Table 20 met 391 times; this total also includes joint meetings of Management Committees. Out of 1271 votes taken, a favourable opinion was given on 1207 occasions and no opinion on the other 64.

The new basic regulations in 1971

Hops

310. On 26 July 1971 the Council adopted the basic regulation for the common organization of the market in hops.¹ This regulation provides for measures to pursue a policy of maintaining quality and to protect producers against any drop in their standard of living. The policy of maintaining quality is pursued by the introduction at Community level of certificates showing the origin of the product, which must appear on the list of accepted varieties and possess certain quality characteristics which will also be laid down. A system along these lines will also apply to imported products. In order to guarantee the producers concerned a fair standard of living, to stabilize markets, and to ensure reasonable prices in deliveries to consumers, special efforts are to be made to concentrate supply and producers are to work jointly to adapt their products to market requirements; for this object producers' groupings will be created. In order to encourage farmers to form these groupings, aid may be granted to cover the costs of constitution and operation during the first three years after recognition and also to encourage the conversion and restructuration of their farms; this last measure is only valid up to 31 December 1975. These aids are treated as joint programmes for Community financing.²

In the general regulation the Council introduced a system of aid per hectare for hops grown in the Community. The Commission will submit an annual report on the hops situation as it is and as it is likely to develop; after examining this report the Council will decide the amount of aid for each variety by 30 June of each year. These provisions will already apply

¹ Regulation (EEC) No. 1696/71 of 26 July 1971; *Journal officiel* No. L 175, 4 August 1971.

² Council Regulation (EEC) No. 729/70 of 26 July 1971; *Journal officiel* No. L 94, 28 April 1970.

for the 1971 crop. The competition rules in the EEC Treaty governing state aid were made applicable here. Nevertheless, in cases where national aid still exists and is an integral part of current delivery contracts, it will not be banned until these contracts have been fulfilled.

As regards trade with non-member countries, imports are only subject to the customs duties laid down in the common customs tariff. This tariff has in fact been applied to hops imported since 1 January 1970. However, to prevent abnormal quantities of imports from jeopardizing the equilibrium of the Community market, special appropriate measure can be taken.

Seeds

311. On 25 October 1971 the Council adopted Regulation (EEC) No. 2358/71¹ on the common organization of the market in seeds. This market organization covers dried leguminous vegetables intended for sowing and seeds, fruit and spores of a kind used for sowing. Also included in the regulation are hybrid maize intended for sowing and oilseeds and oleaginous fruit intended for sowing-products which are already covered by the cereal regulation and the oils and fats regulations, respectively.

For a few sensitive species (certain grasses and pulses the regulation lays down the possibility of production aid being awarded, provided basic seeds or certified seeds are concerned. This aid consists of a uniform amount for each species or variety group and is granted per quintal of seeds. It is fixed by the Council before 1 August each year for the marketing season beginning the following year. However, for the marketing year 1972/73 it will be fixed by 1 July 1972.

Special provisions are laid down for hybrid maize intended for sowing. A reference price is fixed before 1 July each year for each type of hybrid. If the offer price free-to-frontier, plus the customs duty, is lower than the reference price, a countervailing charge is made which is equal to the difference between these prices. Apart from the measures described for hybrid maize, imports for the seeds concerned are subject only to the duties in the common customs tariff. However, should the market be seriously disrupted, safeguard measures can be taken. The competition rules governing state aid apply to these products, and this implies the removal of national protection measures.

The regulation comes into effect on 1 July 1972. However, transitional measures could be taken if necessary until 30 June 1973, to ease the changeover from the present system.

¹ *Journal officiel* No. L 246, 5 November 1971.

2. Industrial, technological and scientific development policy

ENVIRONMENTAL PROBLEMS

312. As announced in the outline of its annual programme,¹ the Commission sought in 1971 to define the basis for a common policy on the protection and improvement of the environment. In response to the wish expressed by the Parliament,² it took a number of measures designed to ensure that the Community should henceforth pursue an active and practical policy in this very important field.

The Commission is alarmed at the advancing degradation of the environment. It also recognizes the deep popular desire for the more pleasant living conditions that ought to go with the higher standard of living. Because of this the Commission took several steps in 1971 which merit brief mention.

First of all, the Commission decided that the work of its own departments concerned with protecting and improving the environment must be closely coordinated. As early as February 1971 it set up a working party on the environment with Mr Spinelli, Member of the Commission, as its Chairman. This working party was assigned the task of preparing a Community programme of action on the environment and of ensuring coordination between the Directorates-General. It is assisted by an interdepartmental unit which links the Directorates-General concerned.

In addition, in view of the particular importance of the industrial and research aspects, an administrative unit was set up inside the Commission's Directorate-General for Industrial, Scientific and Technological Affairs. This unit, whose role is to coordinate, analyse and stimulate, represents the Commission at the meetings and discussions organized by the numerous international authorities on the protection and improvement of the environment. It is also at the disposal of the Commission's working party as regards preparing the proposals for inclusion in the programme of action.

¹ Speech delivered to the European Parliament on 10 February 1971 by Mr Franco Maria Malfatti, President of the Commission - see *Fourth General Report*, p. XV.

² See, in particular, the reports by the European Parliament's Committee for Social Affairs and Public Health on :

(i) The need for Community action on air pollution (PE 27.591 rev.);

(ii) Measures against the pollution of rivers and particularly of the Rhine (PE 25.220)

313. The preparation of this programme occupied the first half of the year. The first task was to define the concept of environment, which may cover widely differing fields that have to be analysed and set in order.

The Commission considered that protection of the environment should not be confined to suppressing the harmful effects of technical progress and, more generally, of economic and social activities, but should also aim at conserving the natural resources—which have already become, or will shortly be, at a premium—and at the proper use of land, more especially to counter the harmful consequences of the increasing concentration of population in the towns, and, lastly, should guide future progress to meet, not simply in quantity but also in quality, the true needs of human beings.

An initial report on the Community's environment policy was drafted and was approved by the Commission by 22 July 1971.¹

That report summarizes the Commission's reasons for intervening in the matter of environmental protection, states the aims of a Community policy and ecology, lists the legal and financial means by which the Commission can realize its aims, and proposes a limited number of priority projects which, in the Commission's view, ought to be undertaken at once in order to arrest the spoliation.

The report was sent out to the competent government departments and the various business and professional circles concerned, both in the Member States and in the countries seeking membership, in order to elicit appropriate comments and suggestions. It was also sent for information to the European Parliament, the Council and the Economic and Social Committee.

The consultations with the various national governments are in progress. The Economic and Social Committee has set up an Environment subcommittee whose first job in the coming months will be to study the above-mentioned report.

314. In the course of these consultations it has already emerged that whilst they agree that decisions concerning the environment should be taken at the Community level, certain governments wanted to ensure that the necessarily lengthy process of establishing a Community policy in this field would not have the effect of delaying the adoption at national level of legal or administrative measures designed to protect the environment.

¹ *EC Bulletin* 9/10-71, Part One.

The Commission, whilst aware of the national authorities' legitimate concern to take certain protective measures without delay, is also anxious that the adoption of such measures at the national level should not make the delicate task of implementing a Community environment policy even more difficult and, in certain cases, jeopardize the aims of the Community.

In November 1971 the Commission therefore sent a letter to the Member States in which it expressed its wish to be informed by them of any measures they proposed to take regarding the protection of the environment as soon as these are envisaged, and to be notified of the drafts of such measures. In the Commission's view this procedure, where it does not already exist, would allow it time to make any suggestion likely to speed up the preparation of joint solutions to the problem in question and in any case to prevent the introduction of measures likely to jeopardize the attainment of the Community's objectives (EEC Treaty, Article 5).

315. In the light of the information and suggestions it receives during the consultations it is holding with the competent government authorities and the business and professional circles concerned, the Commission will submit specific proposals to the Council for the achievement of the objectives set out in its initial report.

The aims of these proposals will be to draw up a programme for reducing the concentration of the most dangerous pollutants in air and water; to continue and extend the action being taken for the removal of technical barriers to trade; to ascertain what anti-pollution steps must be taken in certain industries—the Commission proposes to study together, with the circles concerned, the question of what measures can be taken against pollution and to examine the economic and commercial consequences of such measures, including those to be taken in certain sectors which are particularly sensitive to international competition; to study and improve open spaces and the natural environment—this refers to projects for the development of various areas of general interest to the Community, such as the Rhine basin and the sea coasts, and also to measures regarding transfrontier pollution; to create an Institute for the Environment whose job it will be to reflect on the future pattern of society and to disseminate the information necessary for the effective combating of pollution; and lastly to enable the Community, as such, to share in the work of international organizations that deal with environmental issues. In this connection the Commission has already submitted proposals to the Council (in July 1971) on the methods of implementing the notification and discussion procedure instituted by the OECD Council in regard to the environment.

These, then, are the subjects for action which the Commission suggests should be tackled at Community level and which are now being discussed with the national authorities and the business sectors concerned. The Commission will insist that all measures adopted for the protection and improvement of the environment must be based on the same criteria, keeping to the same principles and, where necessary, the same structures, regardless of the level at which they are applied, whether local, regional, national or Community. Within this common framework for reflection, judgement and action, the public authorities will be able to adopt and apply the necessary measures at the most appropriate level without any insurmountable difficulties and without stirring up conflict.

316. Meanwhile, until this programme is set up, the Commission intends to make vigorous use of the powers it already holds under the existing rules. Thus, in the nuclear field, it is still ensuring that Chapter III of the Euratom Treaty is implemented. In the context of the ECSC research programme, research is continuing on health in mines and on forms of pollution inherent in the iron and steel industry. Under Euratom's multi-annual research and training programme it has proposed research on pollution. The Commission has also taken an active part in preparing the pollution research projects decided upon by the Ministers for Research of the 19 COST countries (research on the physical and chemical behaviour of sulphur dioxide, analysis of organic micropollutants in water, and sludge processing methods). It will provide the secretariat for the committee formed to manage these activities and will contribute to the performance of the work. As part of its work on the approximation of laws, the Commission called together a group of experts on water laws to list the laws, regulations and administrative provisions regarding the protection of water from pollution.¹

INDUSTRIAL POLICY

317. As regards the preparation of an industrial policy for the Community, 1971 was a year of reflection and consultation; the Community institutions continued to study the guidelines for industrial policy formulated by the Commission in its memorandum of March 1970² and produced an initial set of conclusions

¹ Sec. 175.

² Principles and general guidelines for a Community industrial policy. Supplement to *EC Bulletin* 4-70.

On 25 March 1971 the Economic and Social Committee rendered its opinion on the Commission's memorandum. On 10 February 1971 the European Parliament, having received the views of the committees, adopted the interim opinion prepared by its Economic Committee on the basis of the report by Mr Springorum. At the Council level, the Working Party on Industrial Policy continued the task assigned to it on 24 June 1970 by the Committee of Permanent Representatives of the Member States and submitted its report on 30 March 1971.

All these studies show a substantial measure of agreement on the basic objectives of the Community industrial policy. It must be directed to the improvement of living and working conditions and to a better regional balance in the Community through the strengthening of industrial structures and the fostering of technological development. An active policy must be conducted on behalf of small and medium-sized businesses.

The Committee of Permanent Representatives took due note of the report by the Working Party on Industrial Policy with a view to preparing further work on the industrial policy for the Council, more especially by settling the objections or reservations expressed in the working party. Although it had still not been possible to reconcile certain divergent views, the Commission felt it was already in a position to prepare and submit certain formal proposals, based on the views of the Parliament, the Economic and Social Committee, the business circles consulted and the work of the Working Party on Industrial Policy.

318. On 28 April 1971 the Commission put before the Council a draft Decision on the setting up of an Industrial Policy Committee. This Committee was to fulfil a twofold need, namely, to permit coordination of the national policies in the industrial field, in regard to both general and sectoral measures; and to contribute to the preparation of the Community's further work on industrial policy through various studies or opinions to be used by the Council and the Commission. This Committee would have coordinating and advisory functions similar to those already assigned to the Short-Term Economic Policy Committee, the Budget Policy Committee and the Medium-Term Economic Policy Committee, and would, according to the Commission's proposal, be granted the same status as these various committees.

Although the need, and indeed the urgency, of coordination of the national industrial policies within the Community was not disputed, the Council has still not been able to reach agreement on the setting up of such a committee.

319. On 14 September 1971, again in fulfilment of the discussions on the industrial policy memorandum, the Commission submitted a proposal for a Council regulation on the creation of Joint Undertakings within the scope of the EEC Treaty.

The draft regulation provides for the setting up of such Joint Undertakings within the Community in the following two situations:

- (a) total or partial pooling of the public-service activities of centres, firms or national administrative bodies of different countries, whether or not these bodies are legal persons, or creation of new activities of this type;
- (b) creation of firms that involve the participation of firms or organizations belonging to at least two Member States and are intended to exercise a major activity of common interest from a European standpoint in the field of technological development or the supply of basic materials other than hydrocarbons.

This draft regulation aims at providing interested parties with a legal instrument enabling them to meet the particular problems of organization or structure that arise at the Community level where public services are concerned or where a major public interest is involved alongside the exercise of certain industrial and commercial activities. It also permits financial participation by the Community if necessary, and the granting of advantages comparable with those which the various countries grant in similar cases because of the nature of the activities.

The Joint Undertakings thus constituted, and the advantages to be granted to them, would be decided upon in each individual case by the Council, acting on a proposal from the Commission. It would be possible for a non-member State, an international organization or a national of a non-member State to participate in the Joint Undertakings.

320. Work is progressing actively on the other points of the industrial policy memorandum and should soon result in proposals; these points are, in particular, the Community industrial development contracts, the aligning of government purchasing policies, and the Business Link Office.

The Community industrial development contracts should be aimed at stimulating cooperation between firms of different Member States in the field of technological development. In principle, therefore, they would be reserved for such cooperative ventures and would enable projects to be carried out which had hitherto not been feasible because in practice govern-

ments only assist the industries of their own countries. The procedures to be covered by such contracts are still being discussed by the Commission with the business circles concerned.

The Commission will shortly be in a position to propose a plan for the establishment of an office for the promotion of transfrontier business links. The duties of this office would be to send firms general information on the ways of overcoming the obstacles inherent in multinational cooperative ventures; to put firms wanting to cooperate or link up in contact with one another; and to notify the public authorities of the Community of any barriers hampering cooperation.

As regards invitations to tender for public contracts and the aligning of policies on public or quasi-public purchasing, the Commission is preparing the requisite directives to harmonize the procedures for the award of contracts and is also endeavouring to identify the sectors where trade is not developing normally in the Community, together with the reasons for this situation. It may decide to propose certain procedures for accelerating the identification and removal of the obstacles in question (e.g., technical standards, specifications) and for preventing fresh barriers arising in the case of new products, by concerting the purchasing policies, a method which, through coordinated purchases, would also tend to encourage the development of new technologies.

The Commission has given increasing attention to the problems connected with the development of management training for firms in the Community and in Europe. It has taken pains to encourage contacts and exchanges of information between representatives of all the parties concerned—universities and training institutes, manufacturers and works training staff, management and organization counsellors, and so forth. The Commission was particularly glad to see the setting up, in November 1971, of the European Management Foundation, which complies with the recommendations put forward in its memorandum of March 1970.

THE STUDY AND GUIDANCE OF SPECIFIC INDUSTRIES

Action in specific industries

321. The Commission continued to watch the economic growth of the various industries. It is constantly concerned to ascertain the best conditions under which the restructuring and adjusting movements already in progress can be encouraged and speeded up by the combined action of the

national and Community authorities and guided towards higher productivity, more especially through research and the application of technological developments. The Commission is convinced that effective action on the structural trend, in keeping with the characteristics of each sector, is still the essential aim of a sectoral policy which must also comprise other specific courses of action. Dynamic, competitive industrial sectors will, taken together, provide economic stability in the Community as well as continually improving living and working conditions. Moreover, if efficacious action can be taken on the development of the industrial structures, these will then be capable of coping with the new demands of the market, which is characterized by increasing competition both inside and outside the Community.

When the sectors have achieved their new structures and the last barriers to the free movement of goods have been removed, Community industry will be able to reap the advantages of the new market dimension.

During the last few months of the year the Commission kept a close watch on the consequences of President Nixon's measures, which more particularly affect the export of capital goods by the engineering and electrical industries but have also been felt in the textile and other sectors.

322. As to textiles, on 22 July 1971 the Commission approved a report on the implementation of a sectoral policy. In view of the Community's problems both at home and in its dealings with other countries, the Commission believes it is time to bring in a series of measures designed to encourage and guide the activities of firms. In the report in question, which was sent to the Parliament, the Council and the Economic and Social Committee, the Commission indicates the lines along which the firms and public authorities, both at national and at Community level, should act during the restructuring that is to make the Community industries sufficiently competitive for the prospective gradual opening up of the Community market. The firms will have to continue, and indeed step up, the present movement towards reorganization. The public authorities will have to provide the conditions in which this process can continue without clashes. Whilst certain forms of intervention are still the province of the national authorities, the Community will have to pursue its action both on the general and on the sectoral plane.

At the sectoral level the measures advocated include early implementation of a common trade policy that will reconcile the progressive opening up of the Community market with the sector's adaptation requirements, efficacious help from the regenerated Social Fund in order to adjust the

manpower structure, both qualitatively and quantitatively, to the new trends in the demand, incentives to research and to the application of technological developments, and the setting up, at the Community level, of a centre for short-term economic observations.¹

In regard to national aid, the Commission will see to it that the governments address their efforts more particularly to accelerating the restructuring process and steering it towards the Community objectives. Since the textile industry is highly concentrated in certain regions, however, the Commission considers that all industrial restructuring and manpower retraining activities, if they are to be developed without raising serious human and social problems, depend on the Community's receiving as soon as possible an appropriate range of instruments and funds for a regional policy.

323. In the machine tools field, the Commission continued its work and published a recommendation on developing the use of numerically controlled machine tools. This recommendation proposes a standard programme of action to be taken by the national authorities to speed up the spread of this technique in industry. Furthermore, at the behest of the Commission, a group composed of responsible officials of research centres in the Community has drawn up a joint research programme, which will be forwarded to the Council when the PREST working party has delivered an opinion on it. The studies begun last year on railway rolling stock led to the conclusion that intra-Community trade in these goods is abnormally small and that the production structures are not always entirely suitable for the size of the market and for modern production conditions. The reasons for this compartmentalization were analysed, as were the various means to be employed for the harmonization of intra-Community trade in this sector, bearing in mind the implication of an opening up of the market at the production level.

In connection with the membership negotiations the Member States, acting on a proposal by the Commission, decided to put the national quotas on lead and zinc on a Community basis and thereafter gradually to phase out these Community quotas. They also decided to abolish the Community quota on aluminium and to reduce the customs duty to 7%. The decision to standardize the regulations governing the importation of these metals enabled the Commission to envisage setting up a common supply policy on source materials of non-ferrous metals, a policy on which this sector

¹ *EC Bulletin* 9/10-71, Part Two, sec. 78.

depends for its very existence. Consultations have been started with government circles and with representatives of industry. In the course of the year the Community also signed the fourth international agreement on tin.

The survey of the situation and prospects of the optical and precision instruments industry¹ was completed and some initial conclusions were reached in consultation with EUROM, the industry's European Committee. This is a vigorously expanding sector, but some of its branches are going through a stage of upheaval (partial transfer of some production capacity to low-wage countries). The Commission will continue its talks with the business circles concerned.

In the field of clock and watch manufacture, the Swiss negotiators seem ready to guarantee that the new definition of "Swiss made" for watch movements will no longer hamper the flow of trade, which is likely to increase after the conclusion of the Kennedy Round agreement on clocks and watches and with the prospect of a general arrangement between the EEC and Switzerland in the context of the negotiations between the Member States and the EFTA members who have not applied to join the Community.

The forward study of the shipbuilding market by the Community's Liaison Committee on Shipyards has been brought up to date and is in process of publication. The long-term estimates worked out by the European shipbuilding industry were compared with those of the Japanese shipbuilders. Since the risk of excess production capacity on a world scale cannot be ruled out in the medium term, the Commission, which shares the anxieties of the industry in this respect, will keep a close watch on developments in this field both by maintaining contact with European shipbuilders and, if necessary, by keeping up a dialogue with the Japanese Government in the context of the trade negotiations currently in progress.

324. The Commission continued the direct technical dialogue with certain branches of the chemical industry and the rubber-processing industry. It concerned itself in particular with problems of raw materials supply, the substitution possibilities that may occur in this field and the development of production capacity for certain products (ammonia and ethylene). In addition, important aspects of chemical engineering and the automation of documentation, as well as the economic impact of chemical industry pollution, were examined in greater detail.

¹ *Fourth General Report*, sec. 210.

A survey on the food industries, which had been started in 1970, was continued. The exploratory phase is now complete. The systematic evaluation of the information and assessment factors obtained has suffered some delay and cannot be finished until 1972. Summary memoranda were drafted and have been studied by the circles concerned; these related to flour-milling, vegetable oil and margarine manufacture, malting and brewing, fruit, vegetable, meat and fish canning and sugar confectionery. The activities and studies are centred on the idea that the food and agricultural industries should be able to fit easily into an economic process ranging from crop-growing, stock-breeding and fishing to the marketing of finished products for human or animal consumption.

With respect to miscellaneous industries, the Commission has endeavoured to ensure that the problems of enlargement and any changes which they may entail in commercial relations with certain non-member countries will have no abrupt effects and that our industries will remain on a level with the Community economy. In the context of the negotiations with the major European producing countries the Commission accordingly made proposals to the Council concerning the paper and board industry. Similarly, at the Commission's prompting, a discussion also took place in the Council concerning the desirability of a Community afforestation policy for industrial purposes (paper pulp).

In the construction industry the Commission had two studies carried out on the introduction of new construction methods and on means of expanding the activity of firms on a Community scale; certain findings emerged from these studies which will enable the Commission to make proposals in due course for the better dovetailing of this industry's activities into the Community's economy as a whole.

In the field of tourism the Commission is collaborating actively in the work of an *ad hoc* working party set up by the Committee of Permanent Representatives of the Member States with the task of determining the essential factors that influence the overall activities of this industry.

325. In the advanced technology industries other than the nuclear sector, work was characterized by a fresh impetus to, and an intensification of, studies to define the general principles and the measures to be put in hand for the implementation of a Community industrial and technological policy.

The European electronics industry experienced a crisis at the beginning of 1970 which led the Commission to organize consultation meetings

between the representatives of government departments and component producers in the Community, with the aim of finding suitable means of mitigating the effects of this crisis. In view of the disjointed manner in which the computer hardware industry confronts international competition, the Commission was also prompted to intensify its examination of certain national measures, in particular the government plans for the computer industry in certain Member States (e.g., the French "plan calcul"), their effects on the opening up of the market and possible regroupings. In order to elicit more precise information on possible software developments in Europe, a study was launched on this subject. On the basis of the results obtained, work will continue during 1972.

The Commission continued its studies on the aeronautical industry and established a number of contacts with representatives of the industry in the Member States and the United Kingdom, as well as with representatives of the governments and airlines of the Member States. The Commission is currently examining a series of industrial policy proposals which it may submit to the Council.

With regard to new means of land and sea transport, the Commission is preparing the instruments necessary for the submission to the Council of proposals for industrial policy measures adapting research to requirements and designed to promote the use of the most promising techniques.

Iron and steel policy

326. The Commission's activities deriving from the ECSC Treaty took three main directions: measures relating to the functioning of the market, structural measures and measures relating to research and innovation.

The fluctuations of the iron and steel markets during the period under review were once again considerable. The Fourth General Report mentioned the downturn in the situation after mid-1970.¹ After two successive increases of nearly 8.5 million tons in 1968 and 1969, production in 1970 increased by only 1.8 million tons. In 1971, it dropped by 5.8 million tons, or 5.4%. The contraction of steel production was primarily due to the very slow movement of stock turnover. The scrap market was characterized by plentiful supplies, an appreciable increase in stocks held

¹ *Fourth General Report*, sec. 214.

by dealers and a significant drop in market prices. The demand for scrap (44 million tons) remained lower than in 1970. A number of steps were taken to remedy these difficulties and to facilitate the flow of scrap to non-member countries. Besides extending certain export quotas regarded as traditional for special grades or provenances, the representatives of the Member State governments decided to authorize the exportation of 160 000 tons of scrap and to suspend, as from 1 October 1971, the ban on exports for certain types of low-grade scrap. It was decided to authorize, as from 1 December 1971, the temporary exportation and importation of all grades of scrap.

Structural measures

327. The "general objectives" of the Community iron and steel industry for 1975-80 were defined in accordance with Article 46 of the ECSC Treaty in the memorandum which the Commission published in 1971.¹ This document is one of a series of forward studies undertaken by the Community in order to define more closely, in regard to the leading industries, the general guidelines indicated in the Memorandum on Industrial Policy of March 1970. The main problems discussed in the memorandum are: quantitative and qualitative estimates of steel requirements, factors of production, the balancing of supply and demand, manpower and ways and means of pursuing a medium-term iron and steel policy.² The "general objectives" were determined on the basis of known or foreseeable factors; the accession of new States to the Community will necessarily affect the estimates and the resulting choices as regards iron and steel policy. This new situation can be taken into account when, as is planned, the periodic reviews of the "general objectives" are carried out. The Commission continued its work on the longer-term problems of the iron and steel industry. These studies meet, in particular, the wishes expressed by the Council's *ad hoc* working party on Structural Policy Lines for 1985. Priority was given to work on the outlook for the use of steel and of other materials which might be substituted for it or used in addition to it. Studies were commissioned from institutions and bodies specializing in the long-term approach. The subjects tackled relate to a general assessment of the competition prospects for the various materials in question and to a more analytical examination of the foreseeable use of iron and steel products in the two major fields, namely, construction and land transport.

¹ *Journal officiel* No. C 96, 29 September 1971.

² A summary of the main points was published in *EC Bulletin* 9/10-71, Par Two, sec. 76.

Coordination of investments

328. According to the annual survey, the iron and steel industry expects in the coming years to maintain a rapid rate of expansion which could result in a production potential of 161 million tons of crude steel in 1974. Under these conditions the cumulative growth rate would reach 6%, the highest recorded since 1960.

For the iron and steel industry as a whole, capital investments, which in 1970 reached a record level of 1 700 million u.a., should reach a new record of 2 500 million u.a. in 1971, according to the estimates of the firms; the forward estimate for 1972 suggests that this trend will be accentuated.¹

On the other hand, the propensity to undertake new programmes showed a considerable decline during 1971; the estimated value of investment projects announced by the iron and steel industry dropped over the year by nearly 4 000 million to approximately 600 million u.a.

Average 1956-59	1960	1961	Average 1962-1968	1969	1970	1971
347	1 808	1 371	363	1 848	4 000	669

Of the 669 million u.a. announced in 1971, 274 million were accounted for by Germany, 201 million by France, 131 million by Italy and 63 million by the Benelux countries.

Under the scheme for the prior notification of investment projects, the Commission rendered nine reasoned opinions, in accordance with the Community's "general objectives". These opinions, which tend to go beyond mere business management, enabled the Commission either to support certain projects or to suggest certain adjustments. They constituted the basis for its industrial loan policy.

Taken as a whole, the iron and steel industry estimates reflect decisions made by firms in a period marked by a brisk economic recovery.

¹ *Investments in the Community's Coal and Steel Industries ; Situation on 1 January 1971, Luxembourg, July 1971.*

The alignment of these indications with the long-term estimates in the memorandum on "General Objectives for Steel, 1975-80" raises the question of the staggering of certain projects in order that the trend in supply can be better matched to the trend in demand.

Research and innovation

329. In connection with research in the iron and steel sector, the Commission drafted in 1970 a document entitled "Outlines for a Medium-Term Research Programme on Steel".¹ These outlines, which were submitted to the ECSC Consultative Committee² for an opinion, meet the requirements of the first medium-term programme (1967-70) and define the programme for 1971-75. They include the continuation of certain activities, e.g., those relating to continuous steelmaking processes, and give priority to certain new activities, notably continuous casting, electroslag remelting, utilization properties of steel, corrosion and wear.

The Commission continued its research promotion effort in 1971 as regards both production and the use of steel. In the production sector, it directed its aid in particular to research on blast-furnace automation, radiating-roof reheating furnaces and tandem cold trains; it also financed research on the prereduction of iron ores, continuous steelmaking processes and the injection of hot reformed gases into the blast-furnace. As far as the promotion of steel is concerned, it paid special attention to research on modular construction for the building industry, high-strength steels for thick-walled vessels and deep-drawability of sheet; it also encouraged theoretical studies in the field of physical metallurgy.

The nuclear sector

General problems

Market situation in 1971

330. The market for nuclear power plants was very active in 1971 in two Community countries. The following power plants were ordered: Philippsburg-2 (864 MWe) by Badenwerke Energie and Energie-Versor-

¹ *EC Bulletin* 8-70, Part Two, sec. 256.

² *Ibid.* 8-71, Part Two, sec. 236.

gung Schwaben; Ohu (870 MWe) by Bayernwerke and Isar-Amperwerke; Neckarwestheim (770 MWe) by Neckarwerke and TWS-Technische Werke Stadt Stuttgart; Unterweser (1 230 MWe) by Nordwestdeutsche Kraftwerke and Preußenelektra; Bugey (2×900 MWe) by Electricité de France; Biblis B (1 150 MWe) by Rheinsch-Westfälische Elektrizitätswerke. The number of light-water power plants in service, under construction or on order in the Community is thus now 28 units, representing 16 000 MWe.

The reactors which will be installed in these nuclear power plants will be constructed under the responsibility of Framatome in the case of the French plants and of Kraftwerk-Union AG in that of the German plants. It has also been decided under an intergovernmental agreement between Germany, the Netherlands and Belgium to construct a 300 MWe prototype power plant with a fast-neutron reactor at Kalkar, Germany. This turn-key contract has been awarded to the SNR consortium, which consists of Interatom, Belgonucléaire and Neratoom. Furthermore, the Italian Comitato Nazionale per l'Energia Nucleare decided to construct a reactor for testing fast-reactor fuel elements (PEC) at Brasimone, Italy; this is to be built by a consortium consisting of SNAM Progetti and the Società Italiana Impianti.

Development of industrial structures in 1971

Nuclear power plant industries

331. In July 1971 an important series of cooperation agreements was concluded between the German group Kraftwerk-Union (KWU), the British group TNPG, British Nuclear Fuel Ltd, the Italian company AGIP Nucleare and the Belgian company Belgonucléaire in order to present a common front to the export markets in international competition. These agreements cover the construction and marketing of proven-type and advanced reactors and the nuclear fuel cycle field, though each company will continue to offer its own models on the market. These agreements will also permit the exchange of technical information among the parties to them and the joint exploitation of certain licences. They appear to be a first step towards cooperation on a wider basis.

The creation of the KWU consortium led to a further regrouping in Germany; an agreement was concluded in May 1971 between Brown Boveri & Cie (BBC), Mannheim, Deutsche Babcock & Wilcox, Oberhausen, and Babcock & Wilcox, New York; this in turn led to the

formation of a second international group in Germany for the construction of turn-key nuclear power plants, based initially on a American licence from Babcock & Wilcox, New York, who produce pressurized-water plants.

Finally, the group Babcock Atlantique, France, decided to enter into competition for the supply of pressurized-water plants by extending its licence agreements with the American company Babcock & Wilcox, New York, to the nuclear field.

332. In the field of high-temperature gas reactors, Brown Boveri & Cie (BBC), Mannheim, in association with Hochtemperatur-Kernkraftwerk GmbH, has started the construction of a 300 WMe prototype with a uranium/thorium fuel cycle. In August 1971 BBC's holding was increased to 90% after the withdrawal of the Friedrich Krupp company from the association. This step represents a milestone in Europe in the development of the range, which is paralleled by the continuation of the Dragon agreement.

Fuel cycle industries

333. The following points should be noted with regard to the fuel cycle industry.

For the reprocessing of irradiated oxide fuels from nuclear power plants, France, Britain and Germany set up a joint company in October 1971 under German law, called United Reprocessors GmbH and consisting of three shareholders with equal rights: Commissariat à l'énergie atomique (CEA), British Nuclear Fuel Ltd (BNFL) and Kernbrennstoff-Wiederaufarbeitungs-Gesellschaft (KEWA). The aim of this cooperation agreement is to stagger the construction of reprocessing plants in order to avoid the risks of over-capacity. The Commission is currently making a close study of this agreement.

For the fabrication of fuel elements for light-water power plants, the Italian company Fabricazioni Nucleari and the German company Reaktorbrennelemente Gesellschaft have each decided to construct a production facility to be commissioned in 1972; the production capacities will be 120 and 300 tons/year respectively.

For the production of enriched uranium by the gas centrifuge process, the tripartite agreement between Britain, the Netherlands and Germany came into force in July 1971. As a result of this agreement the engineering

company Centec, Germany, and the enrichment company Urenco, Britain, were formed.

Under the Euratom-CNEN (Comitato Nazionale per l'Energia Nucleare) agreement on the operation of the Eurex (Enriched Uranium Extraction) plant for industrial research purposes, it has been possible, now that the entire plant has been commissioned, to reprocess about a hundred HTR (High Temperature Reactor) fuel elements under a temporary operating licence. The application for a permanent licence is under examination by the safety authorities.

Activities of the Commission

Investment declarations (Euratom Treaty, Articles 41-44)

334. In opinions issued on the nuclear investments of the Community, the Commission reiterated its industrial policy objectives both to electricity producers who build and operate nuclear power plants and to industrial companies making new investments in the nuclear field.

In 1971 the Commission issued twelve opinions on investments totalling about 1 200 million u.a.

These related to the following investments:

- (a) the nuclear power plants: Fessenheim (850 MWe), France, Philippsburg-1 (864 MWe), Germany, Unterweser (1 230 MWe) Germany;
- (b) the prototype nuclear reactors: Schmehausen/Uentrop HKG (about 300 MWe), Germany, a high-temperature reactor, Kalkar SNR (about 300 MWe), Germany, a fast-neutron reactor, Brasimone, PEC, Italy, a reactor for the testing of fast reactor fuel elements;
- (c) a pilot plant for the production of plutonium-containing fuel elements at Wolfgang/Hanau, Germany;
- (d) two pilot plants for the production of enriched uranium by the gas centrifuge process at Almelo, Netherlands;
- (e) two plants for the production of uranium-oxide fuel elements for light-water power plants at Busalla, Italy, and Wolfgang/Hanau, Germany;
- (f) a plant for the production of fuel-element cans at Sprendlinger, Germany.

Safety techniques in nuclear installations

335. Efforts to harmonize safety methods and techniques in industrial nuclear installations continued. At the practical level, Community working parties had the opportunity of comparing their views and abilities in the course of safety investigations carried out under the auspices of the EEC, at the request of the competent authorities of certain Member States, on power plants of the light-water type under construction. At the planning level, the Union of Industries of the European Community (UNICE) and also the International Union of Producers and Distributors of Electrical Energy (UNIPEDE) confirmed during the past year their interest in a more vigorous stimulation of activities aimed at more uniform safety criteria and the gradual standardization of safety requirements for certain items of equipment (components). This interest is inspired largely by the need for an opening up of the markets and the removal of the various barriers to trade. The inventory work begun last year continued. These activities also made it possible to throw into sharper relief the priority nature of certain research programmes in the field of safety.¹

Promotion of industrial uses of radiation and isotopes

336. One of the two main activities of the Eurisotop Office with a view to the introduction of new techniques in industry is the organization of Community projects in which industry and the public authorities take part, together with experts in widely differing subjects, in order to arrive at results which cannot easily be obtained at the national level. These projects offer industrial development potential which is available only at the European level. They help to form a basis for a Community research policy.

Community projects have accordingly been initiated by the Commission in the field of food preservation, e.g., studies on the radiation preservation of potatoes and on improving the pasteurization of dried and frozen eggs. Certain subjects of major public interest, such as the flameproofing of textile fibres and the inspection of bridges, are under study. Various projects are in hand in the non-ferrous and precious metals sector.

¹ *Fourth General Report*, sec. 222.

Concurrently with these activities, the Commission is laying the foundations for the automatic coordination of research and development services by organizing exchanges of experience and by drawing up a number of schedules (in 1971, for example, on ceramics research). It also studied the obstacles to a wider industrial use of radiometry, gamma-radiography and the radiation preservation of foodstuffs.

The second major activity of the Eurisotop Office relates to information and takes two forms: a consultation service and a publication service (in 1971, 20 information booklets, 25 working documents and 15 information notes were published). During the year, the range of publications was extended by the addition of a new series entitled "ITE" (Technical and Economic Information), of which 75 issues have already appeared.

GENERAL RESEARCH AND TECHNOLOGY

337. The Commission's decision of 13 January 1971 on the reorganization of the Joint Research Centre¹ completed the first phase of the action it had initiated in order to implement the political will expressed by the Hague Conference of Heads of State or Government, the first results of which had already been reflected in two Council resolutions, adopted at the meetings of 16 and 17 December 1970, concerning the procedure for the adoption of research and training programmes and the appointment of the members of the General Consultative Committee of the Joint Research Centre.² The principal objective of the Commission's decision of 13 January 1971 was to give the Joint Research Centre a structure suited to its special tasks and to confer upon it the administrative autonomy necessary for the proper performance of its duties. Two of the main elements in this structure are a General Consultative Committee and a Scientific Committee under the Director-General, autonomy being ensured through the delegation of far-reaching powers by the Commission, mainly for the management of the Centre and the execution of the research programmes, these being drawn up by the Director-General on his own responsibility within the framework of the Commission's general policy lines.

Parallel with the restructuring of the JRC, the Commission, with a view to efficiency and rationalization, reorganized its own departments

¹ *Journal officiel* No. L 16, 20 January 1971.

² *Fourth General Report*, secs. 224 *et seq.*

for scientific, technological and industrial affairs in order to permit better coordination of the numerous problems arising in these spheres and the harmonization of its policies in the various sectors concerned.¹

338. The Commission has always been aware that the difficulties of Euratom were in part attributable to the relative isolation and sectoral nature of this Community and that the situation could only be remedied if the nuclear policy were integrated into an overall Community policy of scientific, technical and industrial progress designed to meet the needs of an expanding European industry. In 1971, the Commission continued its efforts in this direction, notably within the framework of the PREST and COST committees. Under the terms of reference assigned to the latter, two projects have already been put in hand, namely, forward studies on telecommunications and the development and standardization of meteorological equipment. In addition, eight projects are now in a sufficiently advanced stage of preparation to allow a decision to be taken shortly on their commencement; these are: the "European Computer Network"; "Research on the Propagation of Radio Waves"; a joint project on "Metallurgy"; "Pollution"; the "European Centre for Medium-Term Weather Forecasts"; the "European Information Centre for Computer Programs"; "Telecommunications"; and a "Forward Study of Passenger Transport Requirements between Large European Conurbations". Finally, four other projects are still being planned, namely, "Electronic Traffic Aids on Major Roads"; "Study on an Air-Cushion Craft of up to 2 000 tons"; "Superconductors"; and the "Setting up of an Oceanographic and Meteorological Data-Logging Network in the Territorial Waters of European States".

339. The Commission has also continued the efforts initiated during the preceding year to define and elaborate a Community policy on science and technology. The formulation of such a policy is necessary to the extent that the development of research can contribute to economic growth and social progress in the Community. In accordance with the memorandum conveyed to the Council in 1970, the Commission has also continued the studies aimed at determining the instruments with which the Community must be provided for the implementation of such a policy.

340. Finally, 1971 witnessed in succession the Council's adoption on 21 June of the third five-year programme in the fields of 'Biology and

¹ EC Bulletin 4-71, Part Two, Ch. IV : Commission; and 5-71, Part Two, sec. 140.

health protection' and 'Fusion and plasma physics' and the Commission's submission on 7 October of proposals for a three-year programme dealing with other areas of research.

Nuclear problems

Construction of reactor prototypes

341. The importance of fast reactors has continued to become manifest, as is shown, in particular, by the agreement reached in mid-1971 between the three biggest electricity producers in the Community on the joint construction of two initial plants of about 1 000 MWe: one to be started in 1974 and based on experience gained with the French 250 MWe Phénix prototype, the other to be started a few years later and based on the technology of the 300 MWe SNR prototype, on which Germany and the Benelux countries are combining their efforts.

While subscribing to the favourable attitude adopted by the governments as regards this initiative on the part of the electrical industries, the Commission is still concerned with avoiding the industrial blind alley and the fragmentation of markets which are the inevitable outcome of the simultaneous and parallel execution of the three programmes under way in the Community if these continue to be based on purely national interests or priorities. In this connection, the opinions expressed during the meetings held on 16 March 1971 and 13 October 1971 by the "Fast Reactor Coordination Committee", created by decision of the Council in April 1970, prompted the Commission to submit to the Council a memorandum which was approved by the latter on 20 December 1971 and the aim of which was to secure participation by representatives of interested circles in the United Kingdom in the work of this Committee, in view of the magnitude of the programme undertaken in this field by that country. It is certain that the scope of the enlarged Community would enable the energy prospects offered by fast reactors to be greatly enhanced provided that it is possible to rationalize their industrial application on a large scale in order to gain the maximum advantage from a wider market at the least cost.

342. In the field of high-temperature gas reactors a German group of electricity producers is engaged in the construction of a 300 MWe uranium/thorium cycle prototype. In conjunction with the continuation

of the Dragon agreement, this venture constitutes an important milestone in the development of this reactor family in Europe.

In addition, a European company for the utilization of experience relating to the planning, construction and operation of high-temperature reactors was formed on 13 December 1971 with the participation of the Central Electricity Generating Board, Electricité de France, Ente Nazionale per l'Energia Elettrica, Rheinisch-Westfälisches Elektrizitätswerk AG and Hochtemperatur-Kernkraftwerk GmbH.

343. As regards the long-term supply of enriched uranium, a special study group under the Consultative Committee on Nuclear Research, acting on instructions from the Council dated 16 December 1970, has:

- (a) drawn up a file setting out the technical and economic characteristics and the performance data of uranium enrichment plants employing the gas diffusion, ultracentrifugation and nozzle separation processes;
- (b) collected data on the technical and economic performance of existing demonstrator plants and data relating to planned installations.

A report containing an analysis and evaluation of the information collected will be forwarded to the Council at the end of 1971 so as to enable it to pass an opinion on the Commission's proposals of 22 May 1969 concerning the creation of a uranium enrichment capacity in the Community.

For its part the American Government, in its memorandum of 14 July 1971, invited the interested States and the Commission to take part in exploratory talks on the creation of multinational uranium enrichment facilities based on American gas diffusion technology. On 30 July 1971, by agreement with the organs of the Council, the Commission informed the American authorities of the importance attached by the Community to the said memorandum and stated that it would welcome any further information that the US Government could give it. An initial information meeting was held in Washington on 15-16 November 1971.

Nuclear power plant technology

344. The progress of light-water reactors is borne out both by their industrial maturity and by the new relative positions of the various energy sources. The power plants equipped with these reactors are consequently deemed to be proven and competitive, but this does not mean that they are not susceptible of subsequent improvement and modification. Furthermore, certain operating difficulties have highlighted

the necessity for comparing and analysing the experience gained and for studying certain problems more closely. The growth in unit power will raise a number of long-term problems as regards construction and siting which could turn the industry towards new techniques.

The Commission has continued and extended its activities for the promotion of technology through participation or study contracts in various fields: participation in power reactors, of Joint Undertaking status, transfer of knowhow and experience concerning new nuclear power plant projects; systematic exchange of technological experience with operators of nuclear power plants, operating and component technology.

The Commission has also continued certain activities relating to applications of nuclear energy not concerned with electricity production. It has followed closely the revival of interest on the part of several maritime nations in studies on the economic prospects of ship-borne reactors. These prospects are currently being viewed more favourably in the circles concerned, though there is no consensus of opinion as to the advisability of introducing nuclear propulsion for ships in the near future.

345. The Fast Reactor Coordination Committee, formed by the Council in 1970, commenced its duties in 1971. Certain measures have been taken by this Committee with a view to strengthening cooperation at a Community level, especially in the field of safety. The Commission has proposed to the Council that Britain should be associated in the work of this Committee as of now, the Commission providing the secretariat.

346. Apart from continued participation in the Dragon project the Commission has pursued its coordination activity, which is characterized by the formation of groups of experts in various fields of technology and on high-temperature reactor (HTR) fuel elements. In conjunction with the JRC it has organized an irradiation programme covering the behaviour of graphites and fuels in the HFR and BR-2 reactors with the participation of the Dragon project, KFA, CEN, Belgonucléaire and RCN. It has backed up the activities of the JRC by promoting and fostering contact with Community research centres and industry as well as with the Dragon project.

Nuclear programmes

347. In accordance with Article 6 of the Decision of 13 January 1971 concerning the organization of the JRC, the Commission drew up general guidelines in April 1971 for the formulation of the JRC programmes.

According to these guidelines the programmes of the JRC should relate essentially to research aimed at industrial development, to public-service projects and to fundamental research, notably in fields in which the research activities of the Member States are inadequate (and in which support and additional activity are thus called for) or where Community action is required. In addition, these "guidelines" set out the possible objectives of the JRC's activities in the fields of reactor development, fuel cycles and technological development in general, without, however, excluding the other areas of research.

Concurrently with the preparation by the Director-General of the JRC, on the basis of the Commission's "guidelines" concerning its draft direct-action programmes, the Commission carried out a study of possibilities and drew up a programme of indirect action in fields where promotion of nuclear research at a Community level or coordination of the activities pursued by the Member States appeared necessary.

348. On 7 October 1971 the Commission submitted to the Council a proposal for a three-year research and training programme covering the period 1972-74. This programme is geared to both nuclear and non-nuclear activities to be carried out at the JRC (direct action) and to indirect action of a purely nuclear nature.

On this occasion the Commission drew attention to the Council's resolution of 17 December 1970, whereby it was agreed, under the more general heading of "own resources", to lay down the Commission's research and training programmes defined in general terms, as well as the total appropriations and the total number of personnel to be allotted to each of the programmes. The Commission justified the choice of a three-year period by the desire to ensure sufficiently long-term prospects for the research activities without, however, committing itself too far ahead at a time when the Community is planning to welcome new members and to work out an overall scientific policy. It pointed out, moreover, that this programme was only one facet of the overall activity required at Community level in order to promote the development of the nuclear industry, which is the underlying aim of the Euratom Treaty. In the Commission's view such development calls for a cross-frontier integration of industrial structures capable of reconciling size with competition, a dismantling of the manifold problems with which the development of nuclear energy confronts the public authorities.

Independently of the proposals prepared by the Director-General of the JRC, which were deemed to conform to the guidelines it had laid

down, the Commission confined its proposals on indirect action to fields in which the Community was in a position to carry out useful coordination and stimulation activities of genuine Community interest, notably as regards fuel burn-up in light-water-moderated reactors, the development of the HTGR range or reactor safety.

JOINT RESEARCH CENTRE

349. The Commission's decision concerning the reorganization of the JRC included, in particular, the creation of three new administrative organs, namely, a Director-General, a General Advisory Committee and a Scientific Committee. These organs were set up during the early months of last year and the new procedures were followed for the preparation of the programmes. The Director-General of the JRC was appointed in January, the members of the General Advisory Committee were designated during the first few months of the year and the Scientific Committee was formed in May.

Following the general guidelines provided by the Commission, the proposals concerning the Centre's future programme were drawn up in consultation with the General Advisory Committee and, after an opinion had been rendered by the latter, were submitted to the Commission in September and finally laid before the Council at the beginning of October 1971 as part of the Commission's proposed overall programme. This programme covered a period of three years and proposed the shutting down of the Essor reactor during 1972, a curtailment of the effort on the development of heavy-water reactors, a shift of emphasis to European public-service activities and a diversification of the activities in non-nuclear fields. The last-mentioned activities related to protection of the environment and to standards and reference materials—a first step towards the possible creation of a Community Bureau of Standards.

With regard to the SORA reactor, 1971 was put to use, following the Council's budgetary decisions, for the updating of the project and the preparation of specifications on the basis of which industrial consortia could submit tenders for the supply of the reactor in the summer of 1972. In the course of the year an industrial consortium was formed and was awarded the contract conforming to the Council's wishes. Consequently, no proposal concerning the construction of SORA was included in the three-year programme, pending the results of this study. A new programme proposal will accordingly be made in this connection in 1972.

At its meetings of 6 and 20 December 1971 the Council examined the Commission's programme proposals without reaching unanimous agreement on the multiannual programme proposed. Nevertheless, the Council defined a transitional programme covering a period of one year from 1 January 1972 and comprising a joint programme and supplementary programmes, both for the activities carried out directly in the JRC establishments and for certain indirect activities carried out under contract or by Headquarters personnel. The appropriations for the nuclear programmes in their entirety total 40 640 000 u.a. and the activities provide work for the existing personnel.

Besides providing for the continuation of the principal projects already in hand, the programme contains important new elements, especially in the non-nuclear field (about 10% of the total). These relate essentially to environmental protection and to activities on reference substances and installations. In addition, as a result of the decisions taken at the Inter-ministerial Conference of 23 November 1971, the participation of the JRC as the nodal point in the European data transmission network was approved under a five-year programme.

At the same time the Council outlined the principles governing the elaboration of a future multiannual programme. This programme, due to start in 1973, will have to be worked out in consultation with the countries applying for membership. It will concentrate mainly on long-term fundamental research and on public-service projects.

Ispra establishment

350. In the field of fast reactors the effort was continued on the lines laid down during 1971, the activities relating in particular to reactor physics, thermohydraulics, pyrochemical methods of reprocessing irradiated fuels, and safety.

Under the heavy-water reactor programme, physical research with the aid of the ECO reactor was continued. Operation of the ESSOR reactor was likewise continued and the new irradiation experiment in the Cart loop was carried out. As regards zirconium the accent was placed on the mechanical properties and corrosion resistance of the conventional alloys, as well as on the study of new alloys with better performance. The thermal studies were also continued and equipment developed for studies on water chemistry in power reactors.

In the field of high-temperature reactors, studies on the development of computer codes were continued, together with experimental studies

relating to the rapid determination of the fuel element burn-up rate and to the determination of the lattice parameters. Also carried out was work relating to the structural materials of the core (graphite) and to pressed fuel elements and coated particles. Other studies of a technological nature (seals, heat insulation) and metallographic studies on fibrous materials and special alloys constitute an extension of the programme already launched. As regards applications not concerned with the generation of electricity, an investigation conducted in collaboration with the Dragon project and aimed at the use of high-temperature gas reactors in the iron and steel industry has been completed. The studies concerning hydrogen production (water splitting) were continued with the aim of evaluating the potential applications of the processes.

Research on reactor safety was continued in the following fields: depressurization and coolant-loss accidents, thermal interaction, destructive accidents and the dynamic properties of the relevant materials, monitoring of the failure of vital structures (tubes), reliability of mechanical components and systems, ultrasonic fault detection, development and application of dynamics codes out-of-pile criticality, development of liquid control rods. Research and development work in the field of fissile material safeguards covered systems analysis, destructive and non-destructive testing and identification and sealing techniques. This work has led to the development of certain methods and apparatus now being used in the practical application of safeguards.

In the field of reactor physics, apart from specific activities in connection with individual reactor types, a limited amount of fundamental research was carried out on the behaviour of slow neutrons in non-multiplying media and on methods for the calculation of neutron transfer (Monte Carlo codes). The use of the nuclear strategy computing codes has made it possible to assist the Commission in its studies aimed at the determination of the illustrative nuclear programme for the Community.

351. Fundamental research was directed principally towards condensed-state physics. The greater part of this research was concerned with neutron spectrometry in view of the availability of the Ispra 1 reactor as a neutron source. Other techniques were also used in order to supplement the data obtained by means of neutron-physics methods. The SORA fast pulsed reactor has reached the stage of an industrial design, which must be completed in 1972 with a view to a decision to build being taken.

As regards research on nuclear materials, the emphasis in the investigation of fuels has shifted in recent years from uranium carbides to coated

particles. Special attention is being devoted to their behaviour under irradiation, and in particular to the release of fission products and the problems of compatibility (between kernel and matrix). Heat-resistant metals and their applications, which are of interest for future high-temperature reactors, are being studied both at Ispra and at Petten. At Ispra the effort is directed mainly towards composite materials.

Ispra has continued to examine the possibilities offered by the direct conversion of energy via thermionic processes. Valuable results were obtained which can be used in other fields. The development of heat pipes, in particular, deserves mention.

The European Scientific Data Processing Centre (CETIS) at Ispra continued to process the problems arising from the various programmes of the JRC, outside bodies and industrial concerns, and has also undertaken the development of software and numerical analysis. Fruitful collaboration has been established with the ENEA programme library, which tests its new programmes on CETIS hardware. The system of machine translation from Russian into English operated by CETIS for customers both inside and outside the Community has likewise constituted a public-service activity.

352. Relations with industrial companies, universities and national scientific institutions within the Community have led to about a hundred contracts relating both to collaboration projects and to services on behalf of third parties. In 1971 the Ispra establishment produced 210 scientific and technical reports and papers, which were either published or presented at scientific symposia. In the course of the year 52 new student traineeships and 20 new grants for thesis or specialization work were awarded. Courses were organized for the training of JRC staff.

Geel establishment

353. Special attention was devoted to the problems of adapting the CBNM (Central Bureau for Nuclear Measurements) programme to the current requirements of industries and laboratories in the Community countries. As a result of the discussions conducted in international committees and with the representatives of European nuclear research institutes, this adaptation has now been largely accomplished.

On the basis of these discussions a series of measurements was performed on the total scatter, fission scatter, capture, elastic and inelastic scatter and the activation cross-sections, with the aid of the linear and Van de Graaff accelerators. These measurements relate to reactor materials,

fuels and structural materials, as well as to the nuclides used as detectors in in-core neutron measurements. With the exception of the activation measurements this work is concerned mainly with uranium and plutonium isotopes. The resonance spins of various stable and fissile nuclides were studied in collaboration with CNEN, Italy, and CEN, Belgium. Neutron spectra measurements were carried out by a working party from the French Commissariat à l'énergie atomique (CEA), using the CBNM installations. The development and comparative study of new methods of neutron flux measurement were continued, partly in collaboration with the Physikalisch-Technische Bundesanstalt (PTB), Germany.

In the field of nuclear metrology, work was continued on the standardization of radionuclides and the determination of nuclear constants, as well as on the measurement of isotopic composition. Certain methods have been developed to such a degree of refinement that an accuracy of within about 0.1% is obtainable.

Most of the measurements performed under the heading of mass spectrometry related to the isotopic composition of uranium samples required for industry in the Community countries and for the Commission's Directorate for Euratom Safeguards. In addition, a relatively large number of isotopic composition measurements and chemical analyses of uranium and plutonium samples were carried out as part of the CBNM's participation in the USAEC "Umpire Qualification Program".

About 1 000 reference samples were prepared and measured at the request of certain workers at the CBNM and of various laboratories and industrial firms both inside and outside the European Community.

As far as training is concerned, 18 grant-holders from various countries worked in several CBNM laboratories during the period under review.

Karlsruhe establishment

354. The interpretation and understanding of the in-pile behaviour of fast-reactor fuels were the determining factors in the fundamental research on mixed oxides and mixed carbides. The study of mixed oxides has now reached a stage where the quantitative interpretation of the in-pile behaviour becomes possible. Investigation of the thermodynamic properties of carbides was continued.

The irradiations of oxides for fast reactors are nearing completion, while the experiments on high-performance fuels are getting under way. The preparation of the necessary irradiation samples has enabled the known

methods of fabricating mixed carbides, nitrides and carbonitrides to be improved.

Chemical and isotopic analysis of irradiated fuel has been rationalized and partly automated. Isotope correlations relating to boiling-water reactors were discovered which can be used for the control of fissile materials.

With a view to establishing the neutron cross-sections in a fast-neutron flux, 50 capsules containing pure isotopes were manufactured and are being irradiated in the Rapsodie Fortissimo facility, in close collaboration with the CEA. With the aim of optimizing plutonium recycling in thermal reactors, a special subassembly has been fabricated in close cooperation with AEG and will be irradiated in the Lingen nuclear power plant for a total period of five years.

In the field of transplutonium elements, high-purity metallic americium and curium have been prepared by the reduction of oxides or the thermal decomposition of intermetallic compounds. Their structures and thermodynamic properties were studied or elucidated. Measurement of the thermal, electrical and optical properties were extended to take in the oxides of transplutonium elements. Finally, the first measurements relating to radiological protection, shielding and activation were carried out with the aid of a neutron source consisting of one milligram of californium, the first in Europe of this intensity.

Petten establishment

355. Following the modifications to the HFR (high-flux reactor) and its uprating to 45 MW, the range of experimental devices has been extended so as to ensure the optimum utilization of the improved facilities. A number of the devices in question were displayed at the science exhibition held in connection with the Fourth Geneva Conference.

Advantage was taken of the special capabilities of certain devices in order to experiment with power cycles. Special effort has gone into the development of in-pile measuring instruments, notable among which is a differential measuring system capable of detecting a linear displacement of 10^{-6} m. Improvements were made to the re-usable irradiation rigs.

The joint irradiation programmes being conducted in the BR-2 and HFR reactors in association with Belgonucléaire, CEN Mol, the Dragon Project, KFA Jülich and RCN Petten were extended in scope. Activities under the nuclear construction materials programme related to the preparation and development of carbon-based materials, the structural

analysis of graphite and pyrolytic carbons, and the mechanical properties of graphite and its behaviour when subjected to irradiation. Particular attention was directed to the last-mentioned subject. It has enhanced the interest taken in the characterization and evaluation of HTGR fuels. The outstanding events of the year are described below.

As part of the establishment's cooperation with RCN, operational evaluations were made of a large number of commercial graphites envisaged for first-generation HTGR power reactors.

A statistical approach to the investigation of fracture in brittle materials has reached a stage in which it is possible to forecast the reliability of graphitic materials in a nuclear environment. Substantial progress was made with a process for the purification of single-crystal materials which is at present the most satisfactory in all Europe. Lastly, a major development, namely, an apparatus for matching the exposure of a cine-camera to a wide range of light conditions (originally designed for use with an electron microscope) has turned out to have great commercial value. Its application in medical endoscopy has been highly successful, as was also the demonstration of its use for night-time military surveillance and for television purposes. Remote-controlled underwater applications are also under study. This apparatus has been released to industry by DG XIII, and commercial models—for which there is a considerable demand—are already on the market.

Thermonuclear fusion and plasma physics

356. The year 1971 saw the adoption by the Council of a five-year programme for controlled thermonuclear fusion and plasma physics, covering the period from 1 January 1971 to 31 December 1975. This clears up the difficult situation that prevailed for this activity after the conclusion of the second Euratom five-year programme.

The ultimate objective of the research, which is proceeding actively in the Community's laboratories, as in those of all major industrialized countries, is the harnessing of the energy released by nuclear reactions between the isotopes of hydrogen, and possibly helium, for the generation of power on an industrial scale. This objective, which is still remote, requires the prior solution of extremely complex problems in physics and technology; the potential benefits from the technical, economic and political standpoints are, however, enormous.

As in the past, the programme adopted will be carried out by the Commission through contracts of association with appropriate institutions

in the member countries. This programme forms part of a long-term collaboration scheme covering the activities in progress in the Member States. It is intended to lead in due course to the joint construction of prototypes with a view to their industrial-scale production and marketing. This programme differs from the earlier ones in that it initiates joint projects. It constitutes a link between the phase of concerted action and that of concentration on the construction of installations which it would be pointless to duplicate.

In its decision, the Council, although reducing the appropriation originally requested, adopted the approach proposed by the Commission, notably a system whereby the most significant projects can be given preferential support with a view to enhancing their Community character, as well as the setting up of a special fund for securing mobility of the staff from the various participating laboratories.

Negotiations for the renewal of contracts of association are now in progress. Start-up of the programme and development of the most important projects are now actively in hand, with the collaboration of the Liaison Group, which was set up on the initiative of the Commission in 1963 and also acts as a Consultative Committee on Programme Management within the meaning of the Council Resolution of 30 June 1969, and in collaboration with the Committee of Directors of the participating laboratories.

Materials irradiation

357. Joint operation of the BR-2 reactor and its associated equipment continued under the revised agreement between the Commission and the Centre d'Etudes de l'Energie Nucléaire (CEN) at Mol. The cost of seconding Community personnel is partly offset by the irradiation experiments performed for the European Institute for Transuranium Elements and for the high-temperature reactor programme.

The BR-2 reactor is used chiefly for the development of fuel elements and structural materials for the SNR prototype plant, under a contract between the Belgian CEN and the Gesellschaft für Kernforschung at Karlsruhe.

Biology and health protection

358. On 21 June 1971 the Council adopted the third five-year Biology programme, thus bringing to a close a period of uncertainty. The budget

approved for the new programme is a continuation of that for 1969. In view of the rise in the cost of research, however, the level of activity expected for 1971-75 will not be as high as in the preceding years. The Commission will endeavour to surmount this problem. It will effect savings by cutting the number of its own staff and reducing its contribution towards the actual expenditure on contracts. The setting up of the Consultative Committee on Programme Management will help the Commission to perform the difficult task facing it.

As regards the treatment of serious cases of exposure to radiation, the Commission has associated itself with a number of institutes in the Community which are pursuing a common objective along different, but converging, paths. As is known, the problem has many aspects concerning, in particular, hematology, immunology and cancerology. Research has been conducted on bone marrow transplants in rodents, dogs, monkeys and humans.

The Commission was instrumental in the establishment of a European group for the study of the late effects of radiation. In 1971 this group standardized a number of basic techniques between its members with a view to making experiments comparable when they are carried out in different laboratories. These were merely preliminary steps preceding the implementation of a carefully worked out programme which is intended to be conducted on the basis of permanent coordination.

The study of the contamination of man by radioactive elements was again a major plank in the Commission's programme. Apart from the inherent value of such investigations, their possible extension to other forms of pollution must also be borne in mind. Studies on radioactive contamination of the food chain continued, the main emphasis being on air and sea pollution.

In radiation measurement and dosimetry, studies were continued on microdistribution in the process of energy absorption and transfer, and on certain dosimetry problems such as neutron dosimetry. The Commission sponsored a conference on microdosimetry which was held in Stresa on 18-22 October 1971 and attended by 125 delegates from 14 countries, who thus had an opportunity to discuss the above-mentioned problems.

The studies carried out by the Biology Group at Ispra during 1971 related, as in the past, to problems of the radioactive contamination of the environment, the biochemical effects of ionizing radiation on mammalian systems in isolation, and the biophysics of ionizing radiation.

DISSEMINATION OF INFORMATION

Transfer of technical information; industrial property questions

359. As in 1970, the transitional nature of the Euratom research and training programme, together with its reduced scale, have affected the dissemination of information in the form of reports, articles and public lectures or papers with limited circulation, which stayed at roughly the same level as in 1970. The number of inventions claimed by the JRC and first applications for patents also remained at their 1970 level. There was a drop, however, in the number of applications for patents extending protection to several countries. Inventions arising out of contracts originated almost entirely from the nuclear fusion sector and the Dragon Project (in the case of the latter they related mainly to nuclear fuel technology).

The search for licensees prepared to exploit technical innovations developed in the course of Community programmes was continued with some success. These attempts to exploit the results of research were limited, however, by the lack of a research programme giving the Director of the JRC some freedom of action as regards the development of spin-off from the programme. Furthermore, the growth in industry-financed service contracts reduces the volume of results which the Commission is at liberty to dispose of as it pleases; the parties for whom these services are rendered are the exclusive owners of the results, since they put up the full cost of the research.

Activities aimed at the exploitation of research results included a day's demonstration of a cine-camera with an automatic exposure-control system, developed by the JRC's Petten establishment, and the exhibiting of various technical innovations in Geneva during the international conference on the peaceful uses of atomic energy held in September. The presentation of prototype or "master model" equipments is one of the most effective ways of securing the "active" transfer of techniques suitable for industrial-scale application or production. In order that techniques may automatically reach the industrial-production stage, it is not enough to have, on the one hand, a mass of information disseminated in a large number and variety of documents and, on the other hand, an industry capable of making practical use of it. Generally speaking, it is only on the basis of very firm evidence of manufacturing feasibility and sales potential that industry decides to go ahead with production.

Three licence agreements relating to patents or technical information were concluded during 1971. At the end of the year a total of 23 contracts were under negotiation.

Altogether 39 "Technical Notes" describing products, processes and equipment likely to find an industrial application were issued in 1971 and a further 15 were in preparation at the end of December.

360. In 1970 the Commission, in liaison with the PREST Committee, began a study on the institutions and methods required for exploiting the results of research in the Community and elsewhere. The necessary documentation has been assembled but the PREST Committee did not pursue its work on this subject any further. The Commission hopes that problems posed by information on the supply of and demand for new techniques can be tackled by the Committee on Scientific and Technical Information and Documentation (CIDST), which was set up in June 1971.¹

Scientific and technical documentation

361. On the basis of the report prepared by the study group on scientific and technical information and documentation (IDST), set up by the PREST Committee, the Council and the Member States meeting within the Council adopted a resolution on 24 June 1971² designed to "coordinate the action of the Member States with regard to scientific and technical information and documentation". They took the view that "it is of importance for economic, scientific and technical progress to use the most modern means of supplying scientific, technical, economic and social documentation and data as rapidly and cheaply as possible to those called upon to exploit them". With this in view, they agreed on the aim of "coordinating the projects undertaken in the Community in such a manner as progressively to establish a European documentation and information network", on the understanding that this network could be extended to take in all European countries wishing to participate in it.

With a view to the implementation of this resolution, the Council also decided to set up, under the PREST Committee appointed by the Medium-Term Economic Policy Committee, a Committee on Scientific and Technical Information and Documentation (CIDST), which will act

¹ Sec. 362.

² Doc. R/1375/71 (RECH 18), Doc. R/1376/71 (RECH 19), Doc. 17808/XII/XIII/70 final.

as a coordinating body and assist the Community in the preparation of the various projects to be undertaken.

In another resolution, likewise adopted on 24 June 1971, the Council and the Member States, meeting within the Council, agreed to set up a metallurgy information and documentation system which will be a first, experimental step in the coordination of national policies for scientific and technical information and documentation and in establishing the network.

The Commission's Centre for Information and Documentation (CID) has already entered into close collaboration with specialist centres in the member countries to prepare for bringing the network on line.

The PREST Committee's IDST study group devoted a good deal of its time in 1971 to studying information and documentation systems for other sectors which, like metallurgy, have been accorded priority. It has completed reports on the activities it proposes in the agricultural, medical and patent sectors.

362. During 1971 the CID added 140 000 documents to its automated nuclear documentation system and sent 135 000 abstracts of relevant documents to 1 400 scientists in the Community.

On 9 December it held a meeting of its most regular clients in order to obtain their opinion of the improvements made in 1971 and those in view for 1972. Man/machine conversation was introduced by the CID into its information retrieval service in 1971. This experiment foreshadows the decentralization of services in national centres, which will take place in connection with the documentary information network to be set up pursuant to the decision of 24 June 1971. To this end, the CID is carrying out numerous experiments in remote processing, using different types of terminal.

The CID continued its training activity by holding a number of conferences and seminars, some for scientific documentalists, others for specialist librarians. Notable among these was a conference held on 10 and 11 November 1971 at which the heads of the Community's nuclear libraries had an opportunity for a wide-ranging exchange of views on the new potential offered by computers as regards the satisfaction of their clients' information requirements.

363. The Commission played an active part in 1971 in the work of international organizations in the field of information and documentation:

UNESCO, OECD/ENEA, ICSU (International Council of Scientific Unions), EUSIDIC (European Association of Scientific Information Dissemination Centres), IAEA and FAO. In particular, it took part in the studies and preparatory work for the AGRIS Project, in which, under the aegis of the FAO, the chief organizations in the field of agricultural documentation are collaborating with a view to the establishment of a world-wide documentary information system for agriculture. The Commission was also represented on the OECD's Information Policy Group (IPG); in particular, the study group instructed to examine problems relating to the fixing of charges for documentation services was chaired by a senior official from the Commission.

Scientific and technical publications and conferences

364. The Commission continued in 1971 to publish its monthly "Transatom Bulletin" giving particulars of documents which originally appeared in Slavonic or Oriental languages and of which translations into Western languages are either available or planned (a total of 7 730 translations were listed during 1971). In addition the "Eastatom" section, operating in collaboration with the Kernforschungsanlage Jülich, reported on more than 2 000 interesting documents of Slavonic or Oriental origin acquired by the latter body. These figures, which are 16% up on the previous year's, are an indication of the interest taken by scientists in foreign literature.

The quarterly review "Euro-spectra" continued to publish articles on the Commission's principal scientific activities, including those in non-nuclear fields.

The periodical "Euro-abstracts", which publishes abstracts of reports, articles and patents arising from nuclear, metallurgical and coal research programmes, underwent a slight change in that it now features an edition devoted entirely to the coal sector, which is published separately every six months.

365. Although the number of reports, articles and papers distributed in 1971 remained at the same level as in 1970, there was a marked increase in scientific and technical conferences. The proceedings of twelve such conferences organized by the Commission were published in 1971.

The subjects of these conferences included not only nuclear techniques, but also health protection and accident prevention, iron and steel production and coalmining techniques.

3. Energy policy

The Commission's activities in 1971

366. The Commission's activities in the energy policy field in 1971 were mainly concerned with continuing the implementation of the "First Guidelines for a Community Energy Policy".¹ The principles of this memorandum, which was submitted by the Commission to the Council at the end of 1968, were approved during the 88th meeting of the Council on 13 November 1969. The Council therefore requested the Commission to submit to it the most urgent concrete proposals without delay and undertook to examine such proposals as quickly as possible in order to work out a Community energy policy.

As the Commission had announced in its work programme,² it endeavoured in 1971 to secure the adoption of various proposals previously submitted to the Council. Despite its efforts, none of these proposals has yet been approved by the latter body, although at the time they received a wide measure of assent from the European Parliament and from the Economic and Social Committee. These proposals relate to the amendment of Chapter VI of the Euratom Treaty, the Community's supply of enriched uranium, the regulations governing the notification to the Commission of the import programmes for hydrocarbons and investment projects of Community interest in the petroleum, natural gas and electricity sectors,³ and lastly a directive on the approximation of specific consumption taxes levied on liquid hydrocarbons for use as fuel.⁴

367. In the coal sector the Commission has for the first time been able to apply Decision No. 3/71/ECSC, which it had adopted on 22 December 1970 after a concurring opinion rendered unanimously by the Council on 14 December 1970, relating to a Community system of intervention by the Member States in support of the coal industry.⁵ Examination of the proposed aids for 1971 showed that they presented no obstacles to proper functioning of the common market for coal and that they contributed to the maintaining of a well-balanced supply of energy for the Community during a period when certain doubts arose as to this supply.

¹ *Second General Report*, secs. 292-295.

² *Fourth General Report*, Introduction, page XIX.

³ *Ibid.*, secs. 264 and 265.

⁴ *Ibid.*, sec. 263.

⁵ *Ibid.*, sec. 267.

With a view to authorizing these measures the Commission initiated the procedure of consultation with the Council, provided for under Article 5 of Decision No. 3/71/ECSC, and in 1971 submitted to it the Memorandum on financial aid by Member States in support of the coal industry.¹ To facilitate application of Decision No. 3/71/ECSC the Commission, after consultation with the Council, adopted a decision concerning implementation of Decision No. 3/71/ECSC, providing in particular for the use of standardized forms for the communication of information which the Member States are required to transmit to the Commission annually.²

In implementation of Decision No. 70/1/ECSC concerning coking coal and coke,³ the Commission authorized the financial aids to production granted by Belgium and France to colliery companies supplying coking coal and coke for the Community's blast furnaces.

The total of the aids thus granted for 1971 is about 8% less than in 1970; in all, they amount to 496 million u.a., of which 380.1 million u.a. (77%) represents direct aid pursuant to Decision No. 3/71, 24 million u.a. (5%) aid to coking coal and 91.9 million u.a. (18%) indirect aid. These amounts do not include the financial aids granted under Article 4 of Decision No. 3/71/ECSC to cover deficits in the social security services; in 1971 these aids amounted to nearly 1 400 million u.a., an increase of 6.2% with respect to 1970.

368. In addition to approving the proposals already submitted to the Council and applying the provisions in force, the Commission sought to achieve further progress towards a common energy policy. The events that occurred at the beginning of the year on the world energy market, and particularly in the petroleum sector, demonstrated the vulnerability of the Community, which to a large and ever-increasing extent depends on imports from third countries for its energy supply. This situation, however, arises principally from an acceleration or reinforcement of previously recognized tendencies which the Commission had already taken into account when drawing up the "First Guidelines".

As already pointed out by the Commission in the communication it submitted to the Council on 29 July 1971, these events confirm the

¹ *EC Bulletin* 1-72.

² *Journal officiel* No. L 13, 17 January 1972.

³ *Ibid.* No. L 2, 6 January 1970.

soundness of the action taken and the proposals made to date for the implementation of the "First Guidelines", and in particular they stress:

- (i) the importance of having a "framework of action" for the energy policy measures;
- (ii) the need for suitable measures to alleviate a partial interruption of energy imports;
- (iii) the expediency of promoting unification of the market;
- (iv) the importance of establishing a common supply policy.

Framework of action

369. As in previous years, the Commission, with the help of experts from Member States, drew up a report on the energy situation in the Community which sets out the position in 1970 and outlines the prospects for 1971. This study has been brought up to date by two current situation reports relating respectively to the positions in the months of March and October.

Above all, however, the definition of the framework of action involves drawing up medium- and long-term forecasts and prospects which adumbrate both the development trends and the changes that ought to be brought about in them.

As regards the hydrocarbons sector, medium-term guidelines (1980-85) are at present being drawn up which will define the conditions for greater security of supply as well as the problems raised by the industrial structure in this sector. During the period 1970-85 petroleum will remain the Community's principal energy source. World oil resources appear sufficient to satisfy requirements, but the supply conditions are liable to change and the procurement policy of the consumer countries will have to be adapted to the new situation.

In the nuclear sector a second illustrative programme is in the course of preparation; it will deal with the period 1975-85 but will also set forth the general outlook up to the end of the century. This programme, publication of which is required by Article 40 of the Euratom Treaty, is based on the principle that, since nuclear energy has now entered the area of competition with the main conventional fuels, the magnitude of its effect on energy supply must be determined by the desire to lessen as far as possible the Community's dependence on imports of energy products, and especially of petroleum.

The nuclear programme is set within the broader framework of a medium-term plan for the electricity sector, which is likewise in preparation. Analysis of the prospects for electricity demand points to the continuation of its present tendency to double every ten years. Changes in the production structure will occur only in the relatively long term, so that in 1985 fuel oil will still predominate unless a massive expansion in the production of nuclear electricity is deliberately encouraged.

As regards the energy sector as a whole, the long-term prospects for the Community's energy supply are being formulated in a study which will contain an estimate of the requirements for the period 1975-80-85, as well as a preliminary outline of the manner in which these requirements could be met by the various primary sources of energy.

These prospects constitute a general framework for the illustrative nuclear programme and for the medium-term plans for the electricity and hydrocarbons sectors.

Measures for the alleviation of temporary supply difficulties

370. Since January 1971, when negotiations were taking place in Teheran and Tripoli between the oil-producing countries and certain petroleum companies, the Commission, in collaboration with the governmental experts, has drawn up an inventory of the laws and regulations in the Member States which could be used to mitigate the effects of possible energy supply difficulties. This work continued with an examination of the various possibilities for intervention. In a final phase, it will be advisable to establish procedures for consultation between the national authorities and the Commission concerning the measures to be taken in the event of a supply crisis and their coordination at Community level.

In addition, the Commission proposed to the Council that the "stockpiling" directive of 1968 be amended and the minimum petroleum stocks increased to a level equivalent to 90 days' consumption in the preceding year. The proposed directive to this effect, which was submitted to the Council on 29 July 1971,¹ was the subject of a resolution by the European Parliament and also of an opinion rendered by the Economic and Social Committee.

In order to determine the most economic method of installing and administering these buffer stocks, the Commission appointed independent

¹ *Journal officiel* No. C 106, 23 October 1971.

experts to study the possibilities of underground storage. In their report these experts concluded that the costs of storage below ground were considerably lower than those of the usual method, namely, in surface tanks. However, the best prospects for underground storage are offered by salt beds, which are unevenly distributed within the Community and occur mainly in northern Germany, in the north-east of the Netherlands and in the south of France. It should therefore be ascertained to what extent the stockpiling policy hitherto adopted meets these new storage conditions, and the Commission may subsequently be prompted to propose a further revision of the Directive of 1968.

Establishment of the Common Market

371. Unity of the internal market is an essential objective of the energy policy. Among the elements which affect both the structure and the conditions of the energy market, certain fields have been selected in which it would be advisable to try to secure coherence of national measures from a Community point of view and the progressive introduction of a common policy. Without prejudice to the powers it possesses under the EEC Treaty, the Commission, in cooperation with the governmental experts, began to draw up inventories of the national laws on the construction and operation of refineries, pipelines and service stations as well as those on prices. These inventories, which will be available in the early months of 1972, will enable the Commission to draw its conclusions and take the necessary measures to ensure that industrial and commercial development may benefit to the full from the increased dimensions of the market.

On 16 December 1971 the Commission adopted a Decision¹ continuing until 31 December 1973, at the latest, the Decision of 22 December 1969 on the application of Article 115, subparagraph 1, of the EEC Treaty to the energy sector.² This extension appeared indispensable since the circumstances which justified the application of Article 115 in 1969 had not altered appreciably in the meantime. Several changes were, however, made to the Decision of 22 December 1969, which, as of 1 January 1972, relates solely to energy-yielding petroleum products. Member States are required to inform the Commission forthwith if they intend applying the Decision as of 1 January 1972, to notify it of the measures under consideration and to report every six months on the implementation of these measures.

¹ *Journal officiel* No. L 16, 20 January 1972.

² *Ibid.* No. L 14, 20 January 1970.

The "First Guidelines" indicate that, in order to serve the consumers' interests, the fundamental guiding function on the energy market must be assigned to competition, and this implies a satisfactory transparency of that market. However, competition between the various energy sources still takes place under differing arrangements, and it is necessary to analyse the effects of this. The Commission has approached a number of companies operating at the various stages of production, marketing and consumption of energy products, with a view to examining the possibilities of setting up a procedure for the periodical gathering of information on the prices actually charged for the various energy sources. This procedure will be based on the voluntary cooperation of some 150 firms which constitute a representative sample of the energy sector. Such regularly collected information will enable the Commission to analyse the situation and trends on the Community's energy market and to exchange views with the governments and other interested parties.

The draft directive on the approximation of specific consumption taxes on liquid hydrocarbons for use as fuel, submitted by the Commission to the Council on 28 December 1970,¹ has been the subject of opinions rendered by the European Parliament² and the Economic and Social Committee.³ Its discussion in the Council has not yet begun.

Common supply policy

372. Since the Community relies on outside sources for two-thirds of its requirements, supply policy is the cornerstone of any energy policy. It must provide the Community with the means of meeting its needs under the best conditions of cost and security.

373. As regards the coal sector, it is important to ensure that the Community's coal industry continues to make the largest possible contribution to the meeting of the demand at reasonable cost and in a satisfactory social context. Decisions Nos. 70/1/ECSC and 3/71/ECSC cited above provide an adequate framework for the pursuit of these objectives. In addition, it is important to reconsider from the standpoint of world energy supply the contribution that the importation of coking and steam coal from various sources can make in the future.

¹ *Journal officiel* No. C 14, 11 February 1971; *Fourth General Report*, sec. 263.

² *EC Bulletin* 7-71, Part Two, secs. 117 (footnote) and 120.

³ *Ibid.* 8-71, Part Two, sec. 230.

In accordance with Article 54 of the ECSC Treaty, the Commission continued to foster the coordinated development of investments in the Community's coal industry. According to the annual survey of investments,¹ the collieries estimate that the potential annual coal production will diminish by about 22 million tons between 1970 and 1974 and will then not exceed 161 million tons. Experience in recent years, however, has shown that the forecast figures for decline in output are generally lower than the actual number of pit closures subsequently effected; the possibility is therefore not excluded that certain firms may be prompted to revise their programmes and increase their cut-backs. In that case the extraction potential would be less than the stated 161 million tons. As far as pits are concerned, the total value of declared investments remained negligible. On the other hand, investments totalling 74 million u.a. are planned for the purpose of replacing, at least partially, the coking capacity scheduled to disappear in the mining basins. The Commission has delivered a reasoned opinion on these programmes.

374. As regards the supply of hydrocarbons, the Commission has already formulated a number of proposals concerning the three levels of decision: firms, governments and Community.

The two proposed regulations relating to notification by firms of import programmes for oil and of investment projects in the petroleum and natural gas sectors will, when approved by the Council, provide the Commission with an overall view of the supply conditions in the Community and the possibilities for development, thus enabling it to evaluate more precisely the risks involved in the imports, to hold regular consultations with the governments of Member States and to lay down the principles of the common commercial policy in this field according to objective criteria.

Certain activities in the hydrocarbons sector—mainly exploration for, and exploitation of, occurrences, but also transport and storage—are of special importance for the dependable supply to the Community at prices that are stable and as advantageous as possible. These activities call for substantial investments and in some cases involve considerable risks. On the other hand, Community firms engaged in these activities do not all enjoy the same advantages as are granted to certain large international companies in their own countries. In order to promote such activities as efficaciously as possible, the Commission submitted to the Council on

¹ *Investments in the Community's Coal and Steel Industries : Situation on 1 January 1971*, Luxembourg, July 1971.

29 July 1971 a proposed regulation providing for the granting of Joint Undertaking status in respect of activities in the hydrocarbons sector.¹ This proposal relates to the creation of a framework for the promotion of cooperation between firms from different Member States, the pooling of their resources and the opening up of specific possibilities concerning the granting of aids within this Community framework. Application of provisions similar in principle to those set forth in the Euratom Treaty under the chapter "Joint Undertakings" should enable the above-mentioned objectives to be attained.

According to the proposed regulation, the formation of a Joint Undertaking would require a decision by the Council, acting by a qualified majority, on a proposal from the Commission; but a unanimous decision would be necessary with respect to the Community's participation in financing and as regards the advantages to be conferred. Among the advantages are first and foremost certain tax concessions, but also loan guarantees, loans at reduced rates of interest or non-repayable loans in the case of failure of the exploration operations.

The public authorities of Member States intervene in various ways in the supply and on the petroleum product market. For the purpose of making the laws and regulations of Member States consistent both with each other and with the objectives of the common supply policy, the Commission has drawn up a programme of action providing, among other things, for fiscal approximation² and the examination of national measures relating to pipeline transport, refineries, service stations and price regulation.³

On the Community level, intervention occurs through the instruments of the common commercial policy, which, according to the Treaty, had to be based on uniform principles throughout the Community when the transitional period ended. The Commission attaches very great importance to such a policy and will submit proposals on this subject in accordance with the obligation devolving upon it under the EEC Treaty. The supply policy must include, among other things, establishing cooperation between the Community and the developing countries which will promote industrial, economic and social development in those countries and at the same time result in increased commercial exchanges, improve the stability of reciprocal relations and provide a more satisfactory framework for the activities of the companies that ensure the Community's hydrocarbons supply.

¹ *Journal officiel* No. C 106, 23 October 1971.

² *Fourth General Report*, sec. 263.

³ Sec. 371.

375. Increased recourse to nuclear energy for electricity production causes diversification both of the primary energy sources and of the provenances of imported fuels. In this respect and as an alternative to a very considerable increase in dependence on oil imports, nuclear energy contributes to the greater security of energy supplies. The difficulties that still hinder the expansion of nuclear electricity generation are largely of a financial nature. They are due to the burden of the additional investment required for nuclear power stations and the excess capacity that has to be provided in order to constitute a sufficient reserve against non-availability, since for economic reasons nuclear power plants are necessarily very large.

On 29 July 1971 the Commission proposed that the Council should take a decision pursuant to Article 172, paragraph 4, of the Euratom Treaty, authorizing the raising of loans for the purpose of a Community contribution to the financing of nuclear power plants.¹ The proceeds of these loans would be used for the granting, on market conditions, of repayable Community loans.

The first authorization for the raising of loans would apply to the period up to the end of 1972 and would relate to a maximum amount of 100 million u.a.; this would allow the financing of the additional investment—as compared with conventional plants—for two nuclear power stations of about 1 000 MW each.

With regard to nuclear fuel supplies, the Council has had before it for some time proposals concerning the amendment of Chapter VI of the Euratom Treaty; in November 1970 the Commission presented a new proposal for the revision of this chapter which, whilst retaining the principles of the Euratom Commission's proposal of 1964, considerably simplifies the form. The European Parliament has unanimously approved these new proposals.

Since the development of nuclear energy leads to a genuine market for nuclear fuels, the Community has requested the American authorities to revise the cooperation agreements in order to simplify and ease the supply procedures for special fissile materials coming from the United States. Negotiations have commenced.

As regards the creation of a European uranium enrichment capacity,² the Council, acting on the proposal submitted by the Commission on 22 May 1969, set up a special working party within the Consultative

¹ *Journal officiel* No. C 106, 23 October 1971.

² *Third General Report*, sec. 210.

Committee on Nuclear Research to compare the various available technologies. This special working party will shortly submit its report, on the basis of which the Commission will lay new proposals before the Council.

Technical research on coal

376. In implementation of the medium-term aid programme for coal research (1970-74), the Commission of the European Communities decided to allocate aid during 1971, pursuant to Article 55 of the ECSC Treaty, totalling 3 915 million u.a. for the execution of six research projects in the following fields: increase of production and productivity in the winnings; automation and mechanization of underground transport and supply arrangements; study of deformation in shafts; improvement of conventional methods and techniques of roadway drivage; increasing the throughput of coke ovens by programmed heating; manufacture of briquettes.

In order to make available the results of the research financed by the ECSC in the field of firedamp and ventilation, two international information meetings were held in Luxembourg during February.

In addition, in order to demonstrate the important results of the research on the remote control of a plough face in the Centre Midi coal-field, a documentary film was produced on this subject.

As regards the dissemination of information, six volumes of reports on coal research have been published and distributed to interested parties in the Community.

Safeguards

377. In order to maintain the efficacy of the safeguards provided for under the Euratom Treaty, new technical verification methods have been introduced in recent years and constantly adapted to the realities of the nuclear industry. This process of adaptation was consolidated to some extent during 1971.

Application of the various inspection systems, in particular continuous checks in reprocessing plants and increased surveillance in fuel-element fabrication plants, gave satisfactory results. At the same time, normal on-the-spot checks were carried out in the nuclear installations, the number

of which has not risen appreciably in the past twelve months. Owing to the commissioning of new nuclear power stations and of a third reprocessing plant, the volume of the materials to be checked has continued to increase.

The computerized materials-accounting system continues to be used for verifying the returns that the nuclear plants are required to submit regularly to the Commission. Every month, 380 installations, including mines, send in material balances and inventories covering 13 863 tons¹ of natural uranium, 25 461 kg¹ of uranium enriched in U²³⁵ and 1 535 kg¹ of plutonium.

The experimental application of non-destructive measuring techniques in plants which fabricate highly enriched uranium fuel elements gave favourable results. Their general use in other plants, as well as for conventional inspections, has now begun. Studies on the further development of these techniques have been undertaken in close cooperation with the JRC, one of the aims being to extend their field of application to other nuclear materials.

Participation in the safeguards research programme being conducted jointly with the JRC, the GfK, the Belgian CEN, the CNEN and the RCN was continued.

Also continued were the technical consultations, provided for under the Community's agreements for cooperation with non-member countries. The Commission was represented at several conferences organized by the IAEA.

Supply Agency

378. The natural uranium market remained quiet during the past year and prices are below \$6 per lb of U₃O₈. As in previous years, purchases were made to cover the requirements arising under the toll-enrichment system practised by the USAEC. The 12 contracts concluded by the Supply Agency, 11 of which were made according to the simplified procedure, involved a total of 1 614 tons.

The enriched uranium market continues to be characterized by the American monopoly, despite attempts by the USSR to enter this market.

¹ 30 June 1971.

World monetary problems and the United States' balance-of-payments deficit were not without repercussions on trade in enriched uranium, for which the Community is the United States' biggest customer. Three important points should be noted in this connection :

- (i) A further increase in the price of enrichment from \$28.70 to \$32 per separative work unit, which had been announced by the USAEC on 3 March 1971 and was to take effect on 6 September 1971, was temporarily held up by the President of the United States under the anti-inflationary measures. This increase, however, was accepted by the American Price Commission and came into effect on 14 November 1971. Since the beginning of the past year, two price rises—one on 14 November and the other on 22 February, when the unit went up from \$26 to \$28.70—have added a total of \$6 to the cost per separative work unit, an increase of about 23%.
- (ii) Harsher supply terms set by the USAEC, namely : an increase from three to five years in the period of notice for termination of a contract by the user without incurring charges; an increase in the charges incurred for termination at short notice to 40% of the enrichment value (whereas previously these charges were graduated, with a ceiling of 25%); a substantial reduction from 60 to 30 days in the period allowed for payment of invoices. In addition, a payment on account at the time of signing a contract is under consideration.
- (iii) The Community is negotiating with the American authorities for improved commercial terms and an increase in the ceiling quantity of 215 tons of contained U²³⁵ in enriched uranium, as stipulated in the previous agreement. The Supply Agency has already entered into contractual arrangements covering much of this quantity, which was fixed in 1968 and is to be available until 1973.

379. Research requirements continue to be covered by transactions under previously negotiated multilease and multisale contracts. According to the USAEC's new scale of charges, the value of all the materials leased from the United States is \$14 987 263, of which \$2 194 420 pertains to the 15 new contracts concluded during the year. Twenty-eight new sales contracts totalling \$1 645 113 were concluded.

With regard to power reactors, imports from the United States under previous contracts and under the 12 new contracts concluded during 1971 resulted in the payment of \$43 917 540 to the USAEC in enrichment costs.

The plutonium market was quiet during the past year. Plutonium continues to be a fuel required for research and development programmes.

In view of the expected short- and medium-term availabilities in the Community, most operators of power reactors are considering recycling this substance in thermal reactors pending the advent of fast reactors.

It should be noted, moreover, that the price of this fuel is tending to fall to below \$10 per gramme of fissile Pu.

4. Common transport policy

I—General

380. If the results obtained during 1971 are judged solely from the point of the material measures taken by the Council during that year, they might seem unsatisfactory. It is true that the Council adopted only two regulations concerning public passenger services by road and certain amendments to Regulation No. 543/69, at its meetings of 12 October 1971 and 3 December 1971. However, overall activities during 1971 may be viewed in a more favourable light if account is taken of other factors which, though not apparent, nonetheless play an important part.

Firstly, the discussions held at the Council showed that the Ministers responsible were politically willing to achieve Community solutions.

Secondly, the Council has discussed certain questions relating to the proposal for a directive adjusting commercial vehicle taxation and to rates for the use of infrastructures, these questions being of considerable importance. It thus demonstrated its willingness to give concrete form to the action advocated for taxation in the outline decision of 13 May 1965, and to fulfil one of the basic conditions for developing the common transport policy.

Similarly, in the light of the difficulties which have had to be overcome, the harmonization achieved in the positions of the various delegations concerning the weights and dimensions of vehicles constitutes a considerable step forward, allowing the prospect of an early solution to this problem, which has been pending before the Council for over ten years.

Finally, 1971 was marked by the start of a dialogue between the two institutions. As the Commission indicated in its Fourth General Report and in replies to questions put and debated by the European Parliament,¹ this should make it possible, in the context of the collaboration referred to in Article 162 of the EEC Treaty, to overcome the difficulties encountered in the development of the common transport policy.

381. Accordingly, the Commission undertook to submit a number of proposals already announced in its preceding General Report,² aimed in

¹ *Journal officiel*, Annex No. 139, June 1971 and Annex No. 140, July 1971.

² *Fourth General Report*, sec 294.

particular at completing the execution of the harmonization programme outlined by the Council on 13 May 1965. However, in accordance with the wishes expressed by the European Parliament,¹ it also took various initiatives which found concrete expression in contacts on a political level, notably with the Ministers of Transport and the Presidents of the Council, and in three memoranda to the Council which were also put before the European Parliament.

The essential aim of the Commission in submitting these memoranda was to determine certain fundamental political options which condition the choices, interdependent factors, and priorities forming the basis for the development of the common transport policy. To this end the Commission, in the light of experience gained and the trend of the market, laid down possible solutions to certain fundamental problems such as those concerning the organization of the market and rates for the use of infrastructures, as well as guidelines for the development of the common transport policy linked with a precise time-table of measures to be adopted over the next five years.

These efforts by the Commission achieved some success: the Council, which held two meetings in rapid succession (12 October and 3 December 1971) during the second half of 1971, in addition to the discussions mentioned above, adopted a work programme for 1972, and decided to continue examining during that year the Commission's memorandum on the development of the common transport policy.

Without wishing to underestimate present difficulties, the Commission is convinced that progress made in 1971, and especially the political climate now prevailing at Council level, will enable even more concrete and satisfying results to be obtained during 1972.

382. The Commission is also bound to express its conviction that the need to provide the Community with an efficient and well-organized system of transport able to adapt to the fluctuating economic situation stems not only from the tasks which the Treaty assigns to the common transport policy but also from economic needs. For the slowdown in economic expansion which was manifest to a more or less marked degree in most Member States during 1971 did not fail to have its effect on the volume of trade and traffic flows.

¹ Resolution on the *Fourth General Report*, *Journal officiel* No. C 78, 2 August 1971 and oral question No. 4/1971.

Should this trend continue or even worsen during 1972 it could seriously effect a transport market which would have no means of coping with changes in the economic situation and which is furthermore marked by profound divergencies in the organization of traffic both at national and at intra-Community level.

Such a situation is fraught with risks which could affect the entire production apparatus of transport services for many years and bring about highly disturbing repercussions in the social sector with regard to the structure of enterprises and the numbers of workers employed. In view of this, the Commission feels that no effort should be spared to achieve the speedy implementation of the measures it has proposed and which enable the effects of such hazards to be checked or contained.

II—*The Communities' activities in 1971*

383. The Communities' activities in implementing the common transport policy should be assessed under different heads, i.e. that of the work done to institute the measures provided for under Article 75 *et seq.* of the EEC Treaty; to adopt provisions for putting these into effect on Community territory; and to supervise the application of Community decisions and of the measures to implement them.

The results obtained in these fields are summarized below.

Establishment of common rules

384. As stated above, the provisions adopted by the Council during 1971 concern :

- (a) Regular and shuttle passenger services by road carried out by coach and bus between the Member States;¹
- (b) Two amendments to Regulation No. 543/69 on the harmonization of working and rest times in road haulage between the Member States.² These amendments aim at resolving certain difficulties of application, particularly as regards short distance transport, and at rendering the AETR compatible with Community Regulation No. 543/69.

¹ *EC Bulletin* 12-71, sec. 70.

² *Ibid.* sec. 71.

On 14 September 1971 the Commission submitted to the Council a memorandum on the organization of the transport market, which was also addressed to the European Parliament. The essential aim of this memorandum is to promote a debate at political level between the Commission and the Council, to find out the reasons for the serious delay in certain sectors of the common transport policy, and to bring about an exchange of ideas on the measures to be adopted to remedy the situation. To this end the Commission also put forward proposals for solving the various problems under discussion.

Unfortunately, the Council did not answer the questions put to it by the Commission at either of the Council meetings of 12 October and 3 December 1971. The problem will thus have to be examined again during 1972.

On 18 August 1971 the Commission put before the Council a proposal for a decision on normalizing the situation of railway undertakings and on harmonizing the rules governing financial relations between these undertakings and the Member States,¹ as well as a proposal for a regulation amending Council Regulation (EEC) No. 1192/69 of 26 June 1969 on common rules for standardizing railway accounts.¹ These two proposals, applying Article 8 of the Council decision of 13 May 1965, are aimed at achieving wide managerial independence in railway undertakings. They are of fundamental importance for normalizing the financial situation of the undertakings, for creating a more balanced transport market and for more extensive cooperation at Community level between national networks.

On 29 March 1971 the Commission addressed a memorandum to the Council on rates for the use of infrastructures and a proposal for a decision fixing the general guidelines and the means employed in this rates system.² The memorandum was also submitted to the European Parliament. The aim of this rates system is to promote the most efficient possible utilization of the infrastructures of the three modes of transport while procuring the funds necessary to finance expenditure of all kinds by the Community for infrastructures. As a basis for the future Community system, the Commission has proposed the balanced-budget solution founded on social marginal cost which is in keeping with this dual aim. At its meeting of 3 December 1971 the Council held its first discussion

¹ *EC Bulletin* 9/10-71, sec. 93 and *Journal officiel* No. C 106, 23 October 1971.

² *Journal officiel* No. C 62, 22 June 1971.

of these problems. It asked Member States to undertake, in cooperation with the Commission, studies spotlighting the consequences which the gradual application of certain measures in this field would have on the transport situation. These studies should be completed, as far as possible, by 30 June 1973.

On 27 August 1971 the Commission submitted to the Council a report on calculations prepared to assess the results of applying the proposed first Council directive on the adjustment of national systems of commercial vehicle taxation.¹ On 3 December 1971 the Commission asked the Committee of Permanent Representatives to speed up examination of this proposal.

Pursuant to Article 149 of the Treaty, the Commission put before the Council, on 21 June 1971, an amended proposal for a directive on the weights and dimensions of commercial road vehicles, and on certain additional technical requirements.² Since the last Council discussions in 1965 various new factors had emerged necessitating a re-examination of the problem and a renewed attempt to arrive at Community rules giving ample consideration to present needs and foreseeable developments. The Council exchanged ideas on the Commission's proposal at its meeting of 3 December 1971. Despite evidence of a certain approximation in positions no final agreement was reached on all the elements in the proposal. The Council therefore asked the Committee of Permanent Representatives to examine the conditions that might enable a decision to be reached at its next session.

Implementation of Community provisions

385. As regards transport rates the Commission, acting in particular under the infringement procedure of Article 169 of the Treaty, continued to work for the introduction of bracket rates applicable to road haulage between Member States provided for in Regulation (EEC) No. 1174/68.³

Furthermore, by its decision of 28 July 1971,⁴ the Commission settled disputes on the fixing of rates between France and Belgium and

¹ *Fourth General Report*, sec. 289.

² *EC Bulletin* 8-71, sec. 101 and *Journal officiel* No. C 90, 11 September 1971.

³ Council Regulation (EEC) No. 1174/68 of 30 July 1968 on the introduction of a system of bracket rates applicable to road haulage between Member States, *Journal officiel* No. L 194, 6 August 1968.

⁴ *Journal officiel* Nos. L 182, 12 August 1971 and L 225, 6 October 1971.

between France and the Netherlands. The Member States concerned complied with these decisions without making use of the possibility, offered to them under the regulation, of referring the matter to the Council. All the rates provided for by the regulation were in force by the end of 1971. After consulting the Commission, the six Member States also adopted provisions for implementing the regulation.

Because of the delay of over two years in implementing this regulation, the experience it should afford for defining the system to be applied in the future in the closely interdependent fields of tariffs and of capacity will have to be continued not only beyond the normal time-limit of 31 December 1971, but also beyond the automatic extension date to 31 December 1972 laid down by the regulation.

386. In the matter of access to the market for road haulage Regulation No. 1018/68 establishing the Community quota continued to be applied during 1970, and its validity has been automatically extended to cover 1972. Meanwhile, the Commission communicated to the Member States the tabulated results of the use made of this quota during 1969 and 1970. These data show that the 1 200 Community licences issued, as well as the bilateral licences already existing, have enabled real transport needs to be met. Generally speaking, the licences were utilized in a very satisfactory way, and this utilization improved during 1970 compared with 1969. In the Community the average results achieved under licence were as follows :

	1969	1970
Tons/km	732 000	881 200
Vehicles/km	57 500	68 700

Comparison between potential capacity (tons/km resulting from aggregating the distances covered by vehicles operating under Community licences) and the tons/km actually carried indicates that licensed capacity was used in the Community to the following extent :

1969	72.3%	1970	76.5%
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387. In the field of harmonization of competition conditions, the most important provisions of Council Regulation (EEC) No. 1191/69 of 26 June 1969 on public service obligations, and of Regulation (EEC) No. 1192/69 of 26 June 1969 on the standardization of railway accounts, took effect on 1 January 1971. The Commission will be able to supply

information on the effects of these regulations in 1972 as soon as it has all the data from the Member States.

388. Regarding the implementation of Council Regulation (EEC) No. 543/69 of 25 March 1969 on the harmonization of certain social provisions in the field of road transport, the difficulties encountered have now been almost completely overcome. In the preceding General Report the Commission deplored the delay on the part of certain Member States in implementing this regulation, thereby forcing it to initiate the procedure laid down in Article 169 of the Treaty for use against Member States which fail to carry out their obligations.¹ It was not found necessary to carry out this procedure fully. The necessary provisions were put into force in four Member States; in Luxembourg and Italy, draft provisions on penalties for infringements were the subject of Commission consultation procedures ending in November and December 1971 with favourable opinions from the Commission.

The Commission will see to it that these two countries bring about speedy implementation of the provisions on penalties. Moreover, it is closely examining the means to ensure the effective application of the regulation and of the national measures adopted for the purpose.

Supervision of the implementation of Community provisions

389. Independently of the establishment of the various rules and provisions, the Commission continued, within its powers under the Treaty, its examination of the application of the Treaty provisions and of the measures taken under them.

The Commission is continuing its permanent scrutiny of overall transport rates and conditions, whether published or not, applied within the Community, so as to assess their compatibility or otherwise with the provisions of the Treaty.

As regards the application of competition rules to transport, it is going ahead with the examination of certain agreements in the field of transport by rail, road and inland waterway, to determine whether they are compatible with Regulation (EEC) No. 1017/68.² It has paid

¹ *Fourth General Report*, sec. 282.

² Council Regulation (EEC) No. 1017/68 of 19 July 1968 applying rules of competition to the rail, road and inland water transport sectors, *Journal officiel* No. L 175, 23 July 1968, p. 1.

particular attention to certain transport pools and Rhine navigation conventions.

In the sphere of state aids, the Commission, on 23 July 1971, adopted a decision on the abolition of certain remissions under the German law instituting a tax on road haulage.¹

The Consultative Committee—set up by Article 6 of Regulation (EEC) No. 1107/70² to assist the Commission in examining aids granted in the field of transport by rail, road and inland waterway—had its first meeting on 25 October 1971. The Commission conferred with this Committee on the French plan for economic and social adaptation of inland water transport and gave an opinion on the matter at the end of December 1971.

Apart from studying the cases of implementation before it, the Commission, in accordance with the request formulated in the Council at its 100th meeting, informed the Member States of the general criteria which it applied in its decisions under Article 80(2) of the EEC Treaty on transport rates and conditions involving an element of support.

Finally, the Commission is actively supervising the effective implementation of Council Regulation (EEC) No. 543/69 of 25 March 1969 on the harmonization of certain social provisions in the field of road transport.

Commission consultation

390. This survey of the Commission's activities during 1971 is not complete without reference to the opinions and recommendations it gave in the consultations carried out under the provisions adopted by the Council.

The implementation of the Council decision of 21 March 1962 instituting a procedure for prior examination and consultation in respect of certain laws, regulations and administrative provisions concerning transport proposed in Member States³ gave rise, during 1971, to the issuing

¹ *Journal officiel* No. L 179, 9 August 1971, p. 37.

² *Ibid.* No. L 130, 15 June 1970, p. 1.

³ *Ibid.* No. 23, 3 April 1962, p. 720.

by the Commission of five opinions¹ and two recommendations² addressed to the Member States concerned.

In general it may be said that this consultation procedure has brought out into the open the Member States' tendency to apply at national level and unilaterally certain provisions which hinder implementation of the common transport policy, particularly where the organization of the market is concerned. The Commission has repeatedly stressed the need to apply such provisions within the institutional framework of the Treaty, but its appeal has been none too successful. In this connection it must be admitted that the tardy development of the common transport policy has prompted Member States to find national solutions to the problems facing them. This is yet another example showing how necessary it is that measures proposed by the Commission should be adopted at Community level without further delay.

391. As part of the consultation procedure on transport infrastructure investments introduced by the Council decision of 28 February 1966, several investment schemes of importance to the Community were notified to the Commission in 1971.³ The Commission informed the Member States in accordance with Article 3 of the abovementioned Council

¹ Commission Opinion of 29 January 1971 addressed to the French Government on new draft conditions of contract for the Société nationale des chemins de fer français (SNCF) (*Journal officiel* No. L 32, 9 February 1971, p. 19);

Commission Opinion of 22 February 1971, addressed to the Belgian Government, on a draft law concerning shipping dues on inland waterways administered by the State (*Journal officiel* No. L 57, 10 March 1971, p. 25);

Commission Opinion of 14 April 1971, addressed to the Federal German Government, on an amendment to paragraph 32 of the statute on road traffic (StVZO) (*Journal officiel* No. L 100, 5 May 1971, p. 12);

Commission Opinion of 20 December 1971, addressed to the French Government, on the French plan for economic and social adaptation of inland water transport (*Journal officiel* No. L 16, 20 January 1972);

Commission Opinion of 20 December 1971, addressed to the German Government, on the draft law concerning the complementary financing of measures for improving local transport conditions and the building of Federal highways (*Journal officiel* No. L 20, 24 January 1972).

² Commission recommendation of 26 May 1971, addressed to the French Government, on a draft decree, amending Decree No. 49-1473 of 14 November 1949, on the coordination of rail and road transport (*Journal officiel* No. L 134, 20 June 1971, p. 2);

Commission recommendation of 23 December 1971, addressed to the Federal German Government, on a second draft law amending the law on road haulage (*Journal officiel* No. L 16, 20 January 1972).

³ Schemes provided for in the requirements programme and in the five-year plan concerning the German Federal highways; Belgian schemes for the development of a European railway network for the rapid transport of passengers.

decision, and will hold a consultation with Member States on some of the schemes in question.

The Community's external powers regarding transport

392. The Commission submitted to the Council various proposals for decisions on the external powers of the Community with regard to transport. In doing so it based itself on the principles laid down by the Court of Justice in its judgment of 31 March 1971 settling the dispute between the Commission and the Council on the negotiation and conclusion of the AETR.¹ The same principles will be observed with respect to implementation of Article 116 of the Treaty in connection with the action taken by Member States within the framework of international organizations of an economic character.

393. As regards the application of Article 75 to the Community's agreements with third countries, it must be noted that, on the basis of the Resolution adopted by the Council on 27 January 1970,² exploratory "round table" talks were held between the Member States and the Commission on the one hand, and Switzerland and the United Kingdom on the other, concerning the various parts of a scheme for laying-up inland waterway vessels. These talks revealed the views of those taking part and led to closer agreement on the technicalities involved in setting up such a scheme.

In view of these results and of the fact that rules have to be introduced as soon as possible, the Commission submitted to the Council on 11 August 1971 a proposal for a decision, based on Article 75 of the Treaty, relating to the opening of negotiations for an agreement between the EEC and Switzerland on the implementation of rules concerning the temporary laying-up of vessels used for transporting goods and applicable to certain waterways.³ The European Parliament and the Economic and Social Committee were consulted on this proposal.

At its meeting of 3 December 1971 the Council solved a preliminary question on which the continuation of the round table talks depended and which consisted in determining what the economic objectives of the temporary laying-up were to be. The key questions, relating to the functioning of the scheme to be set up and to the nature and terms of the

¹ *EC Bulletin* 5-71, sec. 80.

² *Fourth General Report*, sec. 278.

³ *EC Bulletin* 9;10-71, sec. 91 and *Journal officiel* No. C 107, 25 October 1971.

future agreements between the Community and Switzerland; therefore still have to be tackled. They can be dealt with when the proposal for a decision referred to above is considered by the Council, which may be expected to take place during 1972.

394. Back in 1970 the Commission submitted a proposal for common action, based on Article 116 of the Treaty, concerning the introduction of automatic coupling on railways. Such a move was proposed because of the effects of such introduction on the conditions of competition of the undertakings concerned.¹ The proposal was unfortunately not accepted. In 1971 the Commission put before the Council a proposal for common action with a view to concluding a World Convention on International Combined Goods Transport (CGT Convention) because of its implications for the conditions of trade with third countries, policies on infrastructures and ports, conditions of competition, and organization of the transport market within the Community.²

The Council will consider this proposal in the course of the coming year.

III—*Development of the common transport policy*

395. In its Fourth General Report the Commission laid down the guidelines for the operations it intended to carry out in order to complete and fill out the framework of provisions concerning the organization of the market and the harmonization of conditions of competition and to ensure the development of the common transport policy by giving it a new dimension. The European Parliament agreed on the whole with the Commission's views, as is apparent from the resolution it adopted after examining the General Report in question³ and from the outcome of the discussions on Oral Question No. 4/71.⁴

As mentioned above, most of the proposals set out in the Fourth General Report were actually submitted in 1971. There was some delay in drawing up the proposals which are to lead to the adoption of social provisions in rail and inland waterway transport. The proposed regulation

¹ *EC Bulletin* 6-70, sec. 38, 22 April 1970.

² *Ibid.* 8-71, sec. 97.

³ *Journal officiel* No. C 78, 2 August 1971.

⁴ *EC Bulletin* 7-71, sec. 119.

on working conditions and the composition of crews for inland waterway vessels will be submitted at the beginning of 1972. There is reason to fear that it will not be possible to submit the proposals on railways within the same time limits, mainly as a result of operating difficulties encountered by the Advisory Committee on Social Matters in Railways.

396. In order to give concrete form to the views it had expressed on the development of the common transport policy, the Commission, following on its abovementioned memoranda concerning the common organization of the transport market and to the rates for the use of infrastructures, submitted a memorandum to the Council on 8 November 1971¹ which it forwarded to the European Parliament. In this memorandum it lists in order of priority the measures to be taken during the next five years, and sets out a time-table intended to ensure the balanced development of the various elements of the common transport policy. It also makes a point of situating these measures in their general context and of defining certain principles and objectives. It particularly emphasizes: the necessity of having a transport system that guarantees maximum efficiency and meets the requirements of integration; the underlying political and social significance of certain measures; and the need to relate transport to the general economy.

The Commission's memorandum naturally takes into account the steps already taken and proposes their continuation. It advocates adoption of the measures necessary both to complete the organization of the market and to continue harmonization of the conditions of competition in order to promote integration of the market and ensure its maximum efficiency by making it operate economically and develop rationally, thus making possible the optimum utilization of the factors of production. Moreover, the Commission also expressed the view that the common transport policy must take on new dimensions by becoming part of an all-embracing scheme to protect the environment. It is necessary to eliminate or reduce various nuisances inherent in the transport field (the occupying of space and the facilities involved, noise, pollution, etc.) and to integrate transport into the overall programmes for the environment which are themselves part and parcel of town and country planning in the widest sense. In this context the Commission stressed that transport should increasingly be used as a means for implementing regional policy and town and country planning. Here it should be viewed as an instrument for checking the trend towards growing concentrations of population and economic activities and for

¹ *EC Bulletin* 1-72, Part Two, sec. 65 and Supplement 8/71 to *EC Bulletin* 12-71.

stimulating the development of backward or declining regions. The Commission also stressed that the improvement of traffic safety was one of the main objectives of the policy.

It is quite possible that the enlargement of the Community might necessitate making various changes in the programme. Other steps will obviously also have to be taken, particularly in sea and air transport and in policies on ports.

397. The Council has not yet finished its discussions on the basic options of the common transport policy, and has merely adopted a provisional work programme for 1972.¹ The questions raised by the Commission will therefore have to be discussed during one of the Council meetings in 1972. So as to avoid any delay which would hamper the development of the common transport policy, the Commission will, in the meantime, go on studying and preparing the measures it has recommended and will submit as soon as possible additional proposals which, according to the discussions at the meeting of 3 December 1971, should be adopted by the Council in the course of 1972 and 1973.

Rates and conditions of carriage for coal and steel

Special tariff measures

398. Under ECSC Treaty Article 70, fourth paragraph, the Commission authorized the following measures:

- (i) tariff aid for rail transport of German iron ore;²
- (ii) special rates for the transport of iron ore by French railways between certain places;³
- (iii) special rates by German railways for coal and steel undertakings in the Saar⁴ so as to help the reorganization of the Saar's heavy industry. An action is currently pending before the Court of Justice in respect of certain points in this decision.⁵

¹ Sec. 381.

² *Journal officiel* No. L 36, 15 February 1971, p. 17.

³ *Ibid.* No. L 161, 19 July 1971, p. 14.

⁴ *Ibid.* No. L 179, 9 August 1971, p. 33.

⁵ *Ibid.* No. C 110, 30 October 1971.

Disclosure of rates and conditions of carriage for coal and steel

399. The question of the publication of rates and conditions for coal and steel carried by rail between the Member States, in transit via Austria or Switzerland, on the basis of private contracts, has not been solved satisfactorily by the ECSC/Austria and ECSC/Switzerland Transport Committees set up by the agreements concluded between those countries and the ECSC instituting international rail through-rates. This being so, the Commission is endeavouring to ensure that the rates applied by the railways of Member States for distances covered on their own territories are published in a way which would satisfy the requirements of the common market in coal and steel.

The Commission is also pursuing its efforts as regards implementation of Recommendation No. 1/61 of the ECSC High Authority. It came up against difficulties, however, in trying to apply special measures, for coal and steel transport rates and conditions, that were more stringent than those provided for in the common transport policy under the Treaty of Rome. It must be added that the enlargement of the Community to include further seafaring nations renders more acute the question of the publication of shipping freight rates for the transport of coal and steel between Community ports.

CHAPTER V

EXTERNAL RELATIONS

1. Relations with the Mediterranean countries

400. The year 1971 began with a debate in the European Parliament on Mr Rossi's report on the subject of the commercial policy of the Community in the Mediterranean basin.

During the meeting of 9 February, when Parliament discussed this report, Mr Dahrendorf, in the name of the Commission, laid particular emphasis on the following three principles:

- (i) The quest, in relations with the Mediterranean, of "a harmonious relationship between reciprocal interdependence on the one hand and the respect of mutual independence on the other hand";
- (ii) The working-out of a joint plan for the relations of the Community with the Mediterranean countries taking into account the characteristics of each of these;
- (iii) The prime necessity of going beyond the purely commercial aspect of the question and of contributing to the economic development of the region.

The resolution adopted by the European Parliament "underlined the responsibilities and particular obligations which give the Community its economic importance in the Mediterranean basin, its situation in relation to this region and the need to develop a spirit of true solidarity". The resolution insists on the necessity for the Community to adopt a policy of development by more appropriate means than commercial measures alone. For this reason, the European Parliament has "asked the Foreign Ministers of the Member States of the Community, within the framework of their consultations on foreign policy, to continue the efforts directed towards the definition of a common policy *vis-à-vis* the countries of the Mediterranean basin".

401. The examination of trade relations during the last ten years shows the increasing part that the Mediterranean countries have taken in trade with the Community. Statistics clearly show that, apart from the markets of other countries of Europe, the Mediterranean represents for the Community one of its two most important commercial partners in the world both for exports and for imports. Trade almost tripled between 1960 and 1970. In 1970, for example, Community exports to the Mediterranean countries¹ reached a figure of \$7 300 million, against \$6 600 million for exports to the United States. Imports, petrol included, from these same partners were worth \$6 000 million and \$9 000 million respectively.

After the outlines of relations between the Community and the Mediterranean countries had been established² in 1970, 1971 was marked by the coming into force of the Association Agreement with Malta and the provisional commercial arrangements provided for in the additional protocol to the Association Treaty between the Community and Turkey, which pending ratification, mark an important stage in the progressive integration of the two economies.

But 1971 in particular was a year of far-reaching dialogue between the Community and the Mediterranean countries motivated by the prospects of the enlargement of the Community and the economic and juridical consequences which would result there. On this subject, the Commission undertook a series of exploratory discussions with the Mediterranean countries,³ and made contact with the four candidate countries. In general, it can be stated that the discussions with the Mediterranean countries, with which the Community has special free trade relations, showed that the Mediterranean countries took a positive attitude with regard to the enlargement of the Community. They were, however, unanimous, for different reasons and in different degrees, in underlining the economic risks in which they might be involved. For them these dangers might disorganize the balance of the agreements, in particular as regards trade in fresh or processed agricultural products which benefit from very low or even zero tariffs in the candidate countries. The problem is more serious, for countries such as Spain and Israel for which the candidate countries, and more especially Great Britain, are the principal outlets for the larger part of their agricultural production.

¹ Concerns the Mediterranean countries covered in this paragraph as well as Albania, Syria, Jordan, Lybia and Portugal.

² *Fourth General Report*, sec. 353 *et seq.*

³ *EC Bulletin* 8-71, sec. 130.

The results of these discussions with the Mediterranean countries, and also with the candidate countries, were the subject of a report analysing the problems posed and suggesting means of transition and adaptation of the agreements with the enlarged Community. This report was completed by more definite proposals by the Commission for the agricultural sector in order to avoid a too serious deterioration of trade in agricultural products.

The negotiations on the subject will take place early in 1972, in order to regulate the taking over of the Mediterranean agreements by the candidate countries and their integration within the framework of the enlarged Community. The new situation caused by enlargement will reinforce the political and economic significance of the Community in a region which is seeking a regime of stability and development.

Another problem for the Community is the request for inclusion in the system of generalized preferences made by Mediterranean countries not yet beneficiaries. The subject is under examination by the Community as a result of the decision of the Council of 30 March 1971.¹

The Association with Greece

402. The Commission is not in possession of information permitting the conclusion that the political situation in Greece has changed sufficiently in 1971 to justify a modification of the attitude adopted since 21 April 1967. Indeed, in spite of the adoption of several decree-laws concerning the Constitution of 1968,² particularly as regards the rights of man and of the citizen and the announcement that they are being applied, martial law is still in force in the regions of Athens and Salonika and progress towards the re-establishment of free institutions assuring the return to a normal democratic regime seems to be at a standstill. The activity of the Joint Parliamentary Commission continues to be suspended.

In these conditions, the Community has been obliged to continue to limit the application of the Athens Agreement to current affairs.³

The Association Council held two meetings at ambassadorial level, when questions of current administration were discussed. In this respect

¹ Sec. 452 *et seq.*

² Greek official journal of 1 January 1971.

³ See the reply of the Commission to a written question by Mr Cousté (*Journal officiel* No. C 81, 12 August 1971) and the Council's reply to the written question by Mr Glinne (*Journal officiel* No. C 65, 29 June 1971).

the Community and Greece have envisaged, in conformity with Article 64(3) of the Association Agreement, the preparation of an additional protocol to enable the Association Agreement to be applied to the enlarged Community by appropriate amendments.

403. On 1 November 1971 Greece made a fresh reduction of 10% in its basic customs duties and in the sureties applicable to the import of products from the Community subject to the twelve-year transition period. These duties and sureties have now been reduced by 70% and will be totally abolished on 1 November 1974. For quotas, a new increase of 10% was granted in 1971 in favour of the Community for non-liberalized products.¹

In 1970,² trade between the Community and Greece increased by about 21% in comparison with 1969. In comparison with 1961, the proportion of exports to the Community of total Greek exports rose from 30.4% to 40.4% while imports rose from 38.1% to 45.9%.

Between 1969 and 1970 receipts from tourism and from migrant workers in the Community increased by more than 40%. As far as the influx of private capital was concerned the figures showed a fall of 30% from the EEC and a rise of 90% from the United States.³

The Association with Turkey

404. Relations between the Community and Turkey were marked in 1971 by the signature on 27 July and the coming into force on 1 September of an interim agreement for the application before the due date of the first steps⁴ under the provisional protocol covering the granting of reciprocal commercial concessions. The Community and Turkey have thus initiated the process which is to result in the progressive integration of their economies. However, in spite of the importance that these concessions represent, especially for the Turkish economy, they should not make us forget the political and economic significance of this passage to the transitional phase,⁵ which cannot effectively be achieved before the coming into force of the additional protocol. The Commission has therefore expressed its desire that the procedures for the ratification of the additional protocol and for

¹ See also *EC Bulletin* 2-71, sec. 84; 7-71, sec. 80; 8-71, sec. 131; 9/10-71, secs. 108 and 109.

² Statistics for 1971 are not yet available.

³ See table published in *EC Bulletin* 2-72, Ch. II.

⁴ *EC Bulletin* 9/10-71, sec. 110.

⁵ *Fourth General Report*, sec. 359 *et seq.*

the second financial protocol, which will permit the continuation of financial aid to Turkey, should be concluded as soon as possible. The Commission's feelings on this point are moreover in line with those of the European Parliament expressed in its resolution of 18 November.¹

405. During 1971 the Community adopted measures in favour of Turkish exports of wine and fishery products,² thus rounding off the advantages resulting from the provisional protocol.

Furthermore, pending a decision on the subject of the inclusion of Turkey on the list of countries benefiting from generalized preferences, the Commission has provisionally granted extra concessions to this country.³

406. The Joint Parliamentary Committee held two meetings, one in Bursa in March and the other in Brussels in September 1971. The talks which continued between the European and Turkish representatives were particularly useful in a period when the Association and Turkey are confronted with important problems. It was noted with particular satisfaction that the recommendations of the Joint Parliamentary Committee on the subject of the situation of Turkish workers in the Community have contributed greatly to the regulation of some of the delicate problems arising in this sphere. Finally, the desire expressed by the Joint Committee that a Community information and press office be established in Turkey may lead to initial action in the near future, as the Commission has already made proposals to this effect to the Council.

Association with Morocco and Tunisia

407. Although the implementation of the Agreements did not present any particular difficulties in the past year, there have been consultations, on several occasions in the institutions of the Association, not only on the functioning of the Agreements but also on the introduction of a Community system for fishery products and also the entry into force of the system of generalized preferences.

It may therefore be noted that, thanks to the spirit of cooperation shown by the contracting parties, the organs of these Associations have

¹ *Journal officiel* No. 124, 17 December 1971.

² *EC Bulletin* 12-70, sec 78 and *Journal officiel* No. L 139, 26 June 1971.

³ *Ibid.* 9/10-71, sec. 110.

been able to play a wider role than that of management and supervision assigned to them in the Agreements. It can also be concluded that these organs will in future become centres for the permanent dialogue necessary for the dynamic direction of the Association.

In addition, the Commission has been in contact with the Tunisian and Moroccan Governments to examine the consequences of the enlargement of the Community on the Associations. Apart from the common problems enumerated above, Morocco and Tunisia are a particular case, in that the Association Agreements lay down that negotiations for new agreements should begin in the autumn of 1972 and be concluded by the spring of 1973. There is thus an overlapping of the time-tables arranged for enlargement and for the renewal of the present agreements. The Moroccan and Tunisian Governments therefore count on the Community fulfilling its engagements concerning the date for the renewal of the agreements "on wider bases" corresponding in a more concrete manner to the development needs of the two countries.

Relations with Algeria

408. The Community institutions have continued their efforts with a view to a negotiated Community definition of relations with Algeria. The Commission continues to maintain that this régime should make trade with this country as free as possible and include elements of economic and financial cooperation as well as measures of a social nature concerning Algerian workers residing in the Community.

At the end of 1971 the Commission hopes that it will be possible to reach an early agreement with Algeria, taking into account the interests of this country and those of the Member States. Apart from the urgent necessity of normalizing the Community's trade relations with Algeria, the Commission considers that the conclusion of a comprehensive cooperation agreement with this country is definitely an essential element of the Community's relations with the Mediterranean basin.

Pending the coming into force of such an agreement, the Council has decided to introduce a transitory system, as from 1 November 1971, for the importation of Algerian wines by the Community. This system will be extended on 1 January 1972 to Tunisian, Moroccan and Turkish wines replacing the present national régimes so that the interests of these countries may be reconciled with the necessities of the proper functioning of wine markets in the Community.

The Agreement with Yugoslavia

409. In 1971 the Commission endeavoured to reinforce economic cooperation with Yugoslavia.¹ The Joint Committee set up by the 1970 commercial agreement held its first session in Belgrade in January² and noted that there had been a substantial expansion of trade between the Community and Yugoslavia in 1970. This expansion should be helped in the future by the application of the generalized preferences system to Yugoslavia. In addition, the Commission has begun to examine the possibilities of widening the scope of the abovementioned commercial agreement.

Finally, as a complement to the agreement, cooperation in the scientific and technical field was launched in May 1971, when Yugoslavia participated in the work of the Council's Cost Group.³

The Association with Malta

410. The agreement setting up the Association between the Community and Malta⁴ came into force on 1 April 1971.⁵ The agreement with Malta, the eighth Mediterranean country to establish special relations with the Community and the fifth of the region to conclude an association with the EEC, is very similar to the other agreements concluded with Mediterranean countries in recent years. However, it has several special characteristics. The question of Malta's dual membership of the Commonwealth and the Community in the first stage of the agreement was solved without difficulty. While recognizing Malta's European role the Community did not wish, at this stage, to prejudge the future evolution of relations with the country. The agreement provides, however, for the establishment of a customs union between the Community and Malta, in principle within ten years.

The problems posed by the enlargement of the Community have been partially resolved in advance by reason of the co-existence, in the first stage of the agreement, of Malta's continuing preferential relations with the United Kingdom and the establishment of preferential ties with the Community.

¹ Reply to a written question by Mr Cousté, *Journal officiel* No. C 101, 13 October 1971.

² *EC Bulletin* 3-71, sec. 45.

³ See *Journal officiel* No. C 39, 24 April and No. C 101, 13 October 1971, as well as *EC Bulletin* 5-71, sec. 94; 6-71, sec. 67; and 8-71 sec. 139.

⁴ *Journal officiel* No. L 61, 14 March 1971.

⁵ *EC Bulletin* 4-71, sec. 69 and 5-71, sec. 90.

The Agreement with Spain

411. The Joint EEC-Spain Committee, to administer the agreement which came into force on 1 October 1970, held its first meeting in March 1971¹ and adopted its rules of procedure and methods of administrative cooperation in the customs field.

It was noted that the agreement had got off to a generally satisfactory start. Nevertheless, Spain voiced certain preoccupations concerning the application of the concessions in the agreement for certain wines, the functioning of the preferential system for olive oil in Community markets and the problems caused by the fact that it was not included in the generalized preferences scheme.

Exploratory contacts with Spain concerning the repercussions of the enlargement of the Community² brought out the possible commercial consequences and repercussions on the balance of the agreement, especially in the agricultural sector.

The Agreement with Israel

412. The implementation on 1 August 1970 of the Agreement with Israel did not pose any special problems in 1971. The Joint EEC-Israel Committee instructed to administer the agreement held its first meeting in Brussels on 20 January 1971³ and adopted its rules of procedure and methods of administrative cooperation in the customs field.

On this occasion, and during other approaches,⁴ Israel underlined its interest in the generalized preferences system and expressed the desire that it might also benefit from these arrangements.

Furthermore, during the exploratory contacts, Israel expressed its concern regarding the possible effects of the enlargement of the Community on its exports of agricultural and industrial products to the new Member States and stressed the need to find appropriate solutions to these problems.

¹ *EC Bulletin* 5-71, sec. 93.

² *Ibid.* 7-71, sec. 79 and 8-71, sec. 130.

³ *Ibid.* 3-71, sec. 44.

⁴ *Ibid.* 7-71, sec. 84.

Relations with Egypt and Lebanon

413. The work concerning negotiations for commercial agreements between the Community and the United Arab Republic on the one hand, and the Community and Lebanon on the other, were pursued during 1971.

These negotiations are one manifestation of the Community's intention to maintain balanced relations with the Near East countries; their objective is to conclude five-year agreements providing for the partial elimination of tariff obstacles to trade in industrial products and certain agricultural products of particular concern to the two countries in question. These negotiations should be concluded during their third and final stage.

As far as Lebanon is concerned, the 1965 Agreement on trade and technical cooperation which expired on 30 June 1971, was renewed by mutual agreement.¹

Relations with Cyprus

414. Following the Cypriot requests of 5 August 1970 and 2 January 1971, exploratory talks between the Commission and Cyprus were held in March 1971.² As a result of the conclusions of the Commission report of 15 July, the Council, on 30 December, authorized the latter to open negotiations with Cyprus. These negotiations will begin on 24 January 1972.

The question of future relations between Cyprus and the Community must be considered in regard to the general relations of the island with the Mediterranean basin on the one hand and the possibility of the accession of Great Britain to the EEC on the other. Cyprus is anxious to participate in the European integration movement by bringing its economy closer to that of the Community and fears increasing competition, especially from Mediterranean agricultural products on the markets of the Six as a result of the concessions granted by the Community to most of the other countries of the region. The possibility of the United Kingdom's accession to the Community has increased the preoccupations of Cyprus, itself a member of the Commonwealth, regarding the long-term disposal of its products on its most important market. Finally, the Community and, *a fortiori*, the enlarged Community cannot remain indifferent to the requests of a country, essentially European in its outlook, occupying a position of great importance from the point of view of equilibrium in the Mediterranean and the political stability of the region.

¹ *Journal officiel* No. L 181, 11 August 1971, p. 11.

² *EC Bulletin* 5-71, sec. 91 and 9/10-71, sec. 112.

2. Relations with African countries and Madagascar

415. The year 1971 saw the coming into force, on 1 January, of the new Yaoundé Association Convention with the eighteen African States and Madagascar, the Association Agreement of Arusha with the three East African countries, and the Council decision of 29 September 1970, concerning the Association with the Overseas Countries and Territories.

THE ASSOCIATION WITH THE AFRICAN STATES AND MADAGASCAR (AASM)

The functioning of the institutions

416. The first meeting of the Association Council since the Yaoundé Convention came into force was held in Tananarive on 22 April 1971. The necessary decisions for putting the second Yaoundé Convention into force were taken and the Community had the opportunity to give the AASM further information concerning the organization of generalized preferences and the development of the adhesion negotiations.¹

The EEC-AASM Association Council held a special meeting on 30 November 1971, at the request of the AASM, which desired in particular to continue the information and consultation discussions concerning negotiations between the Community and the States applying for membership. First, a communication from the Community on the progress of all the negotiations with the candidate States was heard. This resulted in a detailed discussion on questions of particular interest to the AASM concerning the association policy envisaged by the enlarged Community, especially in regard to the safeguarding under the new association of the results already obtained, arrangements between the date of adhesion and the expiration of the Yaoundé Convention, and finally the conditions to be offered by the enlarged Community to Commonwealth developing countries.

The Community also informed the Association Council of the negotiations envisaged with the EFTA States not candidates for membership (Austria, Finland, Iceland, Portugal, Sweden and Switzerland) and on progress in the negotiations for the accession of Mauritius to the Yaoundé

¹ EC Bulletin 6-71, sec. 68.

Convention. On this subject, the AASM expressed a favourable opinion. Finally, the Association Council adopted a project of uniform conditions of contract for public tenders financed by the EDF.

A memorandum from the Malagasy authorities concerning the protection of natural vanilla was examined. A memorandum from Gabon on the marketing of that country's veneered wood and plywood was also studied.

In 1971 the Association Committee held three meetings (12 March, 22 October and 23 November). The most important questions were examined in the framework of the preparation of the two Association Council meetings mentioned above.¹

The annual meeting of the Parliamentary Conference of the EEC-AASM Association was held in Yaoundé from 11 to 13 January 1971. Working on the basis of a report presented by Mr Guillabert concerning the sixth annual report of the Association Council, the Conference concentrated on three subjects: tariff preferences and, more generally, the methods for improving trade between the Community and the Associated States; the problems which may arise for the Associated States from enlargement of the Community and the Association and, finally, the continuity of the Association and its deepening to give it a more political character.

The African and Malagasy speakers showed themselves to be particularly preoccupied by the deterioration of the preferential régime granted the AASM and the effects that this might have on the development of trade between the Six and the Eighteen. Nevertheless, in the light of the debates which followed and the assurances given by the Council representative and the representative of the Commission, they expressed their confidence in the future of the Association. As a result of the discussions the whole of the draft resolution was adopted unanimously save paragraph 15 on generalized preferences, which provoked some abstentions, as the wording said that generalized preferences "must come into force simultaneously and for the same range of products in all the developed countries having made preferential offers".

It should be recalled that at the sessions of 17 and 18 May 1971 the European Parliament adopted a resolution in which it expressed its agreement with the conclusions reached by the Parliamentary Conference of the Association in Yaoundé.

¹ *EC Bulletin* 5-71, sec. 95; 12-71, sec. 93 and 1-72, sec. 87.

Since the meeting of the Parliamentary Conference, its Joint Committee has met twice: in Munich from 1 to 3 June, and in Fort Lamy from 27 to 29 October 1971. At the first meeting a final declaration was adopted on the enlargement of the Community and its consequences with regard to the Association and also on the introduction of generalized preferences.¹ The work of the second meeting was concentrated on the examination of Mr Armengaud's draft report on the seventh Annual Report on the activities of the Association Council.²

Trade

417. As regards trade, the Convention lays down that in principle products originating in the country of one of the contracting parties may circulate freely without any levying of customs duties or other equivalent taxes. Exceptions are agricultural products subject to common market organizations and processed agricultural products for which the Community may reserve more favourable treatment in comparison with that applicable to similar products from third countries when it is in the economic interest of the associated countries to export them. The Council of the European Communities, after consultation with the AASM, approved the Commission proposals for an import system more favourable than the general one for a new batch of AASM and OCT agricultural products. The regulations adopted are applicable up to 31 January 1975 and concern manufactured tobacco,³ maize⁴ and fishery products.⁵ The Commission also submitted to the Council a draft regulation concerning certain fresh fruit and vegetables from the AASM and OCT.

Financial and technical cooperation in 1971

The second Yaoundé Convention

418. The year 1971 witnessed the rapid beginning of the implementation of aid under the second Yaoundé Convention. The breakdown by groups

¹ *EC Bulletin* 8-71, sec. 140.

² *Ibid.* 12-71, sec. 94.

³ Council Regulation (EEC) No. 244/71, *Journal officiel* No. L 29, 5 February 1971.

⁴ Council Regulation (EEC) No. 245/71, *Ibid.*

⁵ Council Regulation (EEC) No. 1316/71, *Ibid.* No. L 139, 25 June 1971.

of beneficiaries and types of financing of the amounts provided for in this Convention are as follows:

(in million u.a.)

Beneficiaries	AASM	OCT Overseas Departments	Total
<i>Non-reimbursable aid</i>			
EDF grants	748	62	810
<i>Reimbursable aid</i>			
Loans on special terms or participations acquired using EDF resources	80	10	90
Ordinary loans from EIB resources	90	10	100
Total reimbursable aid	170	20	190
Grand total	918	82	1 000
of which EDF	828	72	900

It should be noted that the 190 million u.a. to be granted in the form of both special and ordinary loans can be used only for projects of sufficient financial profitability in themselves when account is further taken of the borrowing capacity of the State in question.

419. Features of the guidelines for financial and technical cooperation laid down by the second Yaoundé Convention are:

- (i) Encouragement of inter-African regional cooperation;
- (ii) Reinforcement of the responsibilities of the Associated States in the programming of projects to be financed by the Community;
- (iii) Greater economic independence of the AASM, particularly through the promotion of productive sectors, especially the industrial sector, and diversification of production;
- (iv) Trade promotion for products exported and exportable by these States.

The concrete planning arrangements resulting from the new guidelines for financial and technical cooperation are as follows:

- (i) As regards the promotion of regional cooperation:
 - encouragement of regional cooperation policy by giving priority to the financing of projects which implement it;
 - possibility of submitting applications for finance by regional or inter-state organizations to which the Member States belong;
- (ii) As regards the question of promotion and diversification of production sectors, especially the industrial sector:
 - (a) A number of financial provisions including :
 - improvement in the system of interest rebates by fixing standard rates of rebate on ordinary EIB loans in favour of manufacturing industries, tourism and development banks and by widening the margins of the interest rebates allowed (possibility of reducing the interest rate on EIB loans down to 3% for the ultimate borrower);
 - the possibility for the Community to contribute to the risk capital of enterprises, for instance by participation;
 - the possible utilization of local development banks as financial relays;
 - in contracts financed by the EDF a certain preference can be given to local enterprises (for works contracts up to \$500 000; price preference of up to 15% for supply contracts);
 - (b) Manifestation of special interest for "integrated projects", that is to say, the converging utilization of investments in the fields of production, economic and social infrastructure and for general technical cooperation operations and those favouring the marketing and sales promotion of products exported by the Associated States. The stress should be laid on these integrated projects, with due regard to the experience gained in the field of structural improvement of production with the first Yaoundé Convention, under which the measures adopted were less concentrated and constituted a more partial approach:
- (i) As regards reinforcement of the AASM's own responsibility in financial and technical cooperation, arrangements have been made concerning principally :
 - greater responsibility for these States in the programming of Community financial aid and the inclusion in their development programme of their applications for finance;

- commitment by the Associated States to maintain the finished projects financed by the Community;
- (ii) In the trade promotion field, a batch of measures, including technical cooperation, surveys, etc., have been added to those already taken in the past (programme for the participation of the Associated States in international fairs).

420. The preparatory measures for the third EDF undertaken before the second Yaoundé Convention came into force can be summed up as follows : the application until 31 December 1970 of the transitional measures decided upon by the Association Council has enabled the Commission to prepare and examine the operations to be submitted to the third EDF.

These transitional measures laid down that the services of the EDF could continue the study of projects already submitted by the AASM without interruption, in accordance with the procedures for managing aids laid down in the second Yaoundé Convention and the new internal financial agreement. Nineteen projects have thus been examined and passed on to the EDF Committee for its opinion. They represent a total of ± 35 million u.a. These measures have permitted the rapid launching of operations for the commitment of credits from the third EDF and have made up as much as possible for the delay in the ratification of the new Convention. In 1971 commitments were more than 256 million u.a., whereas a similar breakdown concerning the period of implementation of the second Yaoundé Convention would correspond to ± 255 million u.a. per year.

Examination of these projects was preceded by programming missions to each Associated State. These missions made it possible to work out a provisional programme for the utilization of the third EDF on the basis of the proposals of the national authorities.

Administration of aid

The presentation of projects by the Associated States

421. From the beginning, very close cooperation has grown up between the institutions of the Community and the responsible authorities of the Associated States :

- (a) At the stage of the definition of priorities in the financing programme. The Commission has financed pre-investment surveys to define not only priorities but also the medium-term orientation of the development of essential sectors. Thus, in Dahomey, for example, the Community financed the expertise of the preparation of an action programme by the third EDF in the field of stockbreeding. The Community also made experts available for the planning services of Congo-Brazzaville, Madagascar and the Netherlands Antilles.
- (b) At the stage of the preparation of dossiers for projects to be presented to the third EDF for financing.

This has been facilitated by means of technical cooperation financed for most Associated States by the Community. In this way, as far as the third EDF is concerned, the Community has been able to authorize in favour of the AASM-OCT and Overseas Departments together a total of up to 10 million u.a. to finance technical cooperation, notably investment-linked, with the object of preparing the dossiers for the presentation and execution of the projects.

As a result of this cooperation, about 375 new projects, covering estimated total investments of about 700 million u.a. have been submitted to the Finance Committee to be met from third EDF and the balance left over from the second EDF.

Commitments in 1971

Sources and methods of financing

422. During 1971 commitments from resources of the second EDF left over from completed projects, in particular instalments of production aids; reached a figure of 7.8 million u.a. Of these sums, 0.9 million is for complementary financing, 3.3 million for the continuation of aid to production and 3.6 million for the financing of new projects.

All the projects concerned have been financed by grants except the one for agricultural improvements to the lower plain in Réunion for a total of 673 000 units of account, which was financed by a loan on special terms.

The total commitments from the third EDF at 31 December 1971 were 240 million u.a., of which 7 million in the form of loans on special terms granted for the financing of directly-productive projects of an industrial character or for economic infrastructure projects.

On 31 December the total amount of ordinary loans granted from EIB resources amounted to 22.5 million u.a. These loans, granted for manufacturing industry projects, mining and tourism, included : Cameroon (Enelcam II : extension of a hydroelectric complex, 3.5 million u.a.); Senegal (Hôtel de l'Union : construction of an international class hotel, 1.4 million u.a. benefiting from an annual interest rebate of 3 % covered by the EDF); the Republic of Zaire (Gécomines : extension of the mining and industrial installations to increase the production capacity for copper and cobalt, 16 million u.a., and Sofidé : a loan for the extension of a textile factory, 1.6 million u.a. This loan also benefits from an interest rebate of 2 % per annum covered by the EDF).

Breakdown by sectors

423. The breakdown by sectors of the commitments from the balances remaining available from the second EDF is as follows :

Sectors	Interventions in 1971		Total interventions of the second EDF at 31 December 1971
	in million u.a.	%	
Development of production	6.8	87	43
Economic infrastructure	0.9	12	33
Social development	0.1	1	20
Miscellaneous	—	—	4
	7.8	100	

As regards production aids, it should be noted that an amount of 3.5 million u.a. was granted during 1971 to the Central African Republic, Madagascar, Senegal and Cameroon to part-finance the operations to improve productivity of certain crops for internal consumption and export.

The breakdown of the new commitments under the terms of the Yaoundé Convention (third EDF + EIB) can be summarized as follows :

(in million u.a.)

Sector	Total	%
1. Development of production	65.296	26
rural production	37.574	
industrialization	25.999	
tourism	1.723	
2. Commercial promotion	3.270	1
3. Economic infrastructure	131.878	52
4. Social development	37.807	15
education and training	27.569	
health	2.328	
urbanism, municipal administration and housing	7.910	
5. Exceptional aids	10.054	4
6. Miscellaneous	7.427	2
Total	255.732 ¹	100

¹ Of which 234.488 million u.a. for the AASM, 9.662 million u.a. for the OCT and Overseas Departments and 11.582 million u.a. for other interventions not broken down.

These were the first operations financed under the second Yaoundé Convention by the EDF and the EIB. This breakdown by sector obviously does not make it possible to prejudge the complete evaluation of the total financial and technical cooperation envisaged by the second Yaoundé Convention.

424. As regards the development of rural production, the stress has been laid on integrated regional programmes. The new projects have generally utilized several means of complementary intervention in order to permit a convergent approach to the different aspects of the development of rural production. In this way, in Niger for example, the Community financed

a development operation in the Badeguicheri valley to increase production of foodstuffs for consumption on the spot, stepping up cotton production and achieving more rational use of the soil and its conservation. To attain these objectives, the project provides for the diffusion of means of production, selected seeds, pesticides, fertilizers, etc., rural improvement work for better water-supply to crops and the prevention of erosion, the provision of open areas and hangars for the stocking of cotton and improvements to tracks. Community aid will also pay for technical assistants from abroad and basic supervisory staff. Other projects with similar objectives envisage improvement in the health conditions of the population as well. This is the case in the development of the Southwest of Upper Volta.

A special effort has been made in the field of industrialization in response to the new provisions of the second Convention to supplement the abovementioned EIB interventions. The principal EDF operations include two special loans of 3.3 million u.a. for the construction of a palmoil plant in Dahomey and of a cotton-ginning factory in Sénégal, and interest rebates on loans granted by the European Investment Bank.

In the matter of aid to marketing and sales promotion, the Commission continued its efforts to secure the participation of the AASM in trade fairs and exhibitions. During 1971, 98 participations were organized in 18 different international trade exhibitions; four in EEC member countries (Belgium, France, Germany and Italy), one in an Associated State (Republic of Zaire) and six in third countries (Algeria, Ghana, Morocco, Spain, Sweden and Tanzania). Assistance was also provided in the field of training of export trade and sales promotion technicians. A refresher course was organized by the Commission for the managers of AASM stands at exhibitions to improve their technical qualifications. The programme included, in addition to notions of foreign trade and marketing in general, the detailed study of a "Guide for EEC-AASM exhibitors" specially prepared by the Commission for exhibitors from the African States and Madagascar. Another technical assistance operation was undertaken in Ivory Coast for the improvement of structures and working methods of organizations and enterprises concerned with the development of foreign trade. A number of market experts were made available for this operation. As regards surveys and market research, documentation covering the study of the sales promotion of the products of the Associated African States and Madagascar was published in February 1971. The most important part of this publication was devoted to the difficulties of placing the products of the associated countries on the markets of

the Member States of the Community and details of the methods to be used to solve these difficulties will be published early in 1972.

As far as economic infrastructure is concerned, a special effort has been made for the improvement of the road system in the associated countries. In Niger, for example, the EDF made available 22.5 million u.a. for the modernization of the Dosso-Madaoua road system, while other important road projects were financed in Togo, Madagascar and the Republic of Zaïre.

In the matter of training, the Commission continued the award of scholarships, 2 115 of which were granted for the 1971/72 academic year (2 110 in 1970/71). About 150 scholarships awarded in preceding years will be renewed subject to the results of the examinations and the award of 150 further ones had been asked for from the administrative organizations. These scholarships have been divided between three training sectors accepted by the Commission : technical, economic and agronomic. The scholarship holders are trained in the Member States and in the AASM. The tendency for students to undertake their training in the AASM instead of in Europe, noted last year, was confirmed in 1971. The percentage of trainees in the AASM was 50% in 1970 and will have risen to 60% in 1971, against 40% training in Europe.

One hundred and seventeen specialization and advanced training scholarships were awarded on 15 January 1972 under the in-training programme. The training periods are organized principally in the fields of agriculture, industry, commerce and tourism. Some of them are linked with the execution of EDF projects. To the 117 in-training scholarships awarded should be added the 488 granted for training in enterprise management and organization. They are intended for directors of small enterprises, for middle-grade executives and for craftsmen. This training takes place in the centres where the participants exercise their profession.

The number of scholarships for training by correspondence was 875 at 15 January 1972 : 856 for AASM nationals and 19 for OCT nationals. Seven hundred new ones will be awarded, with the stress on teacher and economic, technical and agricultural training.

The Commission continued its efforts regarding specific projects, notably in Dahomey (horticultural training) and Rwanda (agriculture and crafts).

Under the heading of exceptional aid, Senegal, Upper Volta, Somalia, Chad and Mauritania received a considerable total to combat special difficulties (drought and epidemics of cholera).

Implementation of the first, second and third EDF

425. Implementation of the operations approved earlier under the first and second EDF was considerably accelerated in 1971, as regards both calls for tender and payments made.

For the first two Funds, 43 calls for tender were issued in 1971 for a total of 36.5 million u.a. This brought the grand total to 866.1 million u.a. For the third Fund, 17 calls for tender were made for a total of 68.3 million u.a.

The final commitments for tenders, contracts and estimates for 1971 amounted to 110 million u.a. At 31 December 1970 the total was 534.8 million u.a. The grand total for 1969/70 reached 275.8 million u.a.

Payments made during 1971 were about 150 million u.a.; a considerable increase over 1970 (145 million u.a.), 1969 (115 million u.a.) and 1968 (107 million u.a.).

Utilization of completed projects

426. As in 1970 the Commission carried out a systematic examination of the condition, utilization and effects of completed projects financed by the first and second EDF.

On the basis of information obtained on the spot by inspectors, a report was drawn up and submitted to the Council of Ministers in November 1971.

This report was principally concerned with the results of investments and of technical cooperation in the training and education sector. In conclusion, the Commission proposed to the Council that certain definite principles should be submitted to the African States and Madagascar to govern financial and technical cooperation in a field which is particularly important and difficult. These principles could be included in the definitions which the EEC-AASM Association Council must decide on for fixing the general guidelines of this cooperation.

Coordination of aids

427. As in 1970, coordination meetings between the EIB and the EDF were continued in 1971. In all, seven meetings were held in Luxembourg and Brussels, when the EDF and the EIB discussed the appropriate forms

of financing for projects submitted under the third EDF, taking into account, principally, the profitability of the projects, the borrowing possibilities of the States involved and the way in which projects to be financed by loans on special terms by the EDF would be examined. They also kept themselves mutually informed of the state of advancement of the examination of projects and decided together on procedures leading up to a financing decision.

The coordination between aid by the Community and organizations for bilateral aid consists essentially in the exchange of information between the Commission and these organizations (particularly those of the Member States). These exchanges continued in a regular manner in 1971, when important information and coordination meetings were held with the French, German, Belgian, Italian, Dutch, American and Canadian organizations.

Coordination between Community aid and organizations for multi-lateral aid continued. Apart from the exchanges of information which took place in 1971, important coordination meetings were held with the IBRD and UNICEF.

ASSOCIATION AGREEMENT WITH KENYA, UGANDA AND TANZANIA

The functioning of the institutions

428. The EEC-East Africa Interim Committee set up to prepare the implementation of the Agreement, met for the third and last time in Brussels on 7 May 1971. The meeting was principally concerned with the preparations for the first EEC-East Africa Association Council meeting in Brussels on 13 May 1971. Having drawn up its rules of procedure (instituting an Association Committee), the Council defined the concept of "originating products". It was informed of the progress of the negotiations for adhesion and of the decision of the Council of the European Communities concerning the system of generalized preferences.¹ During its first meeting in Brussels on 15 July 1971, the EEC-East Africa Association Committee examined a number of questions concerning procedures for trade and economic cooperation.²

¹ *EC Bulletin* 7-71, sec. 93.

² *Ibid.* 9/10-71, sec. 125.

Trade

429. As regards the trade system, the Association Agreement lays down in principle that products originating in one of the contracting countries may move freely without being submitted to customs duties or other equivalent taxes, except for agricultural products subject to a common market organization and processed farm products for which the Community accords more favourable treatment than that applicable to similar products from third countries when it is in the economic interest of the partner States of the East African Community to export them. The Council of the European Communities, after consulting the States concerned, approved the Commission proposal that a régime more favourable than the general one should be accorded to certain agricultural products originating in the Associated States of East Africa. The regulations adopted will be valid until 31 January 1975 and cover the following products: beef and veal, processed products based on cereals and rice, processed fruit and vegetable products, unmanufactured tobacco, and maize.¹ The Commission also submitted a draft regulation to the Council concerning certain fresh fruit and vegetables originating in the partner States of East Africa. Furthermore, in application of protocol No. 2 of the Agreement, the Commission reintroduced regulations concerning the charging, between 1 April and 31 December 1971, of customs duties on preserved pineapples coming from the East African States.

MAURITIUS

430. On behalf of his Government the Prime Minister of Mauritius, on 9 September 1971, addressed a letter to the Presidents of the Council and the Commission requesting the adhesion of Mauritius to the Yaoundé Convention.

Mauritius is one of the twenty independent Commonwealth developing countries in respect of which it was agreed during the adhesion negotiations that the enlarged Community would allow them the choice of regulating their relations with the Community, if they so desired, on the basis of one of the three following solutions: adhesion to the Yaoundé Convention; conclusion of an agreement of association *sui generis* or of a commercial agreement. Those countries which have opted for adhesion

¹ See Council Regulations (EEC) Nos. 652 to 656/71 and *Journal officiel* No. L 76, 31 March 1971.

to the Yaoundé Convention can participate together with the AASM, in the negotiations for its renewal, which should begin in August 1973. In the meantime the *statu quo* will be maintained by both sides.

Without waiting for the enlargement of the Community, Mauritius has made the request for adhesion to the Yaoundé Convention, based on Article 60 thereof, under which a State with an economic structure and production comparable with those of the AASM, can adhere to the same association convention as the latter.

In its memorandum to the Council on the request by Mauritius, the Commission expressed a favourable opinion, mainly because negotiations with Mauritius would be relatively simple and would not require any considerable effort on the part of the Community, and because the Government of Mauritius had based its request on its friendly relations with the Member States of the Community and its historical links with the Netherlands, France and Great Britain.

At its meeting on 29 November 1971, the Council came to a favourable decision concerning the application from Mauritius. It is now examining, on the basis of a Commission memorandum, the problems arising from the opening of negotiations, especially the directives which need to be adopted to this end.

3. General relations with developing countries

GENERAL PROBLEMS OF DEVELOPMENT COOPERATION

431. The problems posed during 1971 in the Community's relations with developing countries showed how justified was its desire to see defined and put into operation a global Community policy for cooperation in development.¹ Such a policy has become all the more urgent as the evolution of the international monetary and economic situation is giving rise to grave preoccupations concerning the economy and development of the Third World countries.

The developing countries, meeting in Lima from 26 October to 6 November 1971 to prepare their position at the Third United Nations Conference on Trade and Development, were "conscious of being witnesses to a profoundly revolutionary phase in universal history". They declared themselves "disappointed with the gaps existing in international cooperation ... which has flagged gradually in recent years ... and now reached a very serious situation whose most eloquent manifestations are the breakdown of the international monetary system and the rebirth of protectionist policies which close down markets at the very time when the developing countries have the right to expect greater access to them".

No effort should be spared to resolve these problems and to cooperate in a more efficient way in the development of these countries, which are all seeking "economic and social justice". Mr Manuel Perez Guerrero, the General Secretary of UNCTAD, has rightly recalled the need for a "joint development effort implying the sharing of responsibilities between the rich and poor countries". At the same time he regretted that the developing countries were "excluded from a whole series of capital decisions concerning monetary and trade problems".

Efficient cooperation in development is a factor for the preservation of peace in the world—a world where interdependence is increasingly the order of things. Through this cooperation it should be possible to avoid variations in the rates of progress (and also of stagnation) in rich countries from having repercussions difficult to control on the economies of the peripheral ones.

However, the reorganization in the economic relations between the industrialized countries themselves, and the uncertain evolution of certain

¹ *Fourth General Report*, sec. 397.

sensitive economic sectors in these countries, promise periods of difficulty for the rest of the world. Within the Community, sacrifices may be necessary in order to preserve what has been achieved and to protect the most exposed economic sectors. Everything should be done to prove the solidarity of the Community and its Member States with the Third World.

432. Pending the implementation of a global policy for development cooperation, the Commission recalls that the Community was the first organization to put into operation generalized tariff preferences in favour of the manufactured products of the Third World and to keep them in force in 1972 despite the protectionist fever throughout the world. This was an act of responsibility and has been recognized as such by the United Nations and in UNCTAD.

This action in the field of manufactured articles is, however, still insufficient while the developing countries continue to be deeply dependent on their production and exports of basic products. In this sector the Community's initiatives have not yet succeeded because of the lack of effective international cooperation, more especially among the developed countries themselves. The case of cocoa is a good example: the Community and the Commission have continually pressed for the rapid conclusion of an international agreement concerning this tropical product which forms an important part of the export revenue of a number of developing countries. There are still many difficulties to be faced, but the Community will not relax its efforts to arrive at an international agreement in the near future.

The Commission is fully conscious of the gaps which still exist in the organization of international development cooperation and it will do everything possible to adapt this cooperation better to the reality of underdevelopment. In the conviction that the Community must make a definite contribution consonant with its vocation and its new dimensions, the Commission, wishing to affirm the solidarity of the Community with the Third World, has drawn up and presented to the Council its memorandum on Community policy for development cooperation.

Memorandum on the Community's development cooperation policy

433. In July 1971 the Commission adopted and communicated to the other Community institutions a memorandum on the Community's development cooperation policy. This initiative was the result of a great

deal of thought springing from the realization that the Treaty of Rome, while organizing between the Member States the most concrete internal solidarity to link their material interests and thus prepare the Community for its political destiny, did not neglect the external links which already exist between the Member States and many developing countries.

For this reason, starting from Part IV of the EEC Treaty, and its different protocols, the association relations to promote the economic and social development of the African States and Madagascar (AASM), three East African countries and a number of other countries, especially in the Antilles region, have been worked out and improved on in different ways. In addition, a regional policy in regard to the countries of the Mediterranean basin based on the Declaration of Intention annexed to the Treaty has been elaborated.

434. There is no doubt that the "Yaoundé Convention" association policy has constituted for the Community a technical test bench and has shown its political will to take a wider view of its responsibilities towards all the developing countries.

For the majority of the developing countries, as long as they had active cooperation relations with Member States, the possibilities of the customs and agricultural organization offered by the Community seemed likely to be only an obstacle to the expansion of their trade and in any case powerless to cooperate directly in the solution of their development problems.

This initial, excessively negative, image of the Community has been rectified, as the rapid expansion of trade between the Community and the developing countries has amply demonstrated.¹

This favourable evolution of the situation has, moreover, been deliberately orientated by the commercial policy undertaken in various forms of preferential and commercial agreements, by independent tariff concessions on products of interest to the developing countries, by a policy of world agreements and finally by the working out of generalized preferences for finished and semi-finished products which came into force on 1 July 1971.

435. It is significant that several of these measures have most often been undertaken simultaneously and have been related in different ways to the

¹ Sec. 442.

stages and solutions which have marked the evolution of the Yaoundé Association.

The Community has, in fact, tried to establish a balance between the active and complete, albeit geographically limited, policy it has adopted in its relations with the AASM and the solutions which it seemed that it must offer the other developing countries in view of its increasing importance in world trade relations.

It is important to stress this reality because it resolves a sterile dispute between advocates of regional and of international solutions to development problems.

436. Because under-development varies in different parts of the world, because relations are limited by geographical and historical factors, and because the means of action hitherto available to it have been limited, the Community has undertaken a policy of regional development cooperation which is now part and parcel of its achievements and must be maintained, perfected and reinforced.

But, in consideration of other interests of the developing countries, the Community has also engaged progressively in an organized dialogue with other regions, such as Latin America, and in cooperation in measures on a world-wide scale such as those for which UNCTAD was established. This policy is not a substitute for those mentioned above but is a necessary complement to them.

437. It should be noted, therefore, that all the developing countries expect more of the Community, especially in view of its enlargement and of the second UN Development Decade, since it is well known that the tariff policy methods hitherto applied now offer only limited possibilities.

It is for all these reasons that the Commission believed that the time had come for the Community to elaborate a global development cooperation policy which is selective at the same time (that is to say suited to particular cases) and whose main lines would be better coordination of the possibilities of the Member States and of the Community to perfect what has already been achieved and to supplement it by new actions and machinery of wider scope.

438. Already the interests of the Community and the initiatives which it has taken, its enlargement and its relations with the third UNCTAD make

it necessary to envisage such a policy in the years to come. It is sufficient to evoke, on this subject, the adaptation of the agreements with the Mediterranean countries to an enlarged Community, the renewing of agreements with the Maghreb countries on a wider basis, the negotiation for association with the AASM of some Commonwealth countries in the light of the enlarged Community, the measures relating to commodities, generalized preferences, etc.

439. But, although all the fields reviewed above constitute in a way the main body of the action programme, there are others which must not be neglected and which the Commission Memorandum mentions. The considerations and obligations that this entails are elaborated on: the principal lessons that have been learnt during the twelve years of co-operation of the Member States and the Community with the developing countries, and the general guidelines and the main types of action to be planned in a Community development policy. The Commission is preparing another document covering developments which will make possible the transition from general guidelines to an action programme.

The Commission hopes that the Community institutions will study more deeply, and in the most constructive spirit possible, this Memorandum in which it has endeavoured to open a debate in these institutions on the substance of the guidelines and means for a Community policy of development cooperation which will enable the Community better to assume its responsibilities in a large economic grouping with a political purpose.

440. The Commission is aware that a genuinely common policy for co-operation in development will be possible only when further important progress has been made towards economic and political union, and for this reason it envisages progressive action in so far as the necessary measures and methods are concerned.

Indeed, apart from the fact that development cooperation forms an important element in the external policy of the Member States, they share with the Community the powers and machinery for cooperation designed to lead to the same goal. The policies of the Member States (which have the control of the principal means of technical and financial cooperation) cannot be considered separately from the policy of the Community which, with its common commercial policy, has an important means of cooperation at its disposal.

441. The Commission proposes four principal orientations for the Community's cooperation policy:

(a) The efficacy of cooperation policy depends, among other things, on the compatibility of internal economic policies with the external objectives aimed at through cooperation. The fact that the Community has hitherto not been able to participate in the International Sugar Agreement well illustrates the importance of this relationship and at the same time the difficulties of achieving it. The Commission, therefore, proposes that in the future the Community and the Member States should endeavour to adapt their industrial, agricultural and social policies as closely as possible to this objective. Of course, this adaptation must be programmed and include measures to avoid appreciable social and structural repercussions within the Community.

(b) Many difficulties (both internal and external) arise from the division of competences between the Member States and the Community and the coexistence of autonomous national policies. To meet these difficulties, coordination of the policies of the Member States and the policy of the Community should be organized. Coordination does not imply, however, that the ultimate objective is to reach uniform and identical policies. The object is to introduce greater coherence and efficacy into a whole in which different levels of decision would still exist.

(c) Keeping in mind its general responsibilities to all the developing countries, the Community should develop and improve the cooperation it has already begun on a privileged basis with some of the African countries south of the Sahara on the one hand, and with the Mediterranean countries on the other.

(i) The continuity of the Association with the African States and Madagascar was reaffirmed by the Community during the negotiations for enlargement and it calls for the retention of a threefold structure comprising the free-trade system, financial and technical cooperation, and institutional relations, because this structure conditions the economic efficacy and the political importance of the Association. If, because of the enlargement of the Community, this Association extends to other countries, principally African, it will be necessary to find practical solutions for the problems which may arise, without undermining the fundamental structure of the Association;

(ii) It is in the interests of the Community to make their present commitments towards some of the Mediterranean countries more homogeneous and more effective by progressively supplementing the com-

mercial conditions of the agreements by technical and financial cooperation and measures which also cover certain social problems;

(iii) As a complement to this regional policy of privileged relations, the Community will continue to cooperate in measures of world-wide scale and will develop the dialogue already begun with other regions such as Latin America.

(d) Apart from the means necessary to reinforce cooperation with the Associated African States and the Mediterranean countries, the Commission considers that it is necessary to endow the Community progressively with additional means of technical and financial cooperation in order to allow of a geographically better balanced policy. It will of course have to be selective and dovetail satisfactorily with action by the Member States.

Finally, the Memorandum enumerates a certain number of measures which would give concrete form to the Community's policy in the 70's, measures which the Commission will define more precisely later.

In conclusion, the Commission stresses the fact that the first consideration in the conception and implementation of such a policy is close coordination between the policies of the Member States and of the Community (even before it becomes necessary progressively to extend the competence of the Community in this field). Such coordination must be undertaken in the framework of the Community institutions and its practical details will emerge little by little in the light of experience.¹

The evolution of trade

442. In 1970, and during the first six months of 1971, EEC trade with the developing countries and territories continued to expand in a satisfactory manner. In comparison with the preceding year (at current values), EEC imports increased by 13.7% in 1969, 13.2% in 1970 and 10.8% in 1971. This is the most important rise registered over a period of three consecutive years since 1958 (see Table 21). The deficit on the EEC's trade balance with the outside world for the first time passed the \$5 000 million mark.

True, with about 41% of the total value of Community imports coming from the developing countries in the past few years and a high growth rate, petroleum imports have greatly contributed to the progression

¹ *Supplement 5/1971 to EC Bulletin 9/10-71* "Commission Memorandum on a Community policy for development cooperation". Summary.

of EEC purchases. But the increase in Community imports of non-ferrous metals (\$1 676 million in 1970, with the index standing at 311 in comparison with 1963) from the same sources was definitely more marked than the increase in fuel imports (\$6 624 million in 1970, index 222 in comparison with 1963). The share of manufactured products in total EEC imports from developing countries still remained relatively small. However, the value of imports of textiles (\$250 million in 1970) and of clothing (\$202 million in 1970) has more than doubled in four years (1967-70). The sector causing most concern is still imports of commodities (excluding petroleum), with a total value of \$6 564 million in 1970 (index 154 in 1970, in comparison with 100 in 1958).

Consequently, Community efforts should be directed to improving the prices of commodities exported by the developing countries and diversifying the economies of these countries, particularly by industrialization.

The Second United Nations Development Decade

443. In 1971 international strategy relative to the Second United Nations Development Decade, in which the Community has taken an active and constructive part at all stages and levels, entered on the phase of achievement.

The Community was the first economic entity to bring into force one of the principal elements of this strategy by introducing a system of generalized preferences in favour of the finished and semi-finished products of the developing countries. It has also taken an active part in the work of the competent international organizations for the preparation and application of other measures and policies envisaged for the second UNCTAD decade as well as of machinery for the examination and evaluation of the progress made during the decade. These tasks have been carried out in the framework of the OECD and the United Nations.

The Community attached particular importance to the problems of the less advanced developing countries, which include most of the African countries and Madagascar associated with the EEC. In this respect, the Community made an important contribution to the proceedings of the *ad hoc* working party set up in OECD, with an eye to the third UNCTAD, to study the fundamental problems of the less advanced developing countries and more particularly, what the industrialized countries might do to help them.

TABLE 21
EEC trade with developing countries and territories generally

Year	EEC imports			EEC exports			Net balance of trade (value) ^a
	Value ¹ (million dollars)	Index (1958 = 100)	Year-to-year growth rate (%)	Value ² (million dollars)	Index (1958 = 100)	Year-to-year growth rate (%)	
1958	6 824	100	—	6 125	100	—	— 699
1959	6 669	97.7	— 2.3	5 926	96.8	— 3.2	— 743
1960	7 485	110	12.1	6 738	110	13.7	— 747
1961	7 575	111	1.2	6 765	110	0.0	— 810
1962	8 168	120	7.8	6 197	101	— 8.4	— 1 971
1963	8 822	129	8.0	6 355	104	2.5	— 2 467
1964	9 843	144	11.6	6 892	113	8.5	— 2 951
1965	10 523	154	7.0	7 501	122	8.8	— 3 028
1966	11 326	166	7.6	7 957	130	6.1	— 3 369
1967	11 593	170	2.4	8 299	135	4.3	— 3 294
1968	12 514	183	7.9	9 313	152	12.2	— 3 201
1969	14 223	208	13.7	10 218	167	9.7	— 4 005
1970	16 105	236	13.2	11 546	189	13.0	— 4 559
1971 ⁽³⁾	17 842	261	10.8	12 268	200	6.3	— 5 574

Source : Statistical Office of the European Communities.

¹ At ruling rates cif.

² At ruling rates fob.

³ Estimates, based on first six months of 1971.

*The United Nations Conference on Trade and
Development (UNCTAD)*

444. As in preceding years, the Community was represented at the UNCTAD sessions in an observer capacity. 1971 saw the implementation of generalized preferential tariffs in conformity with the "concerted conclusions" adopted by UNCTAD in October 1970. The Community, which played an important part in the work on the subject by this organization, was the first to bring its system of preferences into force. During 1971, attention was directed principally to the preparation of the third UNCTAD session which is to be held in April and May 1972 in Santiago (Chile).

This session will examine the principal activities of UNCTAD in the sectors of commodities, manufactured products, invisibles, financing and maritime transport. Furthermore, the preparatory studies highlighted a number of important problems likely to interest the delegates in Santiago, such as the effects of the international monetary situation on measures in favour of the less well advanced developing countries and questions concerning the organization of the UNCTAD itself.

445. This year the Trade and Development Board held the second part of its 10th session (1 to 9 March) and its 11th session (24 August to 21 September 1971). Its main business was to prepare the third UNCTAD session just mentioned. It fixed the venue of the Conference and adopted, at the 11th session, a provisional agenda. The number and importance of the items listed give rise to fears that it will be difficult to examine in detail all the points to be raised in the relatively short time that the Conference will last. For this reason the Western countries completely reserved their position as to the consequences of this agenda on the efficacy of the Conference and its organization.

The Board also adopted a number of resolutions and decisions. There was a majority vote in favour of a resolution recommending the participation of the developing countries in consultations and negotiations concerning the reform of the international monetary system (the Western countries voted against). On this question the Community recalled the position taken up by the Council of the European Communities at its meeting of 13 September 1971. A resolution concerning the problems of the less advanced developing countries was adopted unanimously; it requested the preparation, by the General Secretary, of a detailed programme of special measures for these countries. The Council approved a resolution in favour of the calling of a conference for negotiations on cocoa. The Community

made a forceful appeal for the conclusion of an agreement on this subject and requested efficient preparation of such a conference in order to offer every possible prospect of success. The Council also decided to request the General Secretary to prepare a report on the evolution of the terms of trade, which is worrying the developing countries whose economies depend to a large extent on the receipts from the export of primary products.

446. The Community intervened on several occasions in the general discussions and the examination of particular items of the suggested agenda for the 11th session of the Board. During the discussions on the possible repercussions of regional economic groupings in the developed countries on international trade, the Community firmly refuted the criticisms levelled at it by the east European countries; it emphasized that these criticisms did not correspond in any way to legal and economic realities and laid accent on the incomparable stimulating effect that the integration of the Six had had on the accelerated expansion of the world economy and more particularly on the progress of the foreign trade of the developing countries. The measures taken by the Community to favour trade with outside countries, notably the application of generalized tariff preferences in favour of the finished and semi-finished products exported by the developing countries, were recalled. Finally, the Community expressed its determination to reinforce its links with these countries and to ensure that thanks to its enlargement an even closer cooperation with outside countries was established.

While expressing serious concern about the long agenda, the Western countries hoped that it would be possible, in Santiago, to concentrate on some of the principal points in order to obtain definite results. They stressed that the success of the Conference would depend to a large extent on the political will of all the participating countries.

447. The UNCTAD Committee on Manufactures held its 5th session in Geneva from 3 to 14 May 1971. The subjects examined included trends and recent developments in trade in manufactured products, the question of restrictive trade practices, the problem of reducing tariff obstacles, the reclassification of hand-made articles and measures to diversify the developing countries' exports of manufactures. A committee was also set up for the duration of the session to examine the liberalization of non-tariff obstacles and aid for structural improvements.

The attention of the delegations was concentrated on the problem of non-tariff obstacles and the role which UNCTAD could play in examin-

ing these. After thorough discussion in the contact group, a compromise solution was adopted : it asked the Secretary of UNCTAD to proceed with pinpointing the non-tariff obstacles which were the cause of serious concern in the developing countries and to prepare an inventory of these obstacles taking into account information that was already available in GATT. The Committee also adopted concerted conclusions relating to the continuation of the UNCTAD's efforts in the field of restrictive trade practices.

448. The Committee on Commodities held its 6th session (5-16 July 1971) in Geneva and adopted a decision constituting a solid basis for working out effective solutions to the problems of economic diversification in the developing countries. By this decision, the UNCTAD Secretariat was asked to accelerate, with the help of international aid organizations and interested inter-governmental institutions—including the EEC—the current studies, particularly as regards countries which are having difficulties with diversification, to make proposals for definite action by the competent national and international organizations, and to prepare a report on the means available for the harmonization of diversification programmes and the grant of technical and financial assistance.

From the outset the developing countries endeavoured, with the support of the Eastern countries, Canada and Australia, to concentrate the search for solutions on access to the markets of the developed countries. The Community reacted sharply by adopting a positive approach which placed the problem in a more balanced context. Continuing the efforts of OECD to solve the problem, the Community clearly defined its position, underlining the prime responsibilities of the developing countries themselves, the need to fill the existing gaps and to collect, centralize and circulate information concerning products, diversification possibilities and the decisions of governments and the competent international organizations. The Community also put forward the suggestion that the matter be dealt with at three levels, between the developing countries themselves, between the developed countries and between the developing and the developed countries.

It is to be expected that the Community will continue its efforts, especially at the third UNCTAD, to reinforce and improve economic diversification operations in the developing countries.

449. The Standing Group on Synthetics and Substitutes held its 5th session in Geneva from 28 June to 2 July 1971. The Group mainly dealt with the research and development programmes concerning natural products facing competition from synthetics and international measures regarding

natural rubber. The problem of the elimination by the advanced countries of customs duties on improved forms of natural rubber products was also discussed. On this subject, the Community underlined the fact that all manufactured products of natural rubber benefit from the generalized tariff preferences implemented by the Community on 1 July 1971. The delegations of the developing countries concerned thanked the Community for the effort made in the field of preferences, the results of which were considered very encouraging.

450. The UNCTAD Committee on Invisibles and Financing Related to Trade held its 5th session in Geneva from 1 to 15 December 1971. As this meeting took place on the eve of the third UNCTAD session and also at a time when the international monetary situation was uncertain, no important decisions were reached. Two draft resolutions on insurance and tourism were sent to the third Conference along with two other proposals for the liberalization of terms and freeing of aid. The discussions on international monetary problems were very lively and many speakers took the floor. The developing countries' delegations stressed their desire to participate fully in all consultations and negotiations concerning the reform of the international monetary system. While giving assurances that the developing countries would be associated with such reforms, the Western countries maintained the reservations formulated as far as concerned the competence of UNCTAD.

451. The Committee on Shipping held its 5th session in Geneva from 22 March to 3 April 1971. It adopted or unanimously approved four resolutions, a declaration and a text on the uniformization of cargoes in the developing countries. The resolutions include the examination of present day and long-term trends in shipping, the economic repercussions of the project for a convention a combined international transport of goods (TGM), international regulations for shipping and information and statistics on ports.

Generalized Tariff Preferences

452. During its session of 21/22 June 1971 the Council of the European Communities adopted a series of regulations and measures to implement the Community's generalized tariff preferences on 1 July 1971. These regulations and measures were adopted on the basis of proposals and draft decisions submitted by the Commission to the Council, in conformity with the conclusions reached by the Council on 30 March 1971, when the

guidelines laid down in the Commission Memorandum on the implementation of the Community's offer on generalized preferences were approved. The European Parliament gave its decision on the subject on 9 June 1971.¹ The Community has also held consultations with the associated countries on the subject.

453. To obtain a better idea of the scope of the Council's decisions it is useful to recall briefly the evolution of the work on generalized tariff preferences. The idea of preferences for the manufactured products of the developing countries was first raised in 1963 at the meeting of Ministers of GATT. At this meeting, the Member States of the EEC and the Associated States suggested that "one of the appropriate measures (in favour of the trade and development of the underdeveloped countries) which should be examined as rapidly as possible was the possibility of granting preferential treatment to the manufactured and semi-manufactured products exported by the underdeveloped countries". Then at UNCTAD, the principle of the granting of preferential tariffs by the industrialized countries to the developing countries for finished and semi-finished products was raised by a large majority of the Member States at the first Conference held in 1964. At that time certain Western countries were opposed to the idea of generalized preferences and spoke in favour of the granting of concessions to developing countries by the industrialized countries on the basis of the most-favoured-nation principle.

Between the first and second Conference, the Community endeavoured to persuade the countries hesitating that this form of preference was ineluctable. This principle was thus recognized unanimously in 1968 at the Second Conference in Delhi, which adopted resolution 21(II) for the "institution of a mutually acceptable system of generalized non-reciprocal and non-discriminatory preferences which would be advantageous for the developing countries". Thanks to the work undertaken in this field since then by the UNCTAD institutions an agreement was reached, in October 1970, concerning the arrangements for the establishment of a system of generalized preferences. The agreement on this question was undoubtedly one of the major UNCTAD contributions to the United Nations' Second Development Decade.² In December 1970 the agreement was ratified by the UN General Assembly. In conformity with the "concerned conclusions" of the Special Committee on Preferences, and in the context of the commitments undertaken for the second decade, all the

¹ *Journal officiel* No. C 63, 24 June 1971.

² *Fourth General Report*, sec. 412.

preference-giving States were resolved "to put preferential arrangements into force as early as possible in 1971".¹

454. As far as the Community is concerned, the Member States and the Commission have been working since then at an accelerated pace. The Commission was thus able to submit to the Council, on 17 March 1971, a memorandum on the implementation of the Community's offer for generalized preferences. In this document, the Commission proposed to the Council that 1 July 1971 should be fixed as the target date for putting the offer into effect. The Commission also requested the Council to decide on the relevant questions and to give a ruling on the list of beneficiary countries.

At its session of 30 March 1971 the Council agreed to the date of 1 July 1971 for the coming into effect of the system. It also decided that generalized preferences should be applicable to the countries belonging on that date to the "77" group of UNCTAD as well as to countries and territories dependent on third countries. As regards the other developing countries which are candidates for preferences, the Council agreed to begin consultations on the problem in the OECD framework with other offering countries and then reconsider the question later. At the same time it was agreed that the Commission would study the problems and the procedures by which the case of the abovementioned countries could be settled as soon as the results of the consultations were available, thus enabling the Council rapidly to make a decision which, in any case, must be taken before 1 July 1972. At its session of 26 July 1971, the Council expressed the hope that the Commission's studies and the work on the question in the international organizations be expedited to permit the Community to make a decision at the earliest possible date. It was agreed that discussions on the subject would be resumed at one of the next sessions.

At its session of 11 December 1971 the Council stressed the fact that the Community was actively examining the studies made on requests introduced by certain countries for inclusion among the beneficiaries of the EEC system, so that a decision could be made as soon as possible in the early months of 1972.

455. Save for some minor amendments, the implementing texts for the application of preferences adopted by the Council on 21 and 22 June 1971

¹ Apart from the Community, seven countries have put generalized tariff preferences into operation: Japan, as from 1 August 1971, Norway since 1 October, the United Kingdom, Denmark, Sweden, New Zealand and Finland on 1 January 1972.

were carried forward for 1972 by a Council decision of 20 December 1971. This concerned six regulations covering finished and semi-finished products, a regulation covering processed agricultural products and, finally, two decisions on ECSC Treaty products.¹ Furthermore, on 30 June 1971, the Commission agreed a regulation defining the concept of "originating products" in so far as the preferences were concerned. This regulation was also extended with some minor amendments by the Commission decision of 22 December 1971.²

The system of preferences put into force by the EEC offers preferential tariff advantages for processed agricultural products and also for finished and semi-finished manufactures from developing countries. As far as the agricultural products are concerned, tariff reductions are envisaged for a certain number of articles which appear on a positive list. For finished and semi-finished industrial products the Community's offer is based on three essential elements which maintain a fundamental equilibrium: duty-free entry, ceilings for preferential imports and "cover" of all finished and semi-finished industrial products without exception. It should be noted that the Community has also included in its offer preferential treatment for textiles in accordance with appropriate procedures, as the developing countries attach great importance to this sector.

When the regulations had been adopted, Mr Maurice Schumann, President-in-office of the Council, stressed on behalf of the latter the fact that the Community was in the first rank of world importers of developing countries' products and was also the first industrial power to put its offer of preferences into practical effect in conformity with the commitment undertaken in UNCTAD. He also declared that this decision was the most important step that the Community had taken in the field of commercial policy since the conclusion of the Kennedy Round. The putting into operation of preferences marked an important stage in international co-operation for development and would certainly be one of the most important factors influencing the activities of the Second United Nations Development Decade. Mr Schumann added that the Community, which had played a leading role in this domain, notably within the framework of the UNCTAD and the OECD, hoped that all the other industrialized countries would make their offers of preferential treatment operative as soon as possible during this year.

Then Mr Franco Maria Malfatti, President of the Commission, underlined the importance of the decisions taken which, he said, put the finishing

¹ *Journal officiel* No. L 142, 28 June 1971 and No. L 287, 30 December 1971.

² *Ibid.* No. L 146, 1 July 1971 and No. L 289, 31 December 1971.

touches to eight years' work by the Commission brought to a conclusion in liaison with the efforts and decisions in UNCTAD. The Commission considered that this was a political action which was the best demonstration of the spirit animating the Community and the Member States in their relations with the Third World. President Malfatti also said that this important step should be considered only as the beginning of an even more active policy as far as the problems of development in the world were concerned. In view of its imminent enlargement, the Community must henceforward become more and more conscious of its own responsibilities. This was in fact a political commitment which must be in the forefront of its policy in the future.

The Community's initiatives hitherto in the matter of generalized preferences have been received with satisfaction by the developing countries, which place great hopes in the Community. The liberal character of the latter's offer and the means of application respond to these hopes. It is evident that application of this offer implied certain sacrifices for the Community but such sacrifices would prove to be bearable thanks to a whole machinery set up to keep them within realistic limits and which marks the balanced nature of the Community's offer. However, it must not be considered that the generalized preferences granted by the developed countries are the solution of all development questions. The success of the whole operation depends, especially for the less well developed beneficiary countries, on the pursuance and even intensification of efforts in other domains. It must be recognized that many of these countries will only be able to stimulate industrialization and their exports with combined technical and financial aid from the developed countries.

Community food aid

Cereals

456. The Community drew up its food aid programme for the period 1970-71 (Community action) on 6 April 1971. This was the third and last application of the First Food Aid Convention.

A new Convention, which the Community signed on 3 May 1971, came into force on 1 July 1971. Under its terms the Community again undertook to supply the developing countries with 1 035 000 tons of cereals annually.

During the third year of the first Convention (1970-71), twenty-five food aid operations in cereals (Community action) were decided on;

TABLE 22
Community food aid (cereals)
(1970-71)

1. Aid delivered fob Community ports	
Afghanistan	11 640
Algeria	11 000
Indonesia	26 800
Lebanon	7 500
Morocco	28 000
Pakistan	28 000
UAR	15 100
Syria	7 500
Sudan	9 000
Turkey	18 000
Tunisia	27 000
Yemen	7 000
	196 540
2. Aid delivered cif ports of destination	
Turkey	18 600 ¹
Peru	15 000 ¹
Jordan	15 000 ¹
Jordan	13 000
Pakistan	35 000 ²
Cameroon	6 500
Upper Volta	9 500
Mali	7 500
Rwanda	6 000
Afghanistan	10 000 ³
IRCC	7 000
UNRWA	4 500
WFP	9 000
	156 600

¹ Urgent interventions decided on before 8 April 1971 as aid following natural disasters which occurred in Peru, Turkey and Afghanistan and the political incidents in Jordan

² As well as 1 000 tons of soup and 200 tons of gruel.

³ Awaiting decisions at the end of 1971.

12 of these, representing 196 540 tons were fob; the other 13 represented 156 600 tons supplied at cif rates, as shown in Table 22.

These operations for a total of 353 140 tons represented 34.1 % of the aggregate annual Community commitment (1 035 000 tons). Finally, it should be noted that on 7 June 1971 the Community decided on a

special and urgent food aid of 8 000 tons of maize delivered cif to Somalia (from the 1969-70 allocation).

As far as execution of the operations for 1970-71 was concerned the Community encountered some delay caused by the need to establish a programme and define its position on the "Usual Marketing Requirement" (commercial imports from all countries by the beneficiary, who must undertake to make them during the year in which the food aid is delivered). On 10 November 1971, the quantities delivered or in course of delivery amounted to 159 600 tons, of which 112 600 tons represented the quantities earmarked for urgent aid under the 1970-71 programme.

In the first year (1971-72) of the second Food Aid Convention following the exodus of Bengali refugees to India, and the request for aid by the Indian Government, the Community decided, on 19 July 1971, under the terms of the second Convention, and on the basis of *ad hoc* regulations (the general regulations for the putting into operation of the second Convention had not then been approved by the Community) to provide urgent aid for the refugees of 43 000 tons of rice and 7 000 of wheat (in the form of wheat flour).¹ The deliveries began at the beginning of September and continued at regular intervals until January 1972. Apart from a second request from India for the Bengali refugees, other requests for food aid in cereal form for the 1971-72 period received by the Community up to 10 November 1971 came from Afghanistan, Ceylon, Morocco, Jordan, Indonesia, Somalia, the United Arab Republic and Tunisia.

Products other than cereals

457. Unlike aid in the form of cereals, this means of aid was devised by the Community autonomously and not subject to any international engagements. As regards the aid in the form of milk products decided on in 1970 to help the World Food Programme (120 000 tons of skim-milk powder and 35 000 tons of butteroil) and the International Red Cross Committee (3 000 tons of skim-milk powder), the Community signed an agreement with these two organizations extending until 30 June 1972 the limits fixed for the completion of the aid offered, and affording the possibility of a further extension if necessary. In addition, on 20 July 1971, the Community decided to supply, through the intermediary of the World

¹ To this aid should be added 2 000 tons of skim-milk powder furnished through the WFP out of the 120 000 tons of this product allocated by the Community. This aid was delivered during the first fortnight of August.

Food Programme, 500 tons of egg products for the developing countries. Finally, the Commission has submitted a proposal to the Council for food aid in the form of 20 000 tons of sugar (10 000 tons for the period 1971-72 and 10 000 for 1972-73), to be allocated as follows :

UNRWA	8 000 tons
WFP	8 000 tons
IRCC	2 000 tons
Reserve for emergencies	2 000 tons

4. Commercial relations with non-member countries

Relations with the United States

458. The development of relations between the Community and the United States during the past year have been full of vicissitudes and incidents. However, the reciprocal climate of tension and strain, even of crisis, which marked 1971 should not allow it to be forgotten that the fundamental policy of the American Government is to support the integration of Europe. This policy has been continuously re-affirmed and the considerable efforts made on one side and the other, to which the Commission has contributed in no mean way, has served to maintain the relations between the two partners. Indeed, in spite of the strains and difficulties which have arisen, the foundation stone of relations between the United States and the Community is and remains a community of interests and political responsibilities in the widest sense of the term. It is under this aspect that the events of the past year should be considered.

Indeed, what has happened and what is happening on the eve of 1972, corresponds, in principle and motivation, to a constant pattern which can be discovered in Community/United States relations for the last thirteen years. The only difference—but a very important one in the context of the situation—does not arise from the nature of the political choice but rather from its scope. It can be said that since the appearance of the Community on the international stage, the political choice of American authorities has always been in favour of a liberal attitude or action, a choice which has been renewed and regularly given concrete form (Dillon Round, Kennedy Round). On each occasion the attitude of the American authorities has involved the necessity, on the domestic front, of satisfying the ever latent forces of isolationism and protectionism in order to neutralize their opposition. In this respect it is sufficient to recall the protectionist measures that President Kennedy was obliged to take in favour of cotton textile interests as the price to be paid for the adoption by the Congress of the "Trade Expansion Act", the litigation on carpets and window glass in 1962 and the famous "chicken war" of 1963.

In view of the fact that the enlargement of the Community coincides with a deterioration in the external economic position of the United States, and taking into account the legal vacuum caused by the absence, since 1967, of any sort of commercial legislation which might serve as an instrument for negotiations, the protectionist pressures are making a very powerful political and electoral impact.

After the storm which raged up to the end of 1970 around the trade law known as the "Mills Bill", protectionist pressure in favour of specific interests has not ceased to gain ground. It has succeeded in obtaining the reinforcement of protection either by voluntary limitation of exports on the part of other countries, by anti-dumping measures or by quantitative restrictions, all which add up to a serious setback to what has been achieved in liberalizing trade. Most of the products concerned are of considerable interest to the exports of a number of countries, and in all seriousness the question can be raised as to whether this process can be stopped in time before the adoption of counter-measures by the other countries.

The same domestic economic and political reasons finally led up to the monetary and commercial measures taken, or announced, on 15 August 1971, since when the international crisis brought about by the introduction of these measures has monopolized the attention of all concerned, in practically incessant negotiations.

459. The Community's role in this context is a determining factor. By triggering off the present crisis, the United States have at least confronted the world with the true problems far too long dodged or simply patched up on a temporary basis. For this reason, although the situation is still fraught with grave danger, it also offers possibilities of real progress.

It is only by taking up an attitude of firmness, lucidity and responsibility that the Community can show its unity and reality and play its proper role.

Whatever direction the future relations between the Community and the United States take, and whatever the context in which they are played out, the orientation and the definition of the principles involved will be determinant for all international relations.

Everything possible is being done by the United States on the one hand and by the Community on the other hand to prepare the way and lay the foundations for joint and reciprocal action. The bilateral negotiations in train since the end of December were undertaken with this objective in mind.¹ They should clear away certain specific limited, but nevertheless irritating, problems which, by reason of their essentially political implications, have given rise to many months of a "dialogue of the deaf" and this in spite of the conciliatory efforts made, last spring

¹ See the "Community Declaration of Intent" adopted by the Council on 11 and 12 December 1971, and *EC Bulletin* No. 1-72, Part One, Ch. I.

already, by the Community. The negotiations should also define the future lines of action so that the two fundamental problems on which American worries as regards the Community are focused—the common agricultural policy and preferential relations—cease to be felt in aggressive terms but become simply part of a new overall definition of relations between the United States and the Community and their respective roles in the service of world-wide equilibrium and economic development.

Relations with Japan

460. As regards Japan, the Community has analysed the results of the first negotiation phase from 17 to 24 September 1970,¹ and of subsequent contacts by a Community delegation at meetings with different Japanese authorities in Tokyo in November 1970. According to this analysis a fairly wide measure of agreement was found to exist between the two delegations as far as the technical aspects of the chief negotiating items were concerned (among others, the gradual and reciprocal liberalization of imports, non-tariff and quasi-tariff obstacles, and institutional questions). Major differences persisted, however, particularly concerning the safeguard measures in mutual trade should a crisis arise. This situation was confirmed during the second phase of the negotiations, also in Brussels, in July 1971.

After 15 August 1971 the Commission thoroughly examined the repercussions that the United States measures might have on reciprocal trade and particularly the problems of reflux. The Commission is more than ever convinced that an agreement between the Community and Japan will contribute not only to the normalization of their mutual economic relations but also to maintaining liberal policies throughout the world.

Canada,² New Zealand and Australia

461. Canada, which has always shown a constructive attitude towards the Community, fervently hopes that the latter will remain outward-looking after the adhesion of the four candidate countries. Mr Mitchell Sharp, the Canadian Secretary of State for Foreign Affairs, visited the Commission in April 1971 and especially asked it to examine the possibility

¹ *Fourth General Report*, sec. 448.

² *EC Bulletin* 2-71, sec. 100 and 6-71, sec. 77.

of establishing a regular dialogue with his country. At the invitation of Mr Sharp, Mr Malfatti, President of the Commission, paid a visit to Canada in 1971 to continue the exchange of views on commercial relations between that country and the Community—particularly in view of enlargement—and international trade relations and world cooperation in this field.

462. It is evident that in a country like New Zealand, traditionally linked with the United Kingdom within the Commonwealth, the repercussions of the admission of Great Britain to the EEC will be of great importance. Therefore, from the outset of the United Kingdom membership negotiations, New Zealand's special position as regards butter and cheese on the British markets, was the subject of particular attention. At United Kingdom request the negotiating conference recognized New Zealand's right to export certain quantities of butter and cheese to Great Britain on a transitional basis and solutions were adopted to cover the case.

463. The enlargement of the Community and its consequences could not allow a country like Australia, closely linked as it is by tradition with the British market, to remain indifferent. During consultations in Brussels and in London, the Deputy Prime Minister of Australia, Mr J.D. Anthony, stressed the country's desire to continue to have access, particularly for its farm products, to the markets of the enlarged Community, which will represent about 40% of world trade. During the last ten years, Australia has succeeded in diversifying its export markets and its sources of capital and adapting the structure of its exports thanks to the expansion of mining and the development of manufacturing. Australia is, therefore, in a favourable position to develop trade with the enlarged Community which will be perhaps different from that done traditionally with the United Kingdom but which will be no less profitable.

Relations with state-trading countries

464. It is from the angle of increasing reciprocal liberalization that the Community envisages the development of trade with the state-trading countries, especially as far as the socialist countries of eastern Europe are concerned. It is convinced that such a policy could make a substantial contribution to easing of tension and the normalization of regular commercial relations between the Community and these countries. It is in the interest of the socialist countries themselves to take into consider-

ation the reality of the Community and the entry into force of a common commercial policy towards them as from 1 January 1973. The economic opportunities which the Community has offered the Third World can also apply to them, without mentioning the political possibilities which the consolidation of a solid entity in Western Europe can offer in the way of security and cooperation over the whole Continent. In point of fact this is the way by which collaboration with the socialist countries has the best chances of developing.

The progressive uniformization of Member States' commercial agreements with state-trading countries

465. During 1971, as in the preceding year, no Community negotiations by virtue of Article 113 of the Treaty were yet possible with the state-trading countries, although the Community was ready to enter into negotiations with them in the same way as with other third countries. Up to the present the socialist countries have not shown themselves willing to participate in such negotiations. For this reason, the Member States have envisaged the need to negotiate bilateral agreements in order to avoid any interruption of their commercial relations with these countries.

It should be recalled that the Council, by its decision of 16 December 1969, initiated an exceptional and transitional régime permitting authorization, on a Commission proposal, of bilateral negotiations by the Member States when negotiations with the Community, under the terms of Article 113 of the Treaty, are not possible. In this way, the Council, acting according to the procedure for compulsory consultations, authorized all the Member States to negotiate commercial protocols with the socialist countries of Europe. Under the same procedure, it authorized Italy to negotiate a commercial agreement with the Popular Republic of China. All the agreements thus concluded must terminate on 31 December 1974, while the negotiation of new annual protocols will not be possible after 31 December 1972. From that date all commercial agreements must be negotiated by the Commission on behalf of the Community.

Technical talks with the state-trading countries

466. Technical talks took place again in 1971, with the delegations of government experts of Bulgaria, Hungary, Poland and Rumania. These talks gave rise to an exchange of views on the functioning of Community

regulations at present in force, especially in the framework of the common agricultural policy and the repercussions which this has had on the trade of these countries with the Community.

The results of these technical talks were confirmed by an exchange of letters between the Governments concerned and the Commission. They all referred to the agricultural products subject to market organization under the common agricultural policy. Community regulations No. 50/71 of 12 January 1971, No. 375/71 of 22 February 1971 (concerning the import of cheese from Bulgaria, Rumania and Hungary). No. 392/71 of 24 February 1971 (imports of Bulgarian wine) and No. 1 570/71 of 22 July 1971 (imports of pigs and pigmeat from Bulgaria)—all printed in the "Journal officiel" of the European Communities on the dates indicated—provide details of the guarantees given by the third countries concerned. These cover respect in their export trade with the Community of the reference prices for wine, the sluice-gate prices for pigs and pigmeat and the conditions laid down for free-Community-frontier prices for "Kashcaval" cheeses and for other sheep and cow-buffalo cheeses in accordance with the conditions laid down for import of these products into the territory of the Community.

Relations with the Near East Countries

467. On 15 November 1971 the Council adopted a decision extending the commercial agreement between the Community and Iran until 30 November 1972.¹ This extension had been specially asked for by the Iranian authorities. They stressed the fact that the particular interest of the agreement was that it constituted an instrument which would ensure a permanent dialogue between the two parties. They also requested a meeting of the Joint Committee, in accordance with Article 4 of the agreement, to study possible solutions of the problems which had arisen in commercial relations between the Community and Iran. The meeting of the Joint Committee will probably be held early in 1972.

468. By the decision of the Council on 12 July 1971,² the agreement on trade and technical cooperation between the Community and its Member States and the Republic of Lebanon was extended until 1 July 1972 pending the coming into force of the preferential solution envisaged.

¹ *Journal officiel* No. L 262, 16 November 1971, p. 54.

² *Ibid.* No. L 181, 11 August 1971, p. 11.

Relations with Latin America

469. 1971 saw an important step forward in the Community's relations with the Latin American countries. On 18 June, the Community and these countries agreed, in a joint declaration, to set up machinery for a permanent dialogue between them and also defined the guidelines and procedures to be adopted.

The institution of this dialogue was the upshot of long efforts to improve relations between the two regions. Already in 1958, the Member States had addressed a memorandum to the Latin American States recommending that the mutual relations between the two areas should be examined "in order to establish the details of closer cooperation". During the transition period, these intentions were confirmed by the setting up of a "Contact Group" by the Community and the Missions of the Latin American countries accredited to it to examine problems arising in relations between the two parties. The meetings held by this group brought about better mutual understanding of the respective problems of the two partners. However, the interest of both sides in greater cooperation became manifest later, more especially in a memorandum submitted to the Council by the Italian Government in November 1968, by the Commission memoranda to the Council in July 1969 and November 1970, by the "Buenos Aires Declaration" adopted in July 1970 by the Latin American countries belonging to the Special Commission for Latin American Coordination (CECLA) and the decision of the Council on 14 December 1970.¹

470. This repeated expression of mutual will led to the adoption of the Joint Declaration of 18 June 1971 and the setting up of a mechanism for consultations which should permit all member countries of the CECLA and the Community:

- (i) To examine the possibility of finding solutions to problems arising in their economic and commercial relations;
- (ii) To investigate new non-preferential formulas with a view to the increase and diversification of trade, without prejudice to the advantages the Community will offer in the form of generalized preferences;
- (iii) To examine questions concerning the defence of their interests, without, however, calling into question their respective policies;

¹ *Fourth General Report*, secs. 431 and 432.

- (iv) To frame terms of reference which will facilitate the development of relations between the Latin American countries and the Communities. This dialogue will be a complement to the bilateral relations of one or more of the Latin American countries with one or more of the Member States or with the Community, without prejudice to these relations;
- (v) To examine jointly certain questions raised in international organizations, taking into account the specific international responsibilities of the parties, in order to make a positive contribution to the working of these organizations, but without interfering in any way with their activities.

In order to implement this dialogue the Latin American countries and the Community have agreed to hold a meeting at ambassadorial level at least once a year and, if necessary, to organize meetings of experts to study any particular problems which might arise.

471. The first meeting of Ambassadors in the framework of this dialogue was held on 3 December, when the following points were examined: (i) the international economic and monetary situation, (ii) certain measures concerning the enlargement of the Community and the third UNCTAD Conference, (iii) problems of commercial policy, especially in regard to the generalized preferences granted by the Community, (iv) questions of technical and financial cooperation.

472. The Andean Group (Chile, Peru, Ecuador, Bolivia and Columbia) has manifested its interest in the establishment of permanent cooperation with the Community. To this end, the coordinator of the Junta of the Andean Group, Mr Salgado, has addressed himself to President Malfatti, and the Peruvian Foreign Minister, General Mercado Jarrin, during a visit to the European Communities on 14 and 15 September 1971, stressed the political will of the Andean Group countries to establish close cooperation with the Communities. Speaking for the Foreign Ministers of the Group, General Jarrin asked for close technical cooperation between the Commission of the European Communities and the Junta in the fields of their respective competence and, in the longer term, the setting up of a Joint Committee between the Andean Group and the Communities.

The Commission was in favour of establishing closer cooperation with the Andean Group and, in a memorandum addressed to the Council on 19 February 1971, urged that the Group's request be examined favourably.

473. The negotiations with Argentina which began in January 1971 were concluded on 8 November 1971 by the signing of a non-preferential commercial agreement with the EEC.¹ By this instrument the two parties agreed, subject to the usual exceptions, to grant each other most-favoured-nation treatment in their commercial relations. The fundamental aim is to improve, in a institutional framework, the commercial and economic relations between the two parties.

The clauses of a general character included:

- (i) Reciprocal granting of the highest possible degree of liberalization of imports and exports;
- (ii) Establishment of cooperation between the two parties in the agricultural sphere. This would include regular exchange of information, the solution of problems which may arise, and cooperation at international level.
- (iii) The setting up of a Joint Committee one of whose tasks will be to find means to promote the development of economic and commercial cooperation between the Community and Argentina.

Imports by the Community of certain products of the beef and veal sector, especially frozen meat for processing and chilled meat, will be granted various facilities. In return Argentina undertook to ensure an adequate flow of supplies at the cadence fixed and to watch that its exports of meat to the Community developed smoothly.

In the field of tariff concessions, the Community is prepared to continue to take Argentine interests into account in the periodic reviews of generalized preferences. The two parties declared their readiness to examine, in the Joint Committee, the problem of other tariff concessions which might benefit their respective products. Argentina was prepared to put a programme into operation for the progressive abolition of import deposits for products of interest to the Community.

Other provisions of the Agreement concern the progressive suppression of quantitative or other restrictions and consultation between the parties concerning the fixing of customs values in Argentina. Finally, Argentina expressed the will to help find solutions satisfactory to both

¹ *Journal officiel* No. L 249, 10 November 1971, *Fourth General Report* secs. 449 and 450 and *EC Bulletin* 1-71, sec. 83; 3-71, sec. 54; 5-71, sec. 109; 8-71, sec. 159; 1-72, Part One.

sides for the question of maritime transport and to ensure satisfactory conditions for Community investment in the country.

The agreement is for three years beginning 1 January 1972 and can be extended by mutual consent for further periods of one year.

On 28 October 1971 the Commission submitted a recommendation for decision to the Council authorizing the Commission to open commercial negotiations with Uruguay.

The Commission has also begun exploratory talks with Brazil, which had made a request for the negotiation of a commercial agreement on 18 March 1971.¹

474. When addressing themselves to the Community, which is their principal export market, these three Latin American countries certainly hoped that concrete and immediate solutions for their trade problems would be found, but above all they wished to make a sort of investment for the future, particularly in view of the enlargement of the Community. They also wanted to create an institutional platform, in the form of a Joint Committee, which would permit the gradual development of genuine economic and commercial cooperation with the Community. The Community, which has already autonomously introduced the system of generalized preferences in favour of developing countries and which remains attached to the multilateral organization of international trade, also responded to the requests of these three countries because it considered that fruitful cooperation could result.

475. The improvement of relations between Latin America and the Community both on regional and sub-regional levels, and with the different countries which resulted from these recent developments, has been amply illustrated during the many discussions which have taken place between the Commission and a considerable number of Latin American personalities on the occasion both of journeys to Latin America and of visits to the Commission headquarters. As in earlier years, the Commission has maintained close contact with the Latin American regional organizations such as the Organization of American States (OAS), the Andean Group, the Central American Common Market, the Latin American Free Trade Association (LAFTA) and Caribbean Free Trade Area (CARIFTA).

¹ *EC Bulletin* 8-71, sec. 158.

Contacts have also been maintained with the Economic Commission for Latin America (ECLA) in the deliberations of which the Community has participated, notably at its fourth session in Santiago from 27 April to 8 May 1971.

Relations with Asian Countries

476. A Commission delegation visited India on a fact-finding mission in March 1971, at the invitation of the Indian Government. The delegation was received by the Prime Minister of India and by several members of the Government. The main problems concerning trade relations between the Community and India were discussed with the Indian authorities. The negotiation of a commercial agreement between the Community and India and problems of jute and coir being in the centre of the talks. The conclusions resulting from this visit were reported to the Council by the Commission.

The Indian request, reiterated in September 1971, for the negotiation with the Community of a "commercial cooperation" agreement covering, apart from strictly trade aspects, questions of technical and industrial cooperation, is now being examined by the Community institutions.

477. The Commission also brought to the notice of the Council the conclusions of a fact-finding visit by a Commission delegation to Pakistan, at the invitation of the Government of that country. Useful information was obtained concerning in particular the Pakistan authorities' ideas regarding the reinforcement of commercial links between Pakistan and the Community. Meanwhile, Pakistan's approaches, in 1971, for a general commercial agreement are now under examination in the Community.

478. During the period under review, contacts were also made, at high level, with several other countries of Asia.¹ These countries, faced with the prospect of the enlargement of the Community and the reinforcement of its position on world markets, are hoping either for the establishment of contractual links with the enlarged Community (Indonesia) or for the extension to other fields of existing commercial agreements (Iran, India and Pakistan). For this reason, they were very interested in the intention

¹ For the substantial food aid given by the Community to certain countries of Asia, see sec. 456 *et. seq.* The sectoral agreements with the Asian countries are detailed in Section 5.

expressed by the Six and the United Kingdom to examine, after enlargement, the solution of the particular problems of the independent Asian Commonwealth countries with due regard to the interests of the other countries of the region.

On the same basis as in previous years the Community continued to send representatives to the plenary session of the UN Economic Commission for Asia and the Far East (UNECAFE), and its Trade Committee. The Community was thus able to follow all the studies going on in this body and noted, with particular interest, the progress made in the establishment of economic cooperation at regional level. The UNECAFE also expressed its satisfaction at the implementation by the EEC of generalized tariff preferences announced at the plenary session by the Community representative.¹

¹ For the substantial food aid given by the Community to certain countries of Asia, see sec. 456 *et. seq.* The sectoral agreements with the Asian countries are detailed in Section 5.

5. Problems in particular sectors

Steel

Commercial policy measures in the steel sector have tended to take into account the particular sensitivity of this market which, in 1971, experienced a marked slowdown which did not occur in other economic sectors.

Peripheral tariff arrangements for steel

479. By its Recommendation 1/64 the High Authority had established minimum duties for imports of steel. In relation to this minimum it later authorized, under tariff quotas, the import of certain quantities at the old harmonized rates. At the same time, the tariff reductions resulting from the Kennedy Round, the minimum fixed by the Recommendation and the final stage must be reached by 1 January 1972, after which the granting of tariff quotas of this particular kind will be abolished.

However, derogations to the Recommendation remain in vigour in the form of half-yearly tariff quotas unanimously approved by the Governments. Here the Commission authorizes the import, at zero duty, of steel products made in insufficient quantities in the Community. For the second half of 1971, the quotas granted reached 70 000 tons and covered certain quantities of drawn wire, magnetic sheet and coils for sheets, and used rails. The decision relative to the first half of 1972 shows a tendency to reduce these national exceptions, as magnetic sheet has been deleted from the list, although the total tonnage has remained at about the same level.

In parallel with the decisions taken by the Council in 1971 under the system of generalized preferences for developing countries as regards EEC products, the Governments of the Member States also agreed to suspend duties on certain steel products. The generalized preferences were extended for the whole of 1972, taking into account the sensitive situation of certain iron and steel products. Like any other waiver of Recommendation 1/64, these measures necessitated certain formal decisions for relaxation on the part of the Commission. As far as utilization of the quotas and maximum imports for the second half of 1971 are concerned some of the developing countries have already exhausted the limits accorded to them.

Restriction of iron and steel imports from state-trading countries

480. In the absence of a common commercial policy, in the legal sense of the term, a common policy based on the agreements of the different Member States has existed since 1963 for imports of iron and steel from the state-trading countries. By agreements renewed each year by the Governments, these imports are kept within precise limits. The quotas specified in the agreements serve as a basis of calculation: complementary tonnages called "contingency reserves" are freely available to all the beneficiary States, permitting them to increase their import quotas. Although the main significance of these make-weight tonnages was to permit single isolated transactions or operations justified by reason of commercial reciprocity, they also consisted at times—especially in 1969-70 when the market was particularly active—of a pure and simple increase in supplies or the materialization of a more flexible policy by certain Member States in regard to the Eastern countries.

It is in the spirit of the liberalization of relations with these countries that the liberalization of the imports of four groups of products (mainly semis) considered as not particularly sensitive was agreed in 1971. For 1972 the representatives of the Governments have agreed to extend the list by the addition of rails and three by-products (certain magnetic sheet and the semi-products of carbon and alloy steels). Such trade liberalization decisions are taken, in principle, for a year, but their extension can be expected unless the business situation changes drastically or commercial policy is reorientated.

However certain the intention to liberalize may have been, machinery to prevent market disturbances had nevertheless to be set up. With this machinery, the Commission carefully watches the trend of imports of liberalized products and, should serious market disturbances arise or threaten to arise, makes the appropriate commendations which may lead to decisions by the Governments for stricter supervision of imports or a return to quotas.

The increased liberalization of trade has led to a reduction in the "contingency reserves". Taking into account the rather small quantities of these products imported, their relatively reduced sensitivity, and the desire for a more flexible approach mentioned above, this import liberalization has not been considered incompatible with a slight rise in these reserves, which have been increased by 75 000 tons of steel to reach a total of 1 109 500 tons (cast-iron and steel). These quantities, added to the basic quotas, create total import possibilities in the region of 1 900 000 tons.

The rule forbidding Community producers from aligning their prices on lower quotations from the East bloc countries, which was complementary to the fixing of quotas and has been extended each year since 1964, was again renewed for 1971, it being understood that its effects are limited to products still subject to quotas.

Other ECSC Agreements

481. The negotiations for the adhesion of the United Kingdom to the Community reduced the need for meetings of the specialist contact groups such as the Trade Relations Committee of the Council of Association, which did not meet at all in 1971.

As far as the other contact groups were concerned, meetings between the Japanese and Community delegations were held in Tokyo in April and in Brussels in October. Much of their effort was concentrated on the examination of the world economy in general and on the iron and steel markets in particular, with special reference to sales openings, raw materials supplies, energy, etc. in the two regions; there were also exchanges of views on technical subjects. One point which was particularly emphasized by the Japanese was the question of pollution and the safeguard of the environment. During meetings of the ECSC/Switzerland contact group in Stockholm at the end of September and the ECSC/Austria contact group in June in Vienna, these same problems were discussed.

Tin

482. In April and May 1970, the Community took part in an UNCTAD Conference in Geneva for the renewal of the Third International Tin Agreement. Following this conference, and taking into account the results achieved, the Community decided, on 14 December 1970, to participate in the fourth Agreement and authorized a high official to sign on its behalf. This was done on 27 January 1971. The second phase should enable the Community to participate in the Agreement, in accordance with the procedure laid down (ratification, approval or acceptance), and should be completed before 28 February 1972.

Once this procedure is completed, the Community will participate in the Agreement on the same basis and under the same procedures as those required for the other member countries. Until 1 July 1971 the Community took part as such in the work of an "Interim Committee" whose function was to propose to the Council of the Fourth International Tin

Agreement the rules of procedure and operation of the buffer stock which will apply for the duration of the Agreement.

On the occasion of these negotiations the Commission made it clear that the Community had the same rights and prerogatives as the other participating States for both the submission of proposals and decision-making. The arrangements proposed by the Interim Committee were accepted by the International Tin Council, which has met on different occasions since 1 July 1971 and in whose work the Community has participated as a full member.

Sulphur

483. The Canadian Government invited the principal countries concerned in the world sulphur market, including the Member States of the Community and the Commission itself, to participate in two conferences in Montreal from 9 to 11 June and in Vancouver from 13 to 15 October 1971. This initiative was taken because Canada, the biggest sulphur exporting country in the world and the second largest producer, is extremely worried by the trend of the sulphur market, characterized by a regular decline in world prices which has accelerated during the last two years. This decline is the consequence of the rise in supplies to the world markets which is outstripping demand. This increase in supplies is the result of the emergence and development of production of types of sulphur other than natural sulphur, which finds itself in increasingly sharp competition with sulphur which is a by-product of petrol refining and of natural gas and, since about 1967, of antipollution campaigns. The fall in prices is also due to the fact that the cost of these various by-products is very low.

At these two conferences the experts from the participating countries and the Commission endeavoured to define their knowledge of the markets in statistical terms. Preliminary exchanges of view also took place on the different possibilities of stabilizing the markets. Throughout the conferences the Community Member States and the Commission maintained their common position on all the points of the agenda. Moreover, they were represented by a single spokesman. Another conference will probably be held in 1972.

Lead and zinc

484. The Community took part in the work of the 15th session of the International Study Group for Lead and Zinc, held in Torremolinos from 2 to 6 November 1971. This session was of particular importance

because of the considerable changes in the pattern of supply and demand for these two metals. Prices on the lead market in particular are dropping considerably, mainly because, although demand is relatively stable, supplies are increasing because of the entry onto the market of metal by-products of petroleum refining. Lead is thus one of the products which will suffer most from the consequences of international anti-pollution measures.

Cotton textiles

485. During the discussions on the renewal of the Long-term Arrangement regarding International Trade in Cotton Textiles in 1970, the Community declared its readiness to conclude with the principal non-member cotton producing countries bilateral agreements acceptable by both parties. In view of this declaration, and on the basis of Article 4 of the Arrangement, the Commission negotiated, on behalf of the Community, agreements on the voluntary limitation of exports with seven of the principal countries supplying cotton textiles. These agreements were signed on 1 February 1971 with India, Pakistan, China and the UAR;¹ on 15 February 1971 with Korea;² on 1 February 1971 with Taiwan;³ on 17 July 1971 with Hong Kong⁴ and on 7 February 1972 with Japan.

These agreements are valid for three years from 1 October 1970 to 30 September 1973, except for those with Korea and Hong Kong (1 January 1971 to 31 December 1973). They were negotiated on the basis of a standard formula and envisage mutually-agreed voluntary limitation ceilings adopted by the exporting countries in question and the suspension of the quantitative restrictions in force in some Member States for their duration.

486. The Polish Government, which is a party to the Long-term Arrangement, has informed the Commission of its desire to negotiate a bilateral agreement with the Community on trade in cotton textiles. The Commission asked the Council to authorize it to open negotiations under Article 113 of the Treaty. The agreement will be on the same lines as those already concluded.

487. The Community offer of generalized preferences for cotton textiles stipulates that these preferences shall be reserved for countries which

¹ *Journal officiel* No. L 43, 22 February 1971, p. 1.

² *Ibid.* No. L 55, 8 March 1971, p. 12.

³ *Ibid.* No. L 43, 22 February 1971, p. 32.

⁴ *Ibid.* No. L 220, 30 September 1971, p. 23.

have signed the Long-term Arrangement. It has been laid down, however, that beneficiary countries which have not signed such an Arrangement may also profit from generalized preferences provided they enter upon "similar commitments" with the Community.

Yugoslavia, a beneficiary country which is not a member of the Long-term Arrangement, has asked to enjoy these preferences. The Commission considered that the "similar commitments" required could consist in a voluntary limitation agreement of the same type as those already concluded with other countries. It therefore asked the Council to authorize the opening of negotiations for such an agreement on the basis of Article 113 of the Treaty.

Taking into account the agreements already concluded and those which are under examination, almost all the Community's cotton textile imports are subject to these Community arrangements.

Jute and coir goods

488. Two bilateral voluntary limitation agreements were concluded with India and Pakistan for the period 1 January 1970 to 31 December 1972. These two countries having expressed concern regarding the functioning of these agreements and having asked for the revision of the particularly high tariffs imposed, these problems are under examination in the Commission. The Council may be asked for new directives for the further pursuit of the negotiations on this subject. Similar considerations must also be envisaged for coir products, which are covered by an agreement between the Community and India signed on 1 August 1969.

Examination of the problems of jute and coir products which can also benefit, under certain conditions, from generalized preferences offered by the Community, also takes account of the negative reactions of India and Pakistan to an offer made on this subject by the Community.

Non-ferrous metal scrap and waste—Undressed skins and hides

489. On the basis of regulations covering exports and quantitative quotas¹ the Council, on 25 May 1971,² established a common regime for

¹ Regulation (EEC) No. 2603/69 establishing a common export system; Regulation (EEC) No. 1023/70 establishing a common procedure for the administration of quantitative quotas.

² Regulation (EEC) No. 1078/71 on the institution of a common export system and the opening of quantitative Community export quotas for certain non-ferrous metal scrap, copper, lead, aluminium).

the export of non-ferrous metal scrap and waste (copper, lead, aluminium) in the form of Community quantitative export quotas. These quantitative quotas were allocated between the Member States by the Commission¹ on the basis of the criteria defined when the common régime was established. Indeed such a control of exports has been maintained for several years in order to guarantee stable supplies at competitive prices.

Some of the Member States have prohibited export of certain undressed skins to third countries and the Commission again extended its previous recommendation to cover 1971.² For the future it is preparing the establishment of a Community export system on the basis of Article 113 of the Treaty.

Handicrafts

490. As a result of the commitments undertaken during the multilateral GATT negotiations, the Community opened tariff quotas *erga omnes* for 1970 and 1971 for annual totals of 5 million u.a. for handicrafts products. Utilization was subject to certain specific conditions. India and Pakistan, which were the first countries to profit from these quota arrangements, concluded an agreement with the Community in which the conditions permitting them to benefit from exemption from import duties were defined. Other third countries which also requested to benefit from these tariff quotas have concluded similar agreements with the Community. These agreements were signed during 1971 by Iran on 16 May, Thailand and the Philippines on 26 May, Indonesia on 14 June and Ceylon on 18 June.

Coffee

491. The Commission participated in the 18th session (February 1971) and the 19th session (August 1971) of the International Coffee Council and in the sessions of the Executive Committee and the Committee of the Diversification Fund of the International Coffee Organization. Preparations for the new coffee year 1971-72 by the International Coffee Council gave rise to many difficulties concerning decisions on the fixing of annual export quotas and the difference in prices of the various categories of coffee. The

¹ Commission (EEC) Regulation No. 1369/71 of 29 June 1971 covering the allocation of common quantitative quotas for non-ferrous metal scrap (copper, lead, aluminium).

² *Journal officiel* No. L 50, 3 February 1971 p. 7.

total quotas fixed (47 million 60-kg sacks) were at a fairly low level, while the ranges of prices fixed, which permit the adjustment of the initial quotas for each category of coffee, reflect the fall in prices during 1970-71 for all "arabica" coffees, while the prices for "robustas" continued at a fairly high level.

Cocoa

492. The Commission participated in the consultations organized by the UNCTAD General Secretariat with a view to resuming negotiations for an International Cocoa Agreement. Taking into account the difficulties encountered during consultations in preceding years concerning the nature of these quotas, the machinery for adjusting them, buffer stock operations, price levels and questions of processed products, new texts were drawn up to simplify the draft agreement and amend some of the provisions on these essential elements. Fresh consultations will be held in January 1972, preceded by meetings of the two groups of countries: their essential object will be to determine the conditions for a possible resumption of negotiations for an international agreement on cocoa. The situation of this product on world markets has deteriorated considerably since the beginning of 1971.

Cotton

493. At the 30th session of the International Cotton Advisory Committee, held in Guatemala City, in June 1971, with the Commission represented, it was recognized that the rise in world consumption, although slow, in face of falling production had led to an appreciable reduction of stocks and made it necessary to find a better balance between production and consumption. This balance should be reflected in a certain stabilization of cotton prices at a level permitting this natural fibre to compete with substitute products which continue to increase their share in total cotton consumption.

Bananas

494. In May 1971 the Commission took part in the fourth session of a study group on bananas, set up by the Committee on Commodities, which examined the situation on the world markets of this product and the possibilities of concluding agreements. The group renewed the invitation to the importing countries to abolish import duties and other restrictions still in force. A working group of the importing countries was set up in

an endeavour to find means to palliate the disequilibrium between supply and demand and to avoid a collapse of world prices.

On the initiative of the Commission an examination of banana production and supply in the Associated African States and Madagascar was completed and will be published.

Nuclear agreements

495. The Cooperation Agreement concluded with the United Kingdom on 4 February 1959 for a period of ten years was extended without amendment for a further period of two years (that is to say until 3 February 1971) and has again been prolonged for another year. The Commission proposed to the Council that the Agreement be extended for the last time, without modification, until the expected date of the United Kingdom's accession to the Community (31 December 1972).

As far as the Agreement with the United States is concerned, it should be remembered that the Council entrusted the Commission, in October 1970, with the responsibility of opening up exploratory conversations with the American Administration with a view to bringing up to date the clauses of the Agreement regarding supplies of enriched uranium to the Community. Taking into account the information obtained during the exploratory talks initiated by the Commission in March 1971, the Council, on 29 June 1971, adopted directives instructing the Commission to open negotiations with the United States authorities. In December 1971 the Commission communicated to the Council the results of the preliminary negotiations and asked the Council to adopt fresh directives for their further pursuit.

In the field of nuclear documentation, the negotiations for an arrangement between the Community and the United States Atomic Energy Commission (USAEC) have not yet reached a conclusion because of the very rapid evolution, at international level, of the treatment of scientific documentation in general and of nuclear documentation in particular, which has led the partners to revise certain points of the draft agreement. It is probable, however, that an agreement can be concluded very soon.

At the invitation of the American Administration, the Commission participated in November in Washington, with the Member States, the United Kingdom and other interested countries, in exploratory discussions to examine the possibility for the United States to make available to

multinational groups American technology on the production of enriched uranium by gas diffusion. Contacts will possibly be resumed when the Americans have communicated reports giving further information.

496. In application of Article 103 of the Euratom Treaty, the Commission, in 1971, received notification of a draft cooperation agreement between the Federal Republic of Germany and India concerning the peaceful applications of nuclear energy and space research and also the draft agreement between France and Japan for the peaceful utilization of nuclear energy.

The first of these agreements gave rise to no observations on the part of the Commission. Regarding the second, the Commission, after having addressed various comments to France, in the sense of Article 103 of the Euratom Treaty, and examining the explanations received from that country, was able to withdraw the objections it had formulated.

497. It is well known that the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) which came into force on 5 March 1970, was signed by the five Member States of the Community which do not possess such weapons.

Following the submission by the Commission to the Council, the latter issued the necessary directives on 20 September for negotiations with the International Atomic Energy Agency (IAEA) for a verification agreement confirming the obligations of the five Member States concerned, under the terms of Article III of the NPT. These negotiations, which are being carried on by a delegation led by the Commission and also including representatives of the five Member States which signed the NPT, should lead to an agreement to which the Commission and the five Member States in question will be parties (Article 102 of the Euratom Treaty) and which will enable the IAEA to meet its obligations under the NPT.

The negotiations with the IAEA began in November 1971. It will be remembered that when signing the NPT the five Member States declared that they would ratify the Treaty only if the terms of the agreement being negotiated between the IAEA and the Commission ensured respect for the European Treaty.

6. The common commercial policy

INSTRUMENTS

Liberalization

498. In 1970 the Community confirmed the liberal orientation of its commercial policy by very appreciably enlarging the lists of products to which the common systems of the member countries of GATT and assimilated countries¹ on the one hand and the state-trading countries² on the other can be applied. Taking into account the different extensions decided on by the Council,³ the GATT list at the end of 1971, was made up of 977 tariff headings, 920 of which were complete and 57 partial. The number of headings liberalized *vis-à-vis* the state-trading countries was 749 for Bulgaria, Hungary, Poland, Rumania and Czechoslovakia, 595 for the USSR and Albania, 486 for the People's Republic of China and 148 for North Korea, North Vietnam and Mongolia.

Furthermore, the Community reduced the list of products to which the principle of free export does not yet apply under the Community plan established by Regulation (EEC) No. 2603/69.⁴ This list now includes only 52 headings (complete or partial) of the Common Customs Tariff.

¹ Council Regulation (EEC) No. 1025/70, 25 May 1970 on the establishment of a common system applicable to imports from third countries; *Journal officiel* No. L 24, 8 June 1970, p. 6.

² Council Regulation (EEC) No. 109/70, 19 December 1969 for the establishment of a common system applicable to imports from state-trading countries; *Journal officiel* No. L 19, 26 January 1970, p.1.

³ As far as the member countries of GATT and assimilated countries are concerned, see Council Regulations No. 724/71, *Journal officiel* No. L 80, 5 April 1971; No. No. 1080/71, *Journal officiel* No. L 116, 28 May 1971, p. 8; No. 2384/71, *Journal officiel* No. L 249, 10 November 1971, p. 1. The liberalization lists were published in *Journal officiel* No. L 279, 20 December 1971, p. 19. For the state-trading countries see Council Regulations No. 532/71, *Journal officiel* No. L 60, 13 March 1971, p. 1; No. 725/71, *Journal officiel* No. L 80, 5 April 1971, p. 4; No. 1073/71 and No. 1074/71, *Journal officiel* No. L 119, 1 June 1971, pp. 1 and 35; No. 2385/71 and 2386/71, *Journal officiel* No. L 249, 10 November 1971, p. 3 No. 2407/71, *Journal officiel* No. L 250, 11 November 1971. The liberalization list was published in *Journal officiel* No. L 279, 20 December 1971, p. 29.

⁴ Council Regulations (EEC) 2603/69, 20 December 1969 for the establishment of a common system applicable to exports, *Journal officiel* No. L 324, 27 December 1969, p. 25.

Defense against dumping and subsidies

499. In application of the regulation of 5 April 1968,¹ the Commission adopted, during the course of the year, anti-dumping measures for gelatinous explosives for quarrying and public works² certain ammonia-nitric fertilizers, urea and some ternary compound fertilizers from Yugoslavia.³ The first of these cases and also the procedure instituted during last year concerning Cuban exports of sisal wrapping string were settled favourably thanks to engagements entered into by the exporters concerned.⁴ The other procedures are in train and it should be noted that the Commission has established Community supervision of some imports of urea.⁵

Export credits and credit insurance

500. At its session of 26 and 27 October, the Council decided on a working programme⁶ under which the Commission was to submit proposals in four fields. The Commission consequently submitted the following proposals during 1971:

- (i) A proposal for a common system of premiums for the guarantee of risks covered by common policies for medium and long-term transactions in conjunction with supplier credits and destined for public and private buyers. This directive envisages different basic rates according to the quality of the buyer and whether the cover asked for by the exporter is against political or commercial hazards or both. It also envisages intermediate rates when the buyer offers exceptional sureties. The calculation of the premiums and the methods of payment are also the subject of special arrangements;
- (ii) A proposal for a common policy for medium and long-term credits granted to public buyers in non-member countries. By this draft, the Commission proposed that the Council should fix the general

¹ Council Regulation (EEC) No. 459/68, 5 April 1968, on protection against dumping, bounties or subsidies on the part of countries which are not members of EEC; *Journal officiel* No. L 93, 17 April 1968.

² Notice of initiation of investigation procedure; *Journal officiel* No. C 8, 29 January 1971.

³ Notice of initiation of investigation procedure; *Journal officiel* No. C 103, 16 October 1971.

⁴ Notice of closing of investigation procedure; *Journal officiel* No. C 77, 30 July 1971 and C 10, 4 February 1971.

⁵ Commission Regulation (EEC) No. 1755/71, 10 August 1971; *Journal officiel* No. L 181, 11 August 1971, p. 10.

⁶ Annex D to Council Decision No. 70/509; *Journal officiel* No. L 254, 23 November 1970.

terms for guaranteeing financial credits for exports. The proposal defines the scope of the guarantees, the obligations of the insurer, the general conditions governing compensation, methods of calculation and methods of payment;

- (iii) A proposal for common principles for covering exchange risks: the Commission proposed to the Council that all the Member States, should, if they so desire, be able to adopt guarantees for exchange risks on exports from a member country to a third country. In contrast to what has been proposed in the other fields of credit insurance, a draft for a detailed policy was not elaborated. The Member States would be required to respect only certain uniform principles. In particular, the guarantee could only be granted to physical persons whose nationality is that of a Member State of the EEC and who are established in a Member State, or to legal persons or corporations covered by Article 58 of the EEC Treaty; and when proof is shown that it is impossible to draw up the contracts in the currency of a Member State, the Member States would have to grant such guarantees for a maximum period of fifteen years and at an identical premium rate;
- (iv) A proposal for common principles for the guarantee against rises in costs: in the case of Community operations the Commission proposed that the Member States, if they so desired, should frame^a a policy embodying procedures for covering exports against abnormal and unforeseen rises in production costs. Such policies would, however, have to respect a certain number of principles. These proposals are at present under examination. The Commission hopes that all the directives issued in 1969, 1970 and 1971 will be brought into effective operation during 1972. In this way, an important step will have been taken in implementing a common policy on export credits.

COMMERCIAL AGREEMENTS

501. On the basis of Title I of the Council Decision of 16 December 1969,¹ the Commission re-examined the Member States' commercial agreements with non-member countries, in order to verify the compatibility of their provisions with the development of the Community's commercial policy. On a Commission proposal, the Council authorized the Member States to renew or extend a certain number of existing commercial agreements when

¹ *Journal officiel* No. L 326, 29 December 1969, p. 39.

these were not contrary to the common commercial policy.¹ In this context the Member States declared that the keeping in force of such agreements could not be allowed to interfere with the opening of negotiations at Community level with the countries concerned.

In addition, the Commission, on 29 April 1970, submitted to the Council a proposal for a decision² fixing certain transitory measures for the progressive uniformization of agreements on Member States' commercial relations with third countries. With this proposal the Commission considered that it would be able to solve certain problems arising out of the Council decision of 16 December 1969³ concerning the progressive uniformization of Member States' agreements and comparable measures introduced autonomously. The Commission proposal of 29 April 1970 was discussed several times in the different Council institutions. These discussions, however, went far beyond the scope of the proposal and were centred particularly on the means of elaborating a Community liberalization programme *vis-à-vis* the state-trading countries. The Commission has submitted new proposals to the Council.

MULTILATERAL COMMERCIAL RELATIONS

GATT

502. During 1971 it proved possible to complete the negotiations for the adhesion of Rumania to the General Agreement on Tariffs and Trade (GATT). The Community played an important part in these negotiations. Rumania is now the third state-trading country after Czechoslovakia (a founder country) and Poland, to adhere to GATT. In the protocol for adhesion the Contracting Parties obtained assurances from Rumania concerning the development of their exports to this country in step with the global evolution of Rumanian purchases. The protocol also defined the obligation of the Contracting Parties who still maintain quantitative restrictions in regard to Rumania and also contains a specific safeguard clause.

The negotiations for the adhesion of Hungary have continued but many important problems, such as quantitative restrictions, the safeguard clause and the scope of the Hungarian customs tariff, are still outstanding.

¹ *Journal officiel* Nos. L 56, 9 March 1971, p. 8; L 122, 4 June 1971, p. 24; and L 248, 9 November 1971, p. 7.

² Document 5/963/70 (COMER 21).

³ *Journal officiel* No. L 326, 29 December 1969, p. 39.

With Poland, the fourth annual examination was carried out in accordance with the provisions of the protocol for adhesion. It was noted that the quantitative restrictions applied *vis-à-vis* this country had been eased or eliminated, particularly on the Community side. For its part, Poland had fulfilled its engagement to increase its purchases from the Contracting Parties by 7%. The Community regretted, however, that its exporters had not been able to benefit from this increase in Polish purchases. If it has not been possible to reach an agreement on the elimination of quantitative restrictions affecting Poland this is not the result only of changes in the attitude of Poland, with which a compromise formula was worked out last year, but rather the result of the unyielding position maintained by countries such as the United States, Japan and Canada, which demand complete liberation of imports from Poland by the European countries.

The entry of Rumania and the negotiations taking place with Hungary for adhesion to GATT show the increasing interest of the state-trading countries in this organization and lead the Community to define its policy in this sector.

Trade Expansion Programme

503. The Committee on trade in industrial products, set up by the Contracting Parties at their 24th session in November 1967, has continued to explore the possibilities of progress towards a new liberalization of trade.

(a) As far as non-tariff and semi-tariff obstacles are concerned, the Committee, after noting the reports of the five working groups which, in 1970, had begun to look for the solution of different problems,¹ decided, in February 1971, to adopt a more selective approach. With this object in view, the Committee chose three subjects to be explored with the possibility of taking more practical action: customs valuation, standards and licence systems. The objective of the three groups dealing with these problems is to find solutions *ad referendum*.

On the basis of a proposal by the Commission delegation on behalf of the Community, the group dealing with customs valuation has reached broad agreement on the "explanatory notes" which specify in greater detail the provisions of Article VII. The texts have now been submitted to the Governments for careful examination and for the study of any changes in legislation and practices which their acceptance might imply.

¹ *Fourth General Report*, sec. 468 *et seq.*

The group studying standards has examined a body of principles concerning the establishment of these, their application and the relevant consultation procedures. As far as the licencing systems are concerned, a specialist group has begun work on solutions of the problems posed by automatic licences and by licences used for the administration of import restrictions.

At their 27th session (16-26 November 1971), the Contracting Parties agreed to support energetically the work on the subject of norms and licencing systems in order to be in a position shortly to submit texts to the Governments. They also envisaged undertaking similar work concerning a number of other non-tariff obstacles including export subsidies for products other than commodities and import documents. The Commission believes that the progress of this entirely new dossier on non-tariff obstacles justifies the expectation that, when the time is ripe, the research carried out in this field will provide a platform for new advances in trade liberalization and will form the basis of a number of solutions within which or between which the principle of reciprocity could be applied.

(b) After long discussions on the terms of a mandate at its meeting in February 1971,¹ the Committee on trade in industrial products set up a working group to study the tariff situation. This group was instructed to prepare, on the basis of information collated by GATT, an objective analysis of the tariff situation as it will be when all the concessions resulting from the Kennedy Round have been fully applied. This analysis should make it possible, when the time comes, to explore the various possible approaches towards future action in the tariff field.

In October the group lodged its preliminary report, which contained a general analysis of customs duties levied on industrial products in trade with the eleven selected countries.¹ This work will be completed by an analysis of the categories of products and Australia and New Zealand among other countries will be included in the list. Already the results of the analysis—which are undoubtedly objective since a multilateral labour was carried out, checked and approved jointly by all the interested parties—have the advantage of putting an end to any controversies as to which system is the most protectionist, a question which has too often been discussed on the basis of incomplete data and tendentious methods of calculation. Indeed, in this respect, the Community tariff appears as the most moderate in comparison with its major partners in world trade, as the table shows.

¹ *Fourth General Report*, sec. 469.

**Average level of customs tariff duties after
the Kennedy Round negotiations**

(in percentages)

	Raw materials	Semi manufactured products	Finished products	Average
EEC	0.6	6.2	8.7	6.0
United States	3.8	8.3	8.1	7.1
Japan	5.5	9.3	12.0	9.7
United Kingdom	1.2	8.3	10.4	7.6

Source: "Analysis of tariffs", GATT 1971.

The group also continued its work on the possibilities of analysing and elaborating better methods for measuring the effects of customs duties on trade. With this end in view it has drawn up a questionnaire on available statistics.

504. In the GATT Agricultural Committee, the Community supported the argument that a distinction must be made between the fundamental questions which arise in the field of agriculture, whose solution requires changes in agricultural policies, and short-term problems which can be resolved by means of adjustments possible at any time in the administration of the policies. For the solution of the fundamental problems, the Community considers that a global approach is necessary because agricultural policies are based on general concepts whose application forms an indissoluble whole. The Committee has drawn up a report on the different proposals made and the basic documentation on tariff and non-tariff obstacles to the import of agricultural products.

Milk products

505. The Arrangement concerning certain milk products concluded in GATT, has functioned in a satisfactory manner during the past year. With the support of the Community, the minimum export price for skim milk powder was raised from 20 to 25 dollars per 100 kg. on 14 May 1971. While hoping for a more substantial increase the Commission considered

that the decision was, nevertheless, a sign of encouraging progress. For powdered whole milk powder the "gentleman's agreement" also functioned satisfactorily and the minimum export price was raised from 45 to 50 dollars per 100 kg. as from 1 April 1971. The efficacy of this arrangement was reinforced by the adhesion of Australia. Finally, the Commission submitted a recommendation to the Council for authorization to negotiate in GATT an international arrangement for butteroil similar to that agreed for skim milk powder.

Preferential agreements and the provisions of Article XXIV of GATT

506. The Community's preferential commercial policy, which has resulted in a number of association agreements in the strict sense or special commercial agreements orientated towards free trade, and the prospects of the extension of this policy in relation with enlargement of the Community, become questions of major importance in GATT, as far as multilateral commercial relations are concerned. During 1971, in accordance with the procedure laid down for the application of the terms of Article XXIV, agreements between the EEC and Spain, between the EEC and Israel, and the decision of the Council of the European Communities of 29 September 1970 renewing the Association with the OCT, were examined by GATT.

In addition, following notification by the Community, the GATT Council initiated the procedures for the examination of the Arusha Agreement, the additional protocol to the EEC-Turkey Agreement and the EEC-Malta Association Agreement.

507. This general situation gave ample opportunity to the countries which are resolutely opposed to what they call the "proliferation" of the Community's preferential agreements, to develop and confirm their arguments that the multiplication of preferential agreements is a grave danger to the fundamental principles of international commercial relations based on most-favoured-nation treatment, and tend to divide the world into economic and commercial blocs incompatible with the idea of international cooperation which has marked the evolution of economic relations since the last war.

It is evident that this position, which, in the GATT framework, draws its arguments from an extremely strict and static interpretation of Article XXIV, is in fact inspired by essentially political considerations. It is a grave problem for relations between the United States and the Com-

munity but, nevertheless, reflects the viewpoint of a relatively small number of the GATT Contracting Parties.

The Community, for its part, considers that it is perfectly justified, along with the countries associated with it, in maintaining the argument that these agreements are compatible with GATT, as all the obligations concerning the examination of agreements under Article XXIV have been complied with, and that, since they have not been found incompatible by the Contracting Parties, they are legally covered by the right of exception laid down in Article XXIV.

508. Compromise efforts, constantly renewed, notably by the other European countries, in an endeavour to reach unanimous conclusions in a pragmatic spirit taking into account the potential of these agreements to evolve towards full compatibility, which these countries do not recognize either, have not had any success. The United States had announced its intention to raise the whole problem of the application of Article XXIV during the 27th session of the Contracting Parties. The Community thought that this examination was opportune and on this point, as in other fields, should lead to the effect of Joint reflection which is necessary today to redefine international commercial relations. Such an effort would in itself already underline the reality and true meaning of the spirit of international cooperation to which the Community should remain more than ever attached.

During the 27th session (16 to 26 November) the United States delegation approached the problem from three points of view: the examination of the evolution of the agreements being applied under the head of Article XXIV, a statistical evaluation of the effects which trade under a preferential regime has on the share of trade based on the most-favoured-nation system, and the immediate preparation of the renegotiations of tariffs to which the enlargement of the Community will lead under the terms of Article XXIV-6, so that these negotiations can be terminated before the tariff changes resulting from enlargement come into effect.

On the first point, the Community proposed and the Contracting Parties concurred, that a programme for the examination of the agreements should be drawn up on a two-yearly basis. On the second point, the Community contested the validity of a statistical analysis based on the notion of the "erosion" of Article I of the General Agreement by another (Article XXIV). On the other hand, the Community proposed, and the Contracting Parties agreed, that the GATT Secretariat should make a statistical inventory of the factual data concerning the evolution of trade under the most-favoured-nation system on the one hand and any other

preference system on the other. Finally, as regards the enlargement agreements, the Community and the applicant countries declared their firm intention to respect their obligations under the terms of the General Agreement and of the procedures that it involves. These procedures had already been proven and it was not necessary to make special arrangements on the subject.

The conclusion of the debates of the Contracting Parties on this question reveal a divergency of attitude. It is clear that, for the United States and some other countries, the point is to act as soon as possible in order to establish the rights which they think are theirs in face of the enlargement process. These countries hoped that the Director General of GATT would set up a working group to go into these questions "immediately after the signing of each adhesion agreement". In this respect the "declaration of intent" adopted by the Council of the European Communities at its session of 11 December 1971, after consultation with the applicant countries, left no doubt as to the Community purpose: "In conformity with the provisions of the General Agreement on Tariffs and Trade, the Community will notify GATT of all adhesion treaties and agreements concluded with the EFTA countries immediately after signature; the negotiations under Article XXIV-6 will be undertaken immediately after ratification."

ECE

509. The Commission intensified its working relations with the Economic Commission for Europe in 1971. At the 26th session of ECE, a Commission representative spoke for the first time to this assembly and defined the programme of concrete actions which the Community thought ought to be approved by ECE to increase East-West trade. In the commercial field, the action of ECE was centred round the informal meeting in September 1971 on the subject of commercial policies and practices. The Commission representative had to reply to the many questions raised by the Eastern countries. Although this Community procedure was contested by the USSR and Bulgaria, the Community spoke throughout the session by the voice of its representative on all questions affecting its interests.

7. Relations with international organizations and diplomatic relations

UNITED NATIONS ORGANIZATION (UN)

510. Apart from the participation of the Community in the work of the different institutions and committees, which has been continued normally, relations between the Community and the United Nations last year were marked by efforts to find a solution for the problem of the participation of the Community in the Second Committee of the General Assembly. On proposal from the Commission, a mandate to this effect was given by the Council, on 20 September 1971. The efforts made in New York were not successful during the 26th session of the General Assembly in 1971.

The Commission actively followed the proceedings and presented the Community's arguments at the sessions of the Economic and Social Council (ECOSOC) in Geneva and in New York and participated in the activities of the Economic Commission for Europe (ECE), the Economic Commission for Asia and the Far East (ECAFE), the Economic Commission for Latin America (ECLA), the Economic Commission for Africa (ECA), the World Meteorological Organization (WMO), the United Nations Organization for International Law (UNOIL), the United Nations Industrial Development Organization (UNIDO), the Intergovernmental Maritime Consultative Organization (IMCO) and the United Nations High Commissioner for Refugees (UNHCR). In addition, it became apparent that the working relations between the Commission and the United Nations Educational, Scientific and Cultural Organization (UNESCO) could usefully be reinforced, and measures to this effect are under examination. The same can be said concerning relations with the World Health Organization (WHO).

Finally, the Commission represented the Council at high level meetings of the United Nations Food and Agriculture Organization (FAO), and also submitted to the Council a memorandum concerning better conditions for participation in this organization (doc. SEC(71) 4295 of 15 December 1971). Personalities of the World Food Programme (WFP) visited the President of the Commission, thus showing their interest in closer links between the two institutions.

511. Relations with the Secretariat of the International Atomic Energy Agency (IAEA) were actively maintained under favourable conditions. The same climate was also evident this year in relations with Euratom

at the 15th General Conference held in Vienna from 21 to 28 September 1971, when the Council mandate to the Commission to negotiate an agreement on guarantees with the IAEA in application of Article III of the NPT was announced.

512. Collaboration between the Commission and the International Labour Organization (ILO) continued as in previous years and found practical expression, not only in participation in the work of the different institutions of the International Labour Office at the 56th session of the International Labour Conference, but also in the financial contributions to the International Institute for Labour Studies, the International Safety Centre (ISC) and the International Centre for Advanced Technical and Vocational Training in Turin. With this last organization, the Commission helped to organize two seminars, one for training staff for agriculture (19 to 23 April) and the other for transport (8 to 12 November). The Commission also played its part in the organization of a seminar to train Latin American management experts (17 to 20 June). In addition, the EEC Administrative Committee for migrant workers received technical assistance from the ILO, while, on a more general level, cooperation between the two institutions was ensured by the EEC-ILO Contact Committee. The Commission also collaborated with other institutions of the United Nations, such as the Housing Committee.

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

513. The Commission continued its regular participation in most of the activities of the OECD. It should be noted particularly that it participated actively in the action of the Economic Policy Committee and of its working group studying the trend of payments balances from the dual angle of the need to strengthen economic cooperation, decided on at the ministerial session of the Council on 7 and 8 June 1971, and the deterioration of the International economic and monetary situation.

The Commission further nominated Mr Hijzen, General Director for External Trade, to represent it in the high level group studying international commercial and related problems and the outlook for international trade set up by the Ministers on 7 and 8 June 1971 and presided over by Mr Jean Rey, former President of the Commission. It should also be noted that the Trade Committee was very active during the year and that the Commission took a full part in its work.

On 16 July 1971 the Commission submitted to the Council a memorandum on the coordinated application by the Community and its Member States of the notification and consultation procedure which the OECD has introduced for measures taken by its Member States concerning substances which might have an influence on humankind.

Among the other activities of the OECD in which the Commission is taking an active part were those of the Development Assistance Committee (DAC). As in previous years, a memorandum was submitted to the Committee concerning EEC financial, technical and food aid to the developing countries during the preceding year (1970). This memorandum was discussed during the yearly examination of the efforts made and assistance granted by the DAC member countries at a meeting on the EEC on 26 November 1971. In addition, the Commission participated actively, not only in the work of the Committee itself, but in the efforts of the different working groups and in the study of development aid problems. The Commission also collaborated closely in the work of a group specially set up for the preparation of the third UNCTAD Conference. Finally, it has participated regularly in the work of other OECD institutions, such as the Committees for agriculture, social affairs, taxation and energy, in which the Community's energy policy was explained.

COUNCIL OF EUROPE

514. As in the past, the Commission was represented at the meetings of the Consultative Assembly of the Council of Europe. Political and economic discussions this year centred principally on the main topics of the agenda: the political consequences of the enlarged Community, the economic and monetary situation, relations between Western Europe and the United States, East-West relations, and the political and military situation in the Middle East. The Assembly also considered in detail the future mission of the Council of Europe and, in the same context, the role which should be assigned to each of the European organizations. As in the past, the Commission was associated with the different intergovernmental committees and working groups of the Council of Europe.

OTHER ORGANIZATIONS

515. The Commission has followed the work of the Assembly of Western European Union (WEU), the European Conference of Ministers of

Transport (ECMT), the Central Commission for the Navigation of the Rhine (CCNR), the Intergovernmental Committee for European Migration (ICEM), the International Association for Social Security, the International Association for Health Insurance, and the International Bureau of Weights and Measures. Finally, the working relations between the Commission and the International Chamber of Commerce (ICC) which began in 1959, were supplemented by an exchange of letters on the 3 June and 5 July 1971. The two parties are in contact every year on the main issues of the international economic situation.

DIPLOMATIC RELATIONS OF THE COMMUNITIES

516. In the period under review, diplomatic relations were established between the EEC and Fiji and between the Communities and Mauritius. Four States already maintaining diplomatic relations with the EEC extended these to the other two Communities, ECSC and Euratom. At present, 91 States have Missions accredited to the European Communities, 57 of them to all three Communities, 33 to the EEC only, and one to the EEC and ECSC.

CHAPTER VI

INSTITUTIONS AND ORGANS OF THE COMMUNITIES

1. Composition and work of the institutions

THE EUROPEAN PARLIAMENT

Election of President

517. At its constituent session of 9 March 1971, the European Parliament elected its President and Bureau for the Parliamentary year 1971/72. Mr Walter Behrendt (Germany, Socialist) was elected President, and Mr Giovanni Bersani (Italy, Christian Democrat), Mr André Rossi (France, Liberal), Mr Louis Terrenoire (France, European Democratic Union), Mr Achille Corona (Italy, Socialist), Mr Hans Furler (Germany, Christian Democrat), Mr Laurent Merchiers (Belgium, Liberal), Mr Theodorus Westerterp (Netherlands, Christian Democrat), and Mr Joseph Lucius (Luxembourg, Christian Democrat) were elected Vice-Presidents. In September 1971, Mr Wilhelmus Schuijt (Netherlands, Christian Democrat) replaced Mr Westerterp as Vice-President, upon the latter's appointment as State Secretary in the Netherlands Ministry of Foreign Affairs. Mr Pierre-Bernard Cousté (France, European Democratic Union) was appointed general rapporteur for the Fourth General Report on the activities of the Communities during 1970. The Parliament also appointed the members of the Parliamentary Committees.

The Chairman of the Christian Democrat group was Mr Lücker (Germany), of the Socialist group Mr Vals (France), of the Liberal and Allied group Mr Berkhouwer (Netherlands), and of the European Democratic Union group Mr Triboulet (France).

In 1971 the representation from both chambers of the Netherlands and French Parliaments was renewed.

Activities in 1971

518. As the President, Mr Behrendt, explained in his report on activities in 1971, the Parliament worked hard during the year.¹

It held eleven plenary sessions, occupying 45 days. Four of these sessions—eleven days in all—were held in Luxembourg. One day was devoted to a joint meeting with the Consultative Assembly of the Council of Europe. There were eight more meeting-days than in the previous year. A plenary session was held each month, with the exception of August. As in national parliaments, the main work on the analysis of proposed measures takes place in the Committees. These held 253 meetings, some of them lasting several days, and adopted 132 reports. The Bureau held 18 meetings and the Committee of Presidents four. In addition, the fact that members belong to political groups laid further obligations on them. The Christian Democrat group held 40 meetings and two study days, the Socialist group 33 meetings and three study days, the Liberal and Allied group 32 meetings and two study days, and the European Democratic Union group 13 meetings and two study days.

519. Owing to this increase in their duties, members are increasingly occupied by their European mandate. As President Behrendt has pointed out, this results in fewer possibilities for optimum cooperation with national Parliaments, and he goes on: "while respecting the independence of Parliament, we must realize that only the existence of a 'European awareness' in public opinion, and especially in our national Parliaments, will enable us to adopt the measures needed to establish a united democratic Europe; and although our work takes place more and more in Luxembourg, Strasbourg or Brussels, we must never lose contact with our 'base' ... In order to improve relationships with national Parliaments and to associate the citizen even more fully with the creation of a Community will ... I have visited the Presidents of the Parliaments of the various member countries and discussed with them the possibility of greater coordination of our work. This should also be the subject of a special conference with the Presidents of the national Parliaments".

¹ See "L'année 1971 au Parlement européen", by Mr Walter Behrendt, President of the European Parliament, published as an Annex to the *EC Bulletin* 49/71 of 14 January 1971. The present chapter is based on this report.

520. Parliamentary activity during 1971 mainly pursued the aim of "showing clearly that a new Community policy was only possible in cooperation with the representatives of the European peoples". In this respect, the President of the Parliament stressed that the application of the Hague decisions concerning political cooperation had begun rather slowly during 1971, but that, after President Pompidou's press conference of January 1971¹ there had been an increased tendency to discuss the goals to be reached. However, continued President Behrendt, President Pompidou's proposals could be considered as a step forward only if they envisaged the establishment, at Community level, of a government which would be responsible to a European Parliament elected by direct universal suffrage. That was why the June session had called for the convening of a summit conference to determine the objectives for a united Europe, define the democratic and institutional balances, and resolve outstanding problems, especially those which might hinder the advent of an economic and monetary union and the fulfilment of the Third Medium-term Economic Policy Programme."

In the meanwhile, the Parliament noted with satisfaction its participation in talks on political cooperation. In application of the agreement reached by the six Governments in October 1970, the President of the Council had submitted the annual progress report on political unification. In addition, the Political Affairs Committee had held two meetings with Foreign Ministers of Member States to discuss the problems of political union, and, finally, during the November session a joint meeting of the Parliament, the Council and the Commission had been held to discuss the role of the enlarged Community in developing international relations and strengthening peace. Consequently, the Parliament had had several opportunities of expressing its views to the Council about European political cooperation. However, the Parliament thought that "the Community continues to suffer from the lack of a political agreement between its Governments".

521. The Parliament was of the opinion that the weakness of Community positions was apparent even where concrete decisions had already been taken—in economic and monetary policy, for example.

After the decisions of 9 February 1971 and the debate on the Community's action programme for that year, the Parliament considered that this

¹ For the main point of this press conference, see *EC Bulletin* 3-71, Part Three, Ch. 1, under "21 January 1971".

union had made a promising start. The monetary crisis brought this evolution to a sudden halt, and the Parliament, "instead of pursuing its work of integration, had to exert all its efforts to prevent disintegration". It complained that the Council had not succeeded, during 1971, in adopting a common line when faced with the crisis and noted that, "by the end of the year, the Community had not recovered sufficient Community spirit to move on to the achievement ... of the economic and monetary union".

At its May, June, September and October sessions, the Parliament examined the developments in the monetary situation, and called for a return to fixed parities within the Community and joint action by member countries in the appropriate organizations for a reform of the international monetary system. The discouraging progress of the monetary union proved to the Parliament that "the definition of abstract political goals was not sufficient; there had at the same time to be an assurance that institutions would be set up to guarantee the achievement of these goals".

522. The attribution of their own resources to Community institutions confirmed the Parliament in this view. It thought that the transfer of funds "had clarified and strengthened the position of the Community at the institutional level". The entry into force of the Luxembourg decisions of April 1970 had meant that, from 1 January 1971 onwards, Parliament had progressed towards the achievement of a real hold over the budget ... However, the procedure for cooperation between the Council and the European Parliament for the drafting, examination and approval of the budget did not meet all its wishes ... The Parliament held that, "if the Council wishes to maintain its powers of decision permanently, it will not be able to neglect cooperation with Parliamentary organs. The increasing number of documents which remain pending before the Council proves that the method of reporting decisions only to national civil servants is leading Community institutions up a blind alley". The Parliament felt that the requirements connected with the functions of the Council would necessarily bring about changes in the institutional structure.

523. However, Parliament thought that the need for a reform of institutional structures did not absolve the Council from the need to fulfil the tasks laid down for it in the Treaty with regard to the introduction of direct elections to the European Parliament. The latter regretted that the Council "had so far thought to satisfy it by declaring that unanimity could not be reached on a draft proposed by the Parliament more than ten years earlier. In the course of 1971, the Parliament again attempted to make progress on this question of principle. Unfortunately, the talks held with

the President of the Council had not produced any concrete results". The Parliament was prepared to envisage the problem of direct elections in the context of the changes made necessary by the enlargement of the Communities "provided that this enlargement is not taken as an excuse for preventing certain developments".

524. The Parliament was satisfied with the progress made in the accession negotiations. At the June and July sessions, the Council kept it informed of the decisive phases in the negotiations with Great Britain, and a debate was held on the political aspects of the changes taking place in Europe. The European Parliament attached particular importance to its relations with the Parliaments of the applicant countries and, in response to its invitation, visits by delegations from the Parliaments of Denmark, Great Britain, Ireland and Norway took place during 1971.

The Parliament also discussed Community relations with the countries of the Mediterranean basin during 1971, and looked into the problems of trading relations between the Associated African States and Madagascar and the Community. In addition, it considered that the organization of close cooperation between the Community and Latin America, decided upon in June 1971, should not be left to the Council alone. A delegation from the Parliament was able to establish or strengthen numerous political relationships in the course of two missions to South and Central America, thus laying the foundations for permanent parliamentary contacts.

Among the fields in which progress had been made in 1971 towards the achievement of a Community policy through parliamentary participation, President Behrendt mentioned the entry into force of Community generalized tariff preferences, the reform of the Social Fund and of the agricultural structures. On the other hand, he regretted that progress had been extremely slow in the fields of joint research, transport and regional policy.

525. At the end of his report for 1971, President Behrendt noted with satisfaction that the Parliament had discharged the tasks allotted to it. However, he added, "this provides no assurance for the future. The insufficient progress made by the Community during 1971 shows that, with each step we take towards Community enlargement, the difficulties to be overcome also increase. No one will make us a present of true legislative powers, or of a decisive influence upon the organization of Europe. We shall have to conquer these powers and that influence."

THE COUNCIL

Chairmen

526. In accordance with the provisions of Article 2 of the Treaty of 8 April 1965, the Council was chaired by the French Minister during the first half of 1971 and by the Italian Minister during the second half. As in the past, member countries sent their appropriate Ministers for the discussion of the problems on the agenda of the various meetings.

Sessions

527. During 1971 the Council held 53 sessions at ministerial level, of which 12 dealt with agriculture, 14 with foreign affairs, eight with finance, one with regional policy, one with education, one with justice, three with the Standing Committee on Employment, two with social affairs, two with transport, two with Euratom, two with scientific and technological research, two with the African States and Madagascar and three with Turkey.

528. The Council's activities were largely dominated during the year by the accession negotiations. In January 1971 the "Six" set up a Committee of Deputies, under the direct authority of the Permanent Representatives of the member countries. This Committee met regularly several times a week. At each weekly meeting of the Permanent Representatives the question of accessions took up a large part of the business discussed. Numerous expert groups made detailed examinations of all the complex facets of Community activity (for example, the problem of the technical adaptations to be made in private law). The negotiations proper seemed to hang fire for more than nine months, but resulted in an agreement on the most important points at a ministerial session held in Luxembourg from 21 to 23 June 1971. Even earlier than this, at the ministerial session of 10-13 May 1971, agreement had been reached on the main lines of the interim measures to be granted to applicants, especially in agriculture. On 7 June, the question of the pound and of sterling balances was solved by a unilateral declaration from Great Britain. Finally, in the course of a long session lasting from 21 to 23 June, the two most difficult items of the negotiations—imports of butter and cheese from New Zealand and the United Kingdom's financial contribution to the Community budget—were settled.

529. In the field of external relations, the Council, with the approval of the Parliament, drew up the concluding regulations for the Association

Agreement between the EEC and Malta, signed at Valetta on 5 December 1970, together with its implementing rules.

530. For the first time in the history of the Community, national Ministers of Education met in the Council, and decided to set up a European University Institute in Florence, which will open its doors in October 1973 to 500 students undertaking post-graduate work in history and civilization, political and social sciences, legal services, and economic science. The Council also examined the question of mutual recognition of university diplomas and the establishment of a European development and education centre. These questions require careful study, and a group of experts, helped by the Commission, will attempt to avoid overlapping with the work of other international institutions and to lay down the aims of the new centre and the resources it should have.

531. This year again the tradition remained unbroken, in that the Council of Ministers of Agriculture held numerous sessions. In fact, so long as monetary questions remain unsettled, the problem of farm prices will remain on the Ministers' agenda. The latter discussed another important subject, not directly linked with floating monetary parities—the application of the Mansholt Plan, and especially two of its most sensitive aspects: more profitable farms and measures to encourage the cessation of certain agricultural activities.

532. In the economic and monetary field, the Council reached agreement on two decisions, one concerning greater cooperation between the Central Banks of the member countries, and the other regarding increased coordination of member countries' short-term economic policies. The first decision stipulates that member countries shall coordinate their monetary and credit policies in accordance with general guidelines for economic policy to be laid down by the Council. The second decision is that the Council shall hold three sessions a year devoted to an examination of the economic situation in the Community on the basis of a Commission document, which shall, if necessary, include proposed decisions, directives or recommendations; the Council shall decide the short-term economic policy guidelines to be adopted by the Community and by each of its members, in order to achieve balanced economic development. The first of these sessions shall be devoted to a review of the economic policy followed in the past year, the second to a definition of compatible orientations for the essential elements of economic budgets, and the third, at the proposal of the Commission and after consultation with the Parliament, to drafting an annual report on the economic situation in the Community, to be used as a basis

for the economic policies of member countries for the year to come. The Council and the Governments of member countries also adopted the Third Medium-term Economic Policy Programme for 1971-75.

533. As regards social affairs, the Council approved, in the course of 1971, a certain number of texts concerning professional training and a programme for implementing Article 118 of the Treaty. But mention should specially be made of the adoption, on 14 June 1971, of regulation No. 1408/71 on the coordination of social security systems for migrant workers,¹ and of the texts concerning the reform of the European Social Fund, on 8 November 1971.² The reform of the European Social Fund is embodied in four instruments:

- (i) The first defines the conditions in which assistance from the Fund will be forthcoming;
- (ii) The second defines certain types of assistance, especially for training, re-education and professional further training;
- (iii) The third states that the Fund may also grant assistance to handicapped persons and to those directly employed in agriculture, who, after benefiting from assistance, carry on self-employed activities;
- (iv) The fourth permits the extension, to the French Overseas Departments, of the benefit of Treaty provisions concerning the Fund, as laid down in Article 227(2) of the EEC Treaty.

THE COMMISSION

Composition

534. The Commission, which assumed office on 2 July 1970,³ has exercised its powers in accordance with the Treaties, its rules of procedure and its spheres of competence as defined in the last General Report.³

In order to strengthen the links between the United States and the Communities, the Commission set up a permanent delegation in Washington under the leadership of the former Italian Ambassador to Belgium, Mr Aldo Maria Mazio.

In a letter dated 12 October 1971, the Commission apprised the Council of a proposal concerning the institutional problems which would

¹ *Journal officiel* No. L 149, 5 July 1971.

² *Ibid.* No. L 249, 10 November 1971.

³ *Fourth General Report*, sec. 492 *et seq.*

arise in moving from the composition of the Commission laid down in Article 32 of the Treaty of 8 April 1965¹ to the composition which would result from the new accessions.² At its meeting of 18 October 1971, the Council adopted the solution proposed by the Commission, i.e. complete renewal of the Commission on the date when the Accession Treaty comes into force.

Organization

535. The Commission adopted certain measures concerning the organization of its services.

In particular, it brought under a single Directorate-General the administrative units dealing with industrial affairs, technological development and scientific research, with the exception of the Joint Research Centre, which was granted a wide degree of autonomy. It also granted autonomous status to the department dealing with customs matters, which has hitherto come under industrial affairs. It reorganized the Directorate-General for Development Aid and the Euratom Supply Agency and safeguards and control services. Safeguards and controls were brought under the Directorate-General for Energy, whose title was amended in consequence. A group for teaching and education was also set up.

Administration

536. Within the framework of policy of concerted action and dialogue initiated by the Commission, proposals for the revision of the Statute of Service of officials of the Communities continued to be the subject of prolonged discussion with bodies representing the staff.

These discussions led to joint viewpoints which will be submitted to the Council for final examination. Questions whose importance was stressed by both the Commission and the staff included the social security system as a whole, with special emphasis on the pensions scheme; the introduction of part-time employment; the secretariat staff problem and problems caused by the parities of the currencies in which salaries are expressed and paid.

With regard to pay and allowances, the Commission, following the terms of reference whereby the Council had made it responsible for finding

¹ *Fourth General Report* sec. 492, *et seq.*

² Sec. 49.

the most rational way of establishing a policy for periodical pay adjustments, submitted to the Council proposals based on the cost of living trend and on the improvement in living standards as a result of increases in the gross domestic product. These proposals were also subjected to thorough joint examination by the institution and the staff.

537. The Commission's establishment for 1971 had been fixed at 5 423 permanent and 70 temporary posts. In the course of the year, the Council authorized 82 new posts (30 A, 22 B and 30 C) out of supplementary appropriations for the Directorates-General for Agriculture and Customs Administration. This brought the establishment up to 5 505 permanent posts (1 547 A, 1 062 B, 2 055 C, 300 D and 541 LA). The 70 temporary posts included 40 A, 10 C and 20 LA.

In addition, the Commission's report to the Council on the siting of Community services showed that the number of persons stationed in Luxembourg had increased from 1 080 to 1 098.

538. On 6 December 1971, the Council decided to grant the Commission 187 new posts for 1972. Of these, 156 would be permanent and 31 temporary. It also decided to transfer 113 posts from the research to the operational budget. As a result of this decision, the staffing table for 1972 will include 5 774 permanent and 101 temporary posts. The former break down as follows: 1 633 A, 1 116 B, 2 139 C, 325 D and 561 LA. Temporary posts include 40 A, 21 C and 40 linguists.

539. A rational recruitment policy has been put into effect by organizing general competitive examinations with a view to forming reserve pools of linguists, secretaries, administrators and administrative assistants.

With regard to vocational training and social activities on behalf of the staff, the Commission has developed these by introducing more language courses, seminars and in-training periods, and also through the activities of advisory bodies of a social nature.

The rules on the grant of building loans to staff have now entered into force.

540. In the sphere of translation, 1971 called for special efforts to ensure the production of English, Norwegian and Danish texts of the Treaties and of the secondary legislation deriving therefrom. The interpretation services began to study ways and means of coping with the new linguistic needs.

541. In 1971 the Commission met with serious difficulties in the functioning of technical equipment in the Berlaymont building.

In order to overcome these difficulties and make the building more habitable, enquiries and studies were undertaken, and a programme of work, to be undertaken at the owner's expense, was drawn up. Part of this work has already been done, and it is hoped that the whole programme will be completed satisfactorily during 1972.

THE COURT OF JUSTICE

Composition

542. At its session of 21 September 1971 the Court of Justice made the following appointments for one year, beginning 7 October 1971:

Judge J. Mertens de Wilmars, President of the First Chamber;

Judge H. Kutscher, President of the Second Chamber.

The composition of the Court is as follows:

President of the Court : R. Lecourt

First Chamber : J. Mertens de Wilmars (President)
A.M. Donner (Judge)
R. Monaco (Judge)
K. Roemer (Advocate-General)

Second Chamber : H. Kutscher (President)
A. Trabucchi (Judge)
P. Pescatore (Judge)
A. Dutheillet de Lamothe (Advocate-General)¹

Registrar : A. Van Houtte

At its session of 6 October 1971 the Court decided to refer, for the period 1 October 1971 to 1 October 1972:

to the First Chamber, cases brought by officials of institutions and organs of the Communities other than the Commission;

to the Second Chamber, cases brought by officials of the Commission.

¹ Mr Dutheillet de Lamothe died suddenly on 2 January 1972.

Activities

543. During 1971, 96 new cases were filed with the Court of Justice. The Court handed down 78 judgments, 11 cases were withdrawn, and 82 were still pending at 31 December 1971.

The case law of the Court is dealt with in Chapter VII of this Report (Community law), where the various aspects are gone into in more detail. A full list of new cases and judgments rendered in 1971 is given at the end of that Chapter.

THE CONSULTATIVE BODIES

*The Economic and Social Committee**Chairmanship and composition*

544. During 1971 the Economic and Social Committee met under the chairmanship of Mr J.D. Kuipers (Employers group, Netherlands); Mr A. Aschoff (General Interests group, Germany) and Mr Bouladoux (Workers group, France) acting as vice-chairmen.

In order to avoid any interruption in the Committee's work if new members could not be appointed in due time (as occurred in 1966 and 1970), the Commission proposed an amendment to Articles 194 of the EEC Treaty and 166 of the Euratom Treaty, to the effect that members would remain in office until replaced. The European Parliament adopted a resolution approving this proposal, which will have to be agreed by the member countries.

At the opening of the 97th session (September), the Chairman of the Committee announced the election of Mr Jacques Genton, the Committee's Secretary-General, as a member of the Senate of the French Republic.

Sessions and activities

545. The Committee held eight sessions in 1971.¹ It rendered some 60 Opinions and took note of four reports. Five statements were made.

¹ For further details, see *EC Bulletin* 3, 4, 5, 7, 8, 11 and 12-71, and 1-72, Part Two, Ch. IV.

At its January session, the Committee rendered its Opinion on the proposed Third Medium-term Economic Policy Programme. Opinions on means of achieving freedom of establishment for certain self-employed activities were formulated in January, February, March and September. The 94th session (March) was especially important, as three Opinions were rendered, concerning agricultural reform, industrial policy and the economic situation in the Community. The May session produced two Opinions on proposed directives for the coordination of company law between member countries. Another Opinion adopted unanimously at the June session concerned the social situation in the Community in 1970. The Opinion on the "Annual Report on the Economic Situation of the Community" was rendered in September. In October, the Committee's Opinions concerned agricultural prices and Community regional policy activities. The 99th session (November) rendered Opinions on the increase in the level of compulsory petroleum stocks, Community activities in social affairs and the European Fund for interest subsidies to promote regional development.

In January, the Committee heard a statement by Mr R. Barre, Vice-President of the Commission, on progress in Community work on the gradual achievement of economic and monetary union. In March, Mr A. Spinelli, member of the Commission, spoke of the main lines on the Community's industrial policy. Mr J.F. Deniau, member of the Commission, made a statement on progress in negotiations with applicant countries at the May session, and in June Mr R. Barre spoke on the monetary situation. Finally, the Committee heard a statement in September by Mr Spinelli on the protection and improvement of the environment.

Information reports submitted in 1971 dealt with tariff-fixing for infrastructure use (February session), the main lines of a possible international agreement on fats (May session) and financial resources for regional development (September).

The ECSC Consultative Committee

Chair

546. The Chairman of the Consultative Committee for 1970/71 was Mr M. Picard (Consumers and dealers, France), and the Vice-Chairmen Mr Van Berk (Workers, Germany) and Mr Conrot (Producers, Luxembourg).

Sessions and activities

547. During 1971 the Committee met eight times.¹ Seven of these meetings were held in Luxembourg, while that of June took place in Nice.

As in previous years, the Committee regularly heard statements by the Commission on Community activities arising out of the ECSC Treaty. At the July session Mr Malfatti, President of the Commission, spoke of the general situation in the Communities. Mr Barre and Mr Haferkamp, Vice-Presidents, also made statements. The former spoke on the economic and monetary union (March session), and the latter on energy policy (September) and the general state of the coal market (March). Mr Coppé, member of the Commission, dealt with the features of the new Social Fund, transport conditions for ECSC products (February session), and also with social policy (July and October sessions). Mr Spinelli, member of the Commission, presented statements on industrial policy (February and October) and general steel objectives for the period 1975-80 (May). Mr Borschette, member of the Commission, made a statement on the Commission's proposals for amendments to the application decisions of Article 60 of the Paris Treaty (March and May sessions). The statement on the Commission's activities was debated at the June session. Finally, Mr Dahrendorf made some comments on the monetary situation and on commercial policy (December).

Each quarter, the Consultative Committee rendered an Opinion on the forward "coal and steel" programmes (March, June and September). In December, the Committee examined the forward steel programme for 1972. For the first time this was an annual instead of a quarterly one. In February the Chairman, Mr Picard, made a statement on the results of the meeting of the Committee's special working group on "the enlarged Community". In May the Committee refused to approve the amendments to the implementing decisions to Article 60 of the ECSC Treaty proposed by the Commission. This debate had begun at the March session. In July the Committee studied a report on transport policy and two reports on the economic and social aspects of industrial policy. In October it adopted draft reports on the Community's social policy, on transport policy and on regional and industrial policies.

In June the Committee rendered three Opinions on technical research projects in the fields of iron and steel, coal and industrial health and medicine.

¹ For further details, see *EC Bulletin* 4, 5, 7, 8, 9/10, 11 and 12-71, and 2-72, Part Two, Ch. IV.

Committees

The Monetary Committee

548. The Monetary Committee held 12 sessions in 1971. In addition, the Committee of Alternates met on several occasions. The monetary events during the year did much to shape the Committee's activities. In accordance with Community regulations, the Committee held preliminary consultations on the external monetary measures adopted by the German Federal Republic and the Netherlands in May. The Committee also made a detailed study of the possibilities of regulating internal liquidities and of controlling capital transactions abroad. The Commission was thus able to make suitable proposals on this subject to the Council. As a result of the measures announced by the United States on 15 August, the Committee prepared several Council sessions to define a common attitude by the Six in the negotiations under way in international monetary circles. Finally, it completed its study of monetary policy instruments in the member countries.

Short-term Economic Policy Committee

549. The Committee met six times in 1971, and continued its regular reviews of short-term economic prospects in the member countries. It examined draft budgets, revised draft budgets and reports presented by departments of the Commission. It was consulted by the latter at successive stages of preparation of the first annual report on the economic situation in the Community. The conclusions it drew from these reviews were either transmitted orally to the Council by the Committee's Chairman (June and October) or by means of an opinion to the Commission (May). In addition, in execution of the Council's request, it adopted a report in March 1971 on "problems caused by the present inflationary trends". Finally, the Committee held several discussions on a reform of the system of economic indicators.

Medium-term Economic Policy Committee

550. The Committee met three times in 1971. It studied progress in medium-term planning in several Community countries, and considered an expert group's report on medium-term economic prospects. It adopted and decided to forward to the Council and the Commission a report on methods and institutions for the formation, redistribution and use of incomes in

the Community, a report on the problems arising from the development of social security in connection with medium-term economic policy, and a report on the main problems of commercial policy within the Community. Finally, the Committee examined the draft of the annual report on the economic situation of the Community submitted by the Commission to the Council, and also undertook a study of conditions for the revision of compatible guidelines.

During 1971 the Committee's working group on "Scientific and technical research policies" (Prest) continued to compare national plans, programmes and budgets for research and development; the drafting and distribution of a report on the public financing of research and development within the Community (1967-71); the implementation of the Council decision of 24 June 1971 on the organization of scientific and technical documentation and information (IDST) at Community level (establishment of a standing IDST Committee, experiments with various methods regarding metallurgy); and the completion of two reports on training and the exchange of scientists in the Community. These two documents were forwarded to the Education Ministries of Member States.

The Budget Policy Committee

551. The Committee met seven times in 1971. It continued its regular examinations of the budgetary situation in member countries, and decided to concentrate more in future on discussing the situation in the country or countries which had shown their intention of changing their economic policies. In June, the Committee examined quantitative orientations of Member States' public budgets for 1972, as well as the execution of their 1971 budgets, so that Governments could take advantage of the Community's point of view when deciding upon their draft budgets. In the autumn, and as part of the preparation of the Council's discussions on the draft Annual Report of the Economic Situation in the Community, the Committee reviewed Member States' draft budgets for 1972. The Chairman informed the Council orally of the Committee's conclusions. In addition, the Committee was consulted by the Commission about the pluri-annual forecasts of the Community budget for 1972-74. It made suggestions with a view to improving the presentation of these forecasts, which will henceforth cover revenues and an evaluation of the effects of the Community's budget on national budgets.

The Finance Ministers of the Member States, meeting at Arnhem on 11/12 January 1971, decided that the coordination of budgetary policies

should be based, during the first phase of implementation of the economic and monetary union, on a comparison of budgetary balances. At their invitation, the Committee drew up a definition of such a balance, and laid down common criteria for its estimation. Towards the end of the year, the Committee reverted to its examination of the harmonization of budgetary time-tables (presentation and adoption of budgets) in the various Member States in the light of the need to coordinate budgetary policy at Community level. Finally, in May, the Committee organized a seminar in Paris on the rationalization of budgetary options, at which work done in the Member States in this field (PPBS techniques, cost-benefit analyses, programme budgets, etc.) was explained and compared. The Committee decided to hold regular exchanges of information on progress in this field.

2. Financing Community activities

Budgets

The 1972 general budget

552. The first draft of the Communities' general budget for the financial year 1972 was submitted to the Council by 1 September 1971, in accordance with the provisions of the Treaty of 22 April 1970.¹ This first draft, which used a new budgetary nomenclature, was based on a total of 4 099 923 545 u.a., broken down as follows:

Administrative, operational and miscellaneous expenditure	373 906 308 u.a.
European Social Fund	105 250 000 u.a.
European Agricultural Guidance and Guarantee Fund	3 494 500 000 u.a.
Food aid	36 823 000 u.a.
ECSC research and investment expenditure	89 444 237 u.a.

At its meeting of 20 September 1970 the Council approved a draft budget for 3 990 467 830 u.a. However, this figure did not include any provision for research and investment expenditure, which the Council reserved the right to add to the draft budget once it had decided on the new research programme.

553. Taking into consideration the resolution adopted by the European Parliament on 18 November 1971, and also the various amendments made to the draft budget on that occasion, the Council finally adopted the budget for the financial year 1972. Leaving out of account receipts and expenditure under the heading of research and investment activities—for which the exact figures were not known when this Report was drawn up—the budget breaks down into the following main headings:

¹ *Fourth General Report*, Secs. 515-517 and 542-545.

Administrative, operational and miscellaneous expenditure	367 690 020 u.a.
of which 185 175 000 u.a. for the lump-sum repayment to the Member States of costs incurred in levying "own resources"	
European Social Fund	97 750 000 u.a.
European Agricultural Guidance and Guarantee Fund	3 526 551 300 u.a.
Food Aid	36 823 000 u.a.
Total	4 028 814 320 u.a.

(EAEC research and investment expenditure not included)

The distribution of credits by institutions was as follows:

European Parliament	14 087 895 u.a.
Council	22 311 685 u.a.
Commission	3 988 597 420 u.a.
Court of Justice	3 817 320 u.a.

Estimates of Community financing for 1972—leaving research and investment out of account—are as follows:

Own resources	1 851 750 000 u.a.
Share of ECSC levies paid under Article 20 of the Treaty of 8 April 1965	18 000 000 u.a.
Sums withheld from staff salaries	12 216 070 u.a.
Member States' contributions	2 143 766 520 u.a.
Miscellaneous receipts	3 081 730 u.a.

554. Apart from supplementary budget No. 2, the 1971 budgetary year was marked, as far as the Commission's research and investment credits were concerned, by two important facts:

(i) In application of Article 10 of the Treaty modifying certain budgetary provisions of the Paris and Rome Treaties, and of the Treaty of 22 April 1970, these credits appeared for the first time (under Chapter 33 of section III: Commission) in the general budget of the Communities of which they constitute an integral part.¹

¹ *Journal officiel* No. L 62, 15 March 1971.

(ii) In accordance with the decision of 13 January 1971, the Commission, with the Council's agreement, changed the structure of the JRC, so that it could acquire a certain administrative independence with respect to the central Commission departments in Brussels. These changes involve a whole range of administrative, technical and financial measures.

With regard to the budget, the salient fact was the financial regulation concerning the research credits 71/332 (EEC, Euratom, ECSC) of 20 September 1971, by which the Council unanimously agreed special provisions as to the presentation and execution of research and investment credits. These provisions are to be incorporated into the single financial regulation, under study in the Council.

On the basis of this regulation, and taking as starting point the proposals for pluriannual programmes forwarded to the Council by the Commission on 29 September 1971, the latter body submitted to the former an advance draft statement of receipts and expenditure in the matter of research and investment, drawn up in accordance with the new functional structure, i.e. the budget annex concerning research and investment credits which is divided into two parts: the "first part", concentrated on research objectives, shows all the credits needed for the financial year in question classified under their destination, and thus constituting the budget properly speaking. This part consists of nine chapters. The "second part", centred on common resources—staff, infrastructure, technical support and major installations—consists of appropriation accounts which, on the one hand, make it possible to show the cost of each of these resources, and, on the other, to break down the common costs among the various research objectives or other resources.

555. At its meeting of 20 December 1971, the Council gave its agreement to the allocations for the various headings of the Community research and education programme for 1972, amounting in all to 44 840 000 u.a. as follows:

Joint programme	15 080 000 u.a.
Supplementary programme	25 560 000 u.a.
Applied data processing (Cost action No. 11 on the basis of a 5-year programme	200 000 u.a.
Non-nuclear activities	4 000 000 u.a.

It should be remembered that the Council had already adopted, on 21 June 1971, pluriannual programmes for:

Controlled thermonuclear fusion and plasma physics (joint programme) (five-year allocation beginning 1 January 1971)	46 500 000 u.a.
Biology and health protection - protection against radioactivity (joint programme) (five-year allocation beginning 1 January 1971)	17 335 000 u.a.
Biology - adaptations to agricultural and medical research (additional programme) (five-year allocation beginning 1 January 1971)	5 610 000 u.a.

To these programme decisions should be added the instalment of the Commission's participation in the Dragon agreement, amounting, for the period 1 April 1970 to 31 March 1973, to 6 900 000 u.a.

On the basis of these programme allocations, commitment credits and payment credits, including those required to cover commitments previously entered into, will be included in the budget of the European Communities, agreement on which was noted by the President of the Council at this same session.

Amended or supplementary budgets for 1971

Amended budget No. 1.

556. The last General Report¹ mentioned that, as a result on the entry into force, on 1 January 1971, of the new system for financing the Communities' general budget out of their own resources, the Commission had submitted an amended budget for 1971 to the Council on 31 December 1970.

This preliminary draft, to the amount of 3 902 464 689 for receipts and expenditure was increased by the Council to 3 909 810 589, as certain Member States considered in the course of the procedure that modifications to estimated income from own resources were required. At its meeting on 11 February 1971 the European Parliament approved the Council's draft, which the latter adopted definitively on 1 March 1971. In the meantime,

¹ *Fourth General Report*, Sec. 519.

the Council adopted the regulation (2/71) applying its decision of 21 April 1970 on the substitution of own resources for Member States' contributions. This has enabled the new system to function smoothly.

Within the framework of this regulation, Member States make monthly payments of customs duties (according to the percentage fixed in the budget), agricultural levies and sugar contributions.

The supplementary budget

557. In order to deal with the mass of additional work facing the Administration of the customs union and the Directorate General of Agriculture after the adoption of the 1971 budget, the Commission found itself obliged to submit to the Council the first draft of supplementary budget No. 1, which provided for the establishment of 176 new posts (57 in category A, 46 in category B and 73 in category C) and the authorized supplementary credit of 793 400 u.a.

At its meeting of 20 September 1971 the Council drew up this draft budget, but authorized only 82 of the posts requested (30 A, 22 B and 30 C). In addition, it considered that, given the date at which the supplementary budget would finally be approved, it was unnecessary to make any additional credits available for 1971.

As the European Parliament approved the draft in question without amendment, the President of the Council was able to note, on 8 November 1971, that the supplementary budget was duly agreed.

As a result of the decision on the pluriannual programme taken in June 1971, the Council, at its session of 16 November 1971, approved a supplementary budget of 33 289 000 u.a. of commitment credits for the fusion and biology action.

Preliminary draft of amended budget No. 2

558. As a result of the shortfall noted at the end of October 1971 in the collection of own resources, and in order to maintain the balance between receipts and expenditure in the general budget for 1971, the Commission, after consultation with the Committee for own resources, decided to submit to the Council a second preliminary draft of an amended budget for the purpose of compensating, by means of an increase in Member States' contributions, the difference foreseen in revenue from own resources. This, on the basis of levies collected up to the end of August and forecasts for the last four months of the year, was estimated at 63 362 500 u.a.

Considering that the first thing to do with regard to the problem thus posed was to find a way round the cash deficit which would face the Commission in December 1971, the Council decided, at its session of 6 December 1971, not to adopt the preliminary draft, as Member States had declared their willingness to place 82 041 615.74 u.a. at the immediate disposal of the Commission. This sum corresponded to the arrears due to the Communities from the CCT duties heading for the period January-September 1971. Furthermore, the Member States also agreed to pay over own resources for the month of October 1971 by 15 December 1971 at the latest.

Pluriannual forecasts for 1972-1973-1974

559. In accordance with the Council's decision of 21 April 1970 concerning pluriannual financial forecasts, the Commission, having heard on 7 September 1971 the opinion of the Budget Policy Committee to the effect that these forecasts corresponded in the main to the requirements of the Council's decision, made financial forecasts for the financial years 1972 to 1974, and forwarded these to the Council and the Parliament.

Without taking into account credits carried forward, these forecasts show that in 1973 the increase will be 6.65% over 1972, and in 1974, 6.94% over 1973. This evolution might however be influenced, especially in the agricultural sphere, by unforeseeable contingencies, such as fluctuations in world prices, production levels, and farm prices within the Community itself. In addition, these forecasts have been made without taking into account any enlargement of the Community.

ECSC Levy

560. Articles 49 and 50 of the ECSC Treaty stipulate that the Commission is entitled to obtain the funds required for carrying on the activities mentioned in the Treaty by means of levies on the production of coal and steel. Income from levies is a function of production figures, the value of the commodities on which there is a levy, and the rate fixed by the Commission.

1971

561. For 1971 forecast income from levies was greatly influenced by a very marked drop in steel production. The loss of income from this source

will probably exceed 10% of the initial forecast, but will be offset by a decrease in the overall requirements.

During 1971 the Commission used 2 million u.a. of funds set aside for readaptation assistance but not required for this purpose, in order to increase the fund initially earmarked for "workers' housing", which consequently increased from 5 to 7 million u.a.

The actual 1971 figures might be as follows (in million u.a.):

(i) Income	
Levies	38.5
Other resources	11
Amortization of workers' housing	5.1
Cancellation of schemes that will not be implemented	2.5
Withdrawals from the special reserve and miscellaneous income	4.5
	<u>61.6</u>
(ii) Requirements	
Administrative expenses	18
Aids: readaptation research	15.5
coking coal	11
Interest subsidies:	
Article 54	2.55
Article 56	3.50
Workers' housing	3.50
Contingency fund for "bad debts"	7
	0.50
	<u>61.55</u>

1972

562. According to the custom of the High Authority, the Commission's decision concerning the rate of the ECSC levy for 1972 was taken only after consultation with the four Committees of the European Parliament. This consultation, which took place for the first time simultaneously with the European Parliament's examination of the general budget of the Communities, was the subject of a resolution adopted unanimously on 19 November 1971.

After considering the Opinion of the European Parliament, the Commission fixed the rate of ECSC levies for 1972 at 0.29% instead of 0.30% in 1971 in order to take account, factually if not formally, of its concern not to overburden ECSC industries in 1972 as compared with the 1971 rate of levy.

On this basis, income and requirements forecasts for 1972 are as follows (in million u.a.):

(i) Income	
Levies	41.5
Other resources	10.2
Amortization of workers' housing	5
Cancellation of schemes that will not be implemented	2
Unused funds to be carried over	6
	64.7
(ii) Requirements	
Administrative expenses	18
Assistance: readaptation	17
research	12
coking coal	1.7
Interest subsidies (loans under Articles 54 and 56)	8
Special reserve fund (workers' housing)	6
Funds to be spent according to the evolution of resources and requirements	2
	64.7

Financing of ECSC investment

563. The Treaty of Paris empowers the Commission to facilitate the carrying out of investment programmes by granting loans to undertakings or guaranteeing other loans which they may contract (Article 54, para. 1). As well as making loans towards capital schemes on the coalmining and steelmaking sides proper, the Community can assist in the same ways with the financing of any projects and plant which contribute directly and primarily to increasing the output, reducing prime costs or facilitating the marketing of products under its jurisdiction (Article 54, para. 2). Such

operations, which require unanimous endorsement by the Council, have so far been confined almost exclusively to financing schemes for building workers' houses and large power stations. Applications continued to be received from enterprises for ECSC aid for the financing of both industrial programmes and of programmes of the kind specified in Article 56 of the ECSC Treaty (reconversion loans).

The importance of the investments in train, and the scale of the assistance which the coal and steel industries expect from the ECSC, induced the Commission to adopt a more active loans policy than in 1970. This policy was helped by weakening of interest rates. By calling at the same time upon the national and international money markets, and by equalizing costs between the various loans contracted, the Commission was able to keep the normal interest on its loans at 8.25%. This rate was held steady over the period and was the same for all Community countries.

During the period from 1 January to 31 December 1971, the Commission undertook six borrowing operations for a total equivalent to 102.33 million u.a., bringing to 76 the number of loans so far contracted by ECSC under the terms of Article 49 of the Treaty, for a grand total of 1 057.83 million u.a.

564. Operations in 1971 were as follows:

- (i) DM100 million: a bond issue fully underwritten by a consortium of German banks at 7.5% for 15 years, at an issue rate of 99%;
- (ii) Flux400 million: a bond issue in two instalments, one of 150 million francs at 6.5% for eight years, the other of 250 million francs at 7% for fifteen years, both issued at the rate of 98.5%. This loan has been fully subscribed by a consortium of Luxembourg banks;
- (iii) Flux300 million: a private loan on the international market, fully underwritten by a Luxembourg bank at 7.75% per annum for 12 years;
- (iv) \$20 million: a bond issue fully underwritten by an investment trust and a Luxembourg bank, at 7.75% for 15 years, at an issue rate of 98.5%. This loan was issued on the international money market with a clause linking it to the Luxembourg franc;
- (v) Bfrs700 million: a bond issue fully underwritten by a consortium of Belgian banks, at 7.75% per annum for 15 years, and at an issue rate of 99.5%.
- (vi) FF150 million: a bond issue fully underwritten by a consortium of French banks, at 8.5% per annum for 18 years, issued at par.

565. Aggregate funds available in 1971 for lending to enterprises amounted to 156.34 million u.a., broken down as follows:

Funds in hand at the beginning of the year	4.01
Encashment of the loan in European monetary units (5 January 1971)	50.00
Proceeds of loans in 1971	102.33
Total	156.34

The loans paid out from this sum in 1971 amounted to 112 million u.a., 67 million of which was granted to industrial programmes under Article 54, and 45 millions for redevelopment programmes whose purpose, in accordance with the provisions of Article 56 was to provide alternative jobs for redundant manpower. Loans under this heading were granted not only to ECSC enterprises, but also to enterprises not covered by the Treaty, and for the financing of infrastructure work.

The interest rate of loans granted under Article 54 remained unchanged at 8.25%, as fixed in March 1970. The Commission also used the possibilities opened by its decision of 18 June 1970 to grant reduced interest loans under Article 54. Such loans have been made to finance the installation of coking ovens to offset the effects of foreseeable closures and to avoid, in the long term, possible strains on coke supplies. The proportion of reduced-interest loans was fixed according to the size of the capacity to be installed.

In accordance with the same decision, loans at reduced interest were also granted, for the first time, for multinational investments likely to contribute to the Community integration of ECSC enterprises. The special rate for the share of these loans granted at reduced interest was 5.5% per annum for the first five years. It is likely that loans will be granted on similar terms in 1972 to finance investments arising from measures taken by public authorities to protect the environment, and for the establishment of research and vocational training centres for the ECSC industries.

Apart from those granted for infrastructure financing, redevelopment loans have been accorded on preferential terms. Here again, the normal interest rate of 8.25% has been reduced to 5.5% for the first five years. The lower rate has been applied to all or part of the programmes financed, depending upon their impact on re-employment of manpower.

The policy of financing workers' housing continued in 1971. Loans for this purpose are normally granted out of the Community's own funds,

at a very low interest rate and on specially attractive redemption terms. They are made in the currency of the payee's country to avoid any possible exchange risk. In the course of the year, the seventh programme was put into operation. It totalled 12 million u.a., of which 1.6 million was for the modernization of old housing. First payments on contracts concluded in 1971 under the seventh programme are expected for the beginning of 1972. In addition, 0.5 million u.a. paid over under contracts signed in the framework of the sixth programme.

566. The programmes assisted may be broken down among the types of investment given priority in the Community's "General Objectives" or under other policies laid down by the Commission. These are:

In the coal industry:

Pithead power stations taking low-grade coal:

- Charbonnages de France, Paris (Lorraine coalfield);
- Charbonnages de France, Paris (Blanzky coalfield).

Cokeries rationalization programme:

- Ruhrkohle Aktiengesellschaft, Essen (cokeries near Oberhausen, Essen and Dortmund).

In the iron and steel industry:

Rationalization and specialization of rolling mills:

- SA Cockerill - Ougrée - Providence et Espérance - Longdoz, Seraing (Marchienne and Athus mills);
- SA des Forges et Aciéries de Dilling, Dillingen/Saar;
- Rasselstein Aktiengesellschaft, Neuwied/Rhein;
- Giuseppe e Fratello Redaelli SpA, Milan;
- SA Sidérurgique Maritime "Sidmar", Ghent.

Establishment of cokery facilities in coastal plants:

- Société Dunkerquoise de Cokéfaction, Paris (Dunkirk plant);
- Koninklijke Nederlandsche Hoogovens en Staalfabrieken NV, IJmuiden;
- Société Marseillaise de Cokéfaction "Marcoke", Paris (Fos-sur-Mer plant).

567. A total of 44.7 million u.a. was laid out during 1971 in 23 redevelopment loans, distributed geographically as follows:

Germany:

North Rhine - Westphalia:

Chemische Werke Huels, Aktiengesellschaft, Marl/Kreis Recklinghausen;
 Feldmühle Aktiengesellschaft, Düsseldorf GmbH (Hagen-Kabel plant);
 Kaiser-Preussag Aluminium Hüttenwerk GmbH, Voerde/Kreis Dinslaken;
 Kraftwerk Union Aktiengesellschaft, Mülheim/Ruhr;
 Wilhelm Schade, Plettenberg (Herne/Westphalia plant);
 Vereinigte Papierwerke Schickedanz und Co., Nürnberg (Gelsenkirchen plant);
 Wisthoff und Co., Essen-Steele.

Saar:

Michelin Reifenwerke Aktiengesellschaft, Karlsruhe (Homburg/Saar plant).

Belgium:

Crédit communal de Belgique, Brussels (loan granted to the inter-municipal association for the economic development and equipment of the Centre and Borinage regions).

France:

Nord - Pas-de-Calais:

Société anonyme des usines Chausson, Asnières-sur-Seine (Maubeuge plant).

Centre:

Charbonnages de France, Paris (Blanzky coalfield);
 Société mécanique du Nivernais SA, Cercy-la-Tour (Nièvre).

Lorraine:

SA Automobiles Citroën, Paris (Metz-Borny plant);
 Cirling Moselle SA, Paris (Bouzonville-Moselle plant);
 SA Solvay et Cie, Bruxelles (Sarralbe plant);
 Laminoirs à froid de Thionville, Thionville.

Rhône-Alps:

SA Merlin et Gérin, Grenoble (Grenoble plant).

Languedoc:

SA Merlin et Gérin, Grenoble (Alès/Gard plant).

Netherlands:

Limbouurg:

Cheswicket Wright Europa-Roermond NV, Roermond;
 NV v/h fa. Cox-Geelen, Eidsen;
 Rubber- en Kunststoffenfabriek ENBI NV, Nuth;
 Euramax Aluminium NV, Roermond;
 NV Pionier-Laura, Eyselshoven.

568. Table 23 shows the loans paid out by ECSC from the start of its financial operations to 31 December 1971, by category of activity and country:

TABLE 23
 Total lendings at 31 December 1971

(million u.a. and %)

Category	Germany (FR)	France	Italy	Belgium Luxem- bourg Nether- lands	Community	
					million u.a.	%
Coal industry ¹	203.85	65.48	5.06	14.00	288.39	25.13
Iron-ore mines	10.55	13.00	5.70	1.00	30.25	2.64
Iron and steel industry ¹	193.94	76.19	150.94	68.37	489.44	42.66
Sub-total	408.34	154.67	161.70	83.37	808.08	70.43
Workers' housing	64.81	21.65	14.22	34.14	134.82	11.75
Redevelopment	66.44	42.13	26.76	59.14	194.47	16.95
Readaptation	1.41	0.53	—	—	6.35	0.55
Research	5.82	0.60	0.23	0.76	3.00	0.26
Miscellaneous	—	—	—	0.72	0.72	0.06
Total	546.82	219.58	202.91	178.13	1 147.44	100.00

¹ Including loans under Article 54, para. 2.

Financial Control

569. The Commissions's Directorate-General for Financial Control was reorganized in 1971. The new system takes account of the greater measure of independence granted to the Joint Research Centre by centralizing control of all its expenditure in a single department in Ispra. The reorganization has also included the setting up of a unit in Luxembourg to keep closer and more rational watch on the work of the Commission's departments located there and of the Office for Official Publications of the European Communities.

However, the main purpose of the reorganization was to bring financial control to bear more closely on the main volumes of budget expenditure of funds and own resources, and to provide a better distribution of staff between administrative expenses, which represent only 5% of budget outgoings, and other costs. From now on, apart from the unit responsible for control at the Joint Research Centre, two departments will control non-administrative expenditures. One of these will be responsible for EAGGF and "own resources", and the other for the European Development Fund, and Social Fund, the ECSC readaptation programme, and research contracts in the atomic, iron and steel and coalmining sectors.

This financial control is conceived of as being essentially an internal matter.

The European Investment Bank

570. The activities of the Bank for the financial year 1971 will be described in detail in its annual report.

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

Between 1 January and 31 December 1971, the Bank signed 49 loan contracts for a total of 465.6 million u.a., in which were included three grouped loans totalling 22 million u.a., for sub-lending to small and medium-sized enterprises in France and Italy. In addition, the Bank gave three guarantees, which brought the total number of contracts signed in 1971 to 52, for a total of 502.5 million u.a.

The loan and guarantees total breaks down into 491.8 million u.a. in 50 ordinary loans and guarantees, and 10.7 million u.a. in two loans under the Special Section, one to Turkey and the other to the French Over-

seas *Département* of Réunion. The Special Section enables the Bank to grant loans on favourable terms on the instructions of either the Community or the Member States, at their sole risk and with funds supplied by them.

Between its foundation and 31 December 1971, the Bank signed 369 loan and guarantee contracts totalling 2 315.5 million u.a., of which ordinary operations represented 2 092.7 millions spread over 317 loans and guarantees, while the Special Section accounted for 222.8 million in 52 loans. These figures include nine grouped loan contracts amounting to 60.7 million u.a., including one in Turkey, and eight guarantee contracts in Member States for a total of 92.9 million u.a.

571. In 1971, 24 loan contracts were signed, for a total of 238 million u.a., concerning projects in Italy; 12 loans, totalling 124.5 millions for projects in France; six for a total of 61.9 millions for projects in Germany; one for 8 millions for projects in the Netherlands; one for 3.5 million for a project in Cameroon; one for 1.4 million for a project in Senegal; and two for 17.6 million for projects in the Republic of Zaïre. To these loans must be added the three guarantees already mentioned, which concern three projects in Italy, and amount to 36.9 million u.a.

The activities of the Special Section, which concluded two loans: one to Turkey for a total of 10 million u.a. still to be reckoned against the first financial protocol, and the other to the French *Département* of Reunion for a total of 0.7 million u.a., were even further reduced this year because of the interruption in the functioning of certain association agreements, particularly with Turkey.

572. As regards the ordinary loan and guarantee contracts signed by the Bank in 1971, 34 loans for 274.5 million u.a. were granted for industrial investment, while 13 loans and three guarantees for a total of 217.3 million u.a. went to finance infrastructures.

The Bank continued its traditional work of helping less-developed regions in the Community countries, especially the South of Italy and the islands (24 loans for 238 million u.a. and two guarantees for 30.1 million). In addition, the Bank intervened for the second time in favour of Liguria and Tuscany, where a guarantee of 6.8 million u.a. was provided to establish infrastructure of Community and regional interest. In France, the Bank granted seven loans (62.9 million u.a.) for regional development or conversion in peripheral areas, one loan for regional infrastructure development in Limousin (15 million) and four loans of European interest

totalling 46.6 million u.a. Of the six loans granted in the Federal Republic (61.9 million), three (29.6 million) apply to regional development or conversion projects in the Saar and the Ruhr, two (26.8 million) to infrastructure projects of European interest, and the remaining one to West Berlin. Finally, in the Netherlands, the Bank provided aid for the second time in the Groningen development zone by means of a loan of 8 million u.a.

573. With regard to resources, in the course of 1971, the Bank floated 20 loans totalling 412.9 million u.a.; four of these were denominated in dollars, three in DM, three in Swiss francs, four in Luxembourg francs, two in Belgian francs, two in lire, one in florins and one in French francs.

Loans floated by the Bank and still outstanding at 31 December 1971, plus the relevant redemption premiums, are shown in the balance-sheet at 1 423.3 million u.a.

3. The Commission's information policy

The Directorate-General for Information

574. The qualitative and quantitative requirements of the Commission's information policy grow from year to year. The reasons are as follows:

- (i) The Community's activities are continually expanding: for example, the external trade policy, monetary policy and the protection of the environment;
- (ii) The citizens of Member States expect increasingly detailed information about, and interpretation of, the Community's activities;
- (iii) Third countries show increasing interest in the Community and its problems: this is especially true of the applicant countries, the major trading partners and the developing countries.

In its Fourth General Report¹ the Commission already described the main guidelines of its planned information policy in 1971. It has followed these principles during the past year, and has reorientated its information policy and reorganized the Directorate-General for Information.

575. The reorientation of information policy called for a thorough reorganization of this Directorate. The Commission took this step on 5 May 1971, when it set up a Directorate of Information and a Directorate of Information Media. In the former, a service or official was given the task of following systematically the activities of Community institutions in each sector or devising operational projects and of keeping a watch on the implementation of programmes. The Directorate of Information Media is responsible for the operational services whose task is to use all appropriate methods to fulfil the programmes assigned to them: participation in exhibitions and execution of information campaigns; publications; audio-visual methods; fact-finding visits, etc. The Youth, Adult Education and University Affairs Division, and the Trade Union Information Division have been brought directly under the Director-General, as have all press and information offices.

This reorganization has enabled the Directorate-General, which works in close cooperation with the Commission Spokesman's Group, to be better equipped to follow the Community's activities in general and to meet the new and growing requirements of the public.

¹ *Fourth General Report*, Sec. 539.

At the same time, the techniques known as "planning, programming and budgeting system" (PPBS) have begun to be introduced into press and information activities.

576. As regards subjects, the Commission's information policy has been more directly concentrated than in the past on certain priority questions; these include economic and monetary union, and its impact on Community structures; the implications of enlargement for the Community's future; and the prospects of increased political cohesion among Member States. In addition, a series of political events has induced the Commission to make special efforts to intensify information work in the sphere of agriculture within the Community, and, outside the Community, in the United States.

In addition to the general public, information activities have been directed at "information multipliers" in all the circles having to do with these matters, with a certain priority for agricultural organizations, consumers, trade unions, universities, and youth.

In this latter field, the Commission had already made preliminary proposals to the Council on initiatives for associating the younger generation with the Community venture (with reference to Point 16 of the Hague communiqué), and this action was pursued and clarified during 1971. The Commission made proposals for the establishment of a "Committee on Youth Questions", including representatives of Member States Ministries and officials from its own ranks, and a "Youth Advisory Committee".

577. As regards information methods, the Commission gave priority to information to the Press, by means of regular releases on Community activities. This information is intended to provide an overall view or basic information on topical problems, and explain in greater detail Community attitudes to them. Releases are mainly directed at the Press, including its regional and specialized branches, but radio and television are not forgotten. In this way, the Commission attempts to attract the attention of millions of citizens who are directly affected by the Community's decisions, but who are ill-informed about the activities of its institutions. Some 50 information memos were published in 1971.

The Commission has systematically attempted to forge closer links with radio and television stations in order to ensure the inclusion of Community topics in news broadcasts and other information programmes.

To this end, it has produced three documentary films, which are available to TV stations. Whenever the Council has met, the Commission has organized interviews with its members, or those of the Commission, and has staged discussions between these personalities and journalists. In order to increase collaboration with television networks, contact has been established with directors of these organizations so that specialized teams of news editors may be formed within the Directorate-General.

In the publications field, the Commission initiated efforts at rationalization, especially with regard to monthly magazines, by instituting the system of a common "trunk", consisting of a file on a Community subject looked at from various angles: the Community viewpoint, the existing situation in the Member States, and the attitudes of various groups in those States. The common "trunk" is published in the editions of the various magazines, and it is given a wider and better distribution by means of pulls. This happened in four cases in 1971.

Since June 1971 the Hague office has been publishing a newsletter, entitled "Europa van morgen", for the benefit of journalists, social and professional leaders and other information multipliers.

For information visits to Community headquarters, priority has been given to political figures, journalists and people likely to influence public opinion. A special effort has been made to promote visits from applicant countries, and the Commission received a large number of parliamentarians and journalists from these countries. In all, 351 groups, besides many individual visitors, were received in 1971.

As regards fairs and exhibitions, it was possible to arrange for the stands of the Member States to be grouped near the Associated States' pavilion at the 2nd International Fair at Kinshasa. The impact of the Community at this exhibition was thus considerably strengthened, and its participation was accompanied by information activities in the form of press releases, broadcasts, film shows, etc, as part of the programme accompanying the visit by the Community delegation. The programme was repeated at Bujumbura in Burundi and Kigali in Rwanda.

This activity was part of a general campaign to carry out similar operations during the next few years in most of the Associated African States and Madagascar.

Finally, a public opinion poll has been held on regional and agricultural problems, and the first results are now available. The Commission used this method to keep itself informed of the evolution of public opinion

regarding Community questions and preoccupations, and thus model its information activities accordingly.

578. The importance and complexity of relations between the United States and the Community, and their effects on the rest of the world, together with the fact that the role and policies of the Community require to be clearly explained in the United States, induced the Commission to draw up a special information programme for that country in the autumn of 1971.

Here too, the audience addressed is mainly information multipliers (press, radio and television), and political, economic and social circles concerned with decision-making. The new programme also aims at ensuring the supply of information to important cities and areas by relaying direct activities of the Community's press and information offices in Washington and New York.

Japan's growing importance as a trading partner of the Community, and its increasing influence on the world political scene, have led the Commission to envisage the establishment of a press and information office in Tokyo in 1972.

Information for third countries in general needs to be intensified, in close cooperation with the services of the Member States, especially in countries where the Commission has no press and information office. With this in view, each Government will issue directives to its diplomatic or consular representatives in third countries for the holding of regular meetings of the press and information office of the Six.

Spokesman's group

579. In 1971 the Commission's information activities with regard to the press, radio and television were focused on coverage of the pursuit and completion of the accession negotiations and the economic and monetary problems arising from the events of August. To cope with these two major concerns the number of journalists accredited to the Commission and of special correspondents covering sessions of the Council and the European Parliament was considerably increased.

The Spokesman's group held daily briefings, weekly press conferences and individual interviews with over one hundred journalists a day. Increased attendance by journalists in Council meetings and Parliament sessions has required greater activity by the Spokesman's group, which has regularly

presented and commented on the Commission's proposals on these occasions.

In 1971 the group also stepped up publication and distribution of written information. Nearly 300 press handouts and some 500 Commission replies to written parliamentary questions were issued. In addition, 890 Commission documents and other publications were selected and distributed, on a daily or weekly basis, to 600 press addressees, economic experts and diplomatic missions.

4. Statistics: the Commission's programme

580. Early in 1971 the Commission submitted to the Council a plan of action in the field of statistics for the next few years. The development and strengthening of the Community edifice, particularly in view of the accession of the applicant countries, will call for a considerable extension of the tasks incumbent upon Community institutions, and this will lead to a great increase in their statistical requirements. The Commission therefore took this opportunity of providing a general view of statistical information needs.

Activities in the statistical field should concentrate, in the near future, first on the collection and treatment of data required by policies of a synthetic nature (i.e. the economic, trade and monetary policy, with special reference to social and regional policy); and secondly on the minimum statistics needed for certain sectoral policies (home and foreign trade, industry, agriculture, power, transport, research and technology).

581. At its session of 19 November 1971, the Council approved the three-year programme of social statistics drawn up by the Statistical Office. This programme will ensure the orderly development of a coordinated body of comparable wage statistics. For this purpose, two Community field surveys were made in Member States during 1971. One of these was an enquiry into wage costs in trade and services during 1970—the first study of its kind—and the other a pilot study into the wages of farm labourers.

In addition, the Statistical Office was able to complete preparations for the renewal of two important Community studies, one concerning the cost of manpower, and the other dealing with wage structures and distribution in industry in 1972. At the Commission's request, the Council therefore adopted the implementing regulations for these two surveys. Two new features are included: for the first time, the manpower-cost enquiry will take account of small businesses with fewer than 50 wage-earners, and the salary-structure study will cover office workers.

A special effort was made by the Statistical Office with regard to the measurement of employment. The results of the Community's 1970 survey of labour forces have been published, and those for 1971 are in the course of processing. A basic revision of the concepts used and of certain technical methods is being undertaken, with a view to improving the quality of the enquiry planned for 1973. This is expected to meet the wishes expressed on several occasions by government experts from Member States and by the two sides of industry.

Homogeneous forecasts concerning the evolution of the working population in Community countries during the 1970-80 decade have been calculated and published. (These are largely based on the Community manpower surveys of 1960 and 1968.)

With regard to social protection, 1971 was noteworthy for the continuation of work on updating social accounts, and it has been decided to publish these at regular intervals as soon as possible. In addition, the Statistical Office has undertaken two new tasks. The first of these, to which the Council gave top priority by adopting the social statistics programme, is concerned with the establishment of two sets of statistics; one showing potential social security benefits and services, and another giving the types of benefits available in each country. Work has already begun on these new series. The second new task is the exploitation, for the first time, of the results of the enquiry into the "position and nature" of injuries caused by industrial accidents in the iron and steel branch.

582. In the course of the year, work continued on the exploitation of the results of the inquiry into farm structures. A first series of five volumes has been published, containing the "Recapitulative results" at the level of the Community's 55 regions. Nine further volumes, containing results for 199 administrative districts, are in the press.

More detailed processing of survey material has been undertaken to meet the growing information requirements arising from the common agricultural policy, and to test the reference value of the survey data in the context of a study of the natural evolution of structures.

The Statistical Office, in cooperation with the national statistical institutes of the Member States, has carried out an inquiry into the overall cost of private consumer goods, covering 420 basic articles. Figures were obtained, during November 1970, in shops of all types situated in about 50 cities of the six Community countries. The results of this study enable general conclusions to be drawn about the various levels of consumer prices among the Member States.

Much progress has been made in respect of equipment goods; the selection and specifications of over one hundred products have been completed, and most of the corresponding prices listed.

CHAPTER VII

COMMUNITY LAW

583. At the close of a year whose main features on the political plane have been the attempts to deal with the monetary difficulties that arose and the conclusion of negotiations with the candidate countries, it may be seen, so far as concerns the law, that Community law has made considerable progress, maintaining the strict continuity requisite in relation to the Treaties establishing the three European Communities. Certain aspects of this development deserve to be emphasized by way of introduction to the present Chapter.

Legislative activity has increased as new policies have been adopted and existing policies strengthened. This is particularly true of the reform of the European Social Fund.¹ Community rules which hitherto had not been applied in any specific case were applied for the first time by the Commission; for instance Article 86 of the EEC Treaty.² In addition, the Court of Justice has settled important questions which had previously given rise to controversy, particularly as regards the respective powers of Member States and of Community institutions in the field of external relations, the participation of agricultural management committees in drawing up provisions implementing basic regulations, the validity of Chapter VI (supplies) of Title II of the Euratom Treaty, the direct applicability of Community provisions and the effects that flow therefrom on the rights of individuals. Finally, the basic characteristics of Community law, particularly its direct applicability and its supremacy in the event of conflict with national provisions, have again been acknowledged by many superior courts in Member States and particularly by the Belgian Court of Cassation.

¹ Sec. 229.

² Sec. 141.

The task of preparing for the enlargement of the Communities has necessitated an examination and detailed review of all the rules which together constitute Community Law. Legally, enlargement does not simply mean that the new Member States adhere to one or more Treaties of the classical type known to international law but that they join and become integrated in three Communities with a legal system and institutional structure of their own. This means that the candidate countries accept (subject to certain adjustments and certain temporary exceptions set out in the instruments of accession) the Treaties and their political objectives, together with the vast number of provisions of all kinds adopted since the Treaties came into force and the policies adopted for developing and strengthening the three Communities.

In this connection, the Commission considered it desirable to state in the final Opinion which it submitted to the Council pursuant to Articles 98 of the ECSC Treaty, 237 of the EEC Treaty and 205 of the Euratom Treaty that "the basic attributes of the legal system created by the Treaties establishing the Communities are the direct applicability of certain provisions contained in the Treaties and of certain acts adopted by the institutions of the Communities, the supremacy of Community law over any national provisions that might be in conflict with it and the existence of procedures enabling Community law to be interpreted uniformly; that accession to the Communities implies recognition of the binding nature of these rules, observance of which is essential in order to ensure the effectiveness and uniformity of Community law". How, indeed, could it be otherwise? The body of law created by the Treaties, regulations, directives and decisions, as applied and interpreted by the Court of Justice and all the courts of the Member States, will not, as regards its nature, be changed as a result of accession by the new States.

1. Distinctive features of Community law

INSTITUTIONAL DEVELOPMENT

Strengthening the legislative and budgetary powers of the European Parliament

584. The Council's decision of 21 April 1970 to replace financial contributions from Member States with the Community's own resources and the Treaty of 22 April 1970 amending certain budgetary provisions of the Treaties establishing the European Communities, have made it clear that the legislative and budgetary powers of the European Parliament need to be strengthened. The Commission undertook to submit proposals on this subject within two years of ratification of the Treaty of 22 April 1970 as regards increasing the Parliament's budgetary powers, and before the end of 1974 as regards increasing its legislative powers.¹

The problem of what powers should be given to the European Parliament must be seen in the general context of the development of the Communities since the Hague Conference of 1 and 2 December 1969, the final communiqué of which mentioned (in point 5) an increase in the Parliament's budgetary powers and the direct election of its members by universal suffrage. The much greater legal authority which by democratic vote would attach to the Community decision-making process must, as a result thereof, be considered and must prove itself against the background of an enlarged Community that is in process of establishing economic and monetary union; it raises the question of more balanced distribution of power as between the different European institutions so as to ensure their flexible and efficient operation.

585. Being fully aware of the importance and complexity of the various problems that are connected with any increase in the European Parliament's legislative and budgetary powers, the Commission felt that it should form a group of fourteen independent specialists in constitutional law and political science, five of them from countries which have applied to join the Communities.² The group was given six months to draw up its report. Its terms of reference include in particular an examination of "all the considerations involved in increasing the Parliament's powers:

- (i) in the context of a gradual increase in the Community's powers and of the transfer of certain prerogative powers from the institutions of

¹ *Fourth General Report*, sec. 545.

² For the composition of the group, see *EC Bulletin* 12-71. sec. 150.

- Member States to the institutions of the Community with the free consent of all Member States;
- (ii) in order to give the Community an efficient institutional system;
 - (iii) in order to ensure that the Community's decisions are taken in the framework of a democratically elected legal authority;
 - (iv) taking into account the constitutional principles and practice of the Member States of the Community".

Professor Georges Vedel was appointed chairman of the group of experts.

The EEC's powers over external relations

586. The question of the extent and exercise of the Community's powers over external relations has given rise to the Court's judgment of 31 March 1971¹ in a case between the Commission and the Council which arose out of the negotiation and conclusion by the Member States of the European agreement concerning the work of crews of vehicles engaged in international road transport (AETR). Although rejecting the claim of the Commission for reasons arising out of the special circumstances of the case, the Court in this important judgment has developed principles which make it possible to draw the line dividing the powers of the Community from those of the Member States. The judgment has already caused a considerable stir amongst commentators.

The importance of the case lies especially in the fact that in the absence of any provisions of the Treaty which expressly apply, the Court was obliged to "refer back to the general system of Community law as regards relationships with non-member States". Looked at from this point of view, Article 210 of the EEC Treaty, under which the Community has "legal personality", confirms its capacity to establish contractual ties with non-member States. It follows that in order to determine what power the Community has to conclude international agreements "it is necessary to take into consideration the system of the Treaty as well as its specific provisions". The powers of the Community are accordingly not confined to those expressly conferred by the Treaty itself (Articles 113 and 238). It makes it clear, in particular, that as common rules are introduced "only the Community is in a position to take over and fulfil, in respect of the entire field of application of the Community legal order, obligations undertaken *vis-à-vis* non-member States". From then onwards Member States

¹ CJEC, 31 March 1971 (Commission v. Council, case 22-70), *Recueil*, 1971, p. 263.

are to be taken to be precluded from entering with non-member States into obligations which affect those rules. This was expressed by the Court as follows "from that point onwards, one cannot, in applying the provisions of the Treaty, separate the sphere of internal measures of the Community from that of external relations". The contrary solution would be "incompatible with the unity of the common market and the uniform application of Community law".

The reasoning of the Court is thus based on the principle which was even more clearly expressed in the decision of 14 December 1971¹ concerning the validity of Title II, Chapter VI of the Euratom Treaty, whereby the transfer to Community level of a matter which fell within the competence of individual Member States is the decisive factor. In conformity with the saying "You cannot give something and keep it at the same time", States which by treaty have agreed that a specific subject matter be dealt with on a communal basis (as in the case of harmonization of driving and rest periods for drivers of goods vehicles by virtue of Council Regulation No. 543/69 of 25 March 1969), cannot claim back that subject matter and act freely in relation to it on the international plane.

587. The European Communities tend increasingly to participate in various ways in the work of international bodies, especially in the negotiation of multilateral agreements of international scope setting up international organizations (GATT, UNCTAD, FAO, etc.). Such participation is essential whenever the agreement concerns matters falling wholly or in part within the powers of one of the Communities. For, since the Member States cannot bind the Community by their acts, the desire of the other contracting parties to deal with a "valid" negotiator and a partner responsible for all the fields covered by the agreement, can only be satisfied if the Community binds itself by negotiating and becoming party to the agreement. Participation by the Community is essential *a fortiori* in matters in respect of which the Community has sole treaty-making power, to the exclusion of the Member States.

The Common commercial policy is obviously central to this activity (Article 113 of the EEC Treaty). This Community policy can be seen in operation not only in the form of unilateral action and the conclusion of bilateral agreements, but also at the level involving world-wide regulation of international trade. If the participation of the European Economic Community requires the conclusion of a trade agreement with non-member

¹ CJEC, 14 December 1971 (Commission v. French Republic, case 7-71).

States or an international organization, the procedure to be followed is that laid down by Article 228 of the EEC Treaty. The Commission negotiates on behalf of the Community, while maintaining close contact with the Council (through the Committee for implementing Article 113), and it is the Council which concludes the agreement in the name of the Community.

588. Once the EEC has become a contracting party, the problem arises as to how it should be represented in the organs of an international organization. Here principles similar to those which govern the procedure of negotiation are applicable, namely, the Commission states and defends the position of the Community. Even if the Community is not a contracting party but nevertheless participates in the work of an international organization, the Commission still acts as spokesman for the Community.

In practice, international bodies often deal with matters which are not covered (or are yet not fully covered) by the EEC's common commercial policy or by the treaty-making power which the EEC derives from the existence of common rules in a given field (Articles 75, 238, etc.). This is true, for example, of the International Tin Agreement adopted by the United Nations Conference on 15 May 1970. Participation by the Community is not enough in such cases and the problem can only be solved by securing the participation of the Community and of the Member States, so that the rights and duties arising from the treaty or from membership of the organization are all covered, either by the Community's powers or by the powers of the Member States. The consequences of this mixed participation (Community and Member States) affect the negotiation and conclusion of the agreement and also the representation of the Community in the organs which the agreement may set up.

589. In the case of negotiations and also in the case of representation in the organs of an international organization, one possibility would be to have seven delegations—a delegation from the Community, represented by the Commission, having sole authority to act for the Community in matters falling within the Community's powers and six national delegations authorized to act in matters still falling within the powers retained by the Member States. For practical reasons, however, particularly because matters covered by the Community's commercial policy are often closely connected with other matters outside the Community's powers, another procedure has also been used—a single delegation composed of representatives of the Commission and representatives of the six Member States. Within this single delegation, the Commission's representative states the Community's point of view on questions falling within its powers.

As in the case of an agreement made solely by the Community, the EEC concludes a mixed agreement by an act of the Council. As for the conclusion of the agreement by the Member States, this is governed by the constitutional provisions of each of them.

The position adopted by the Member States in international bodies of an economic character on non-Community questions may nevertheless frequently be particularly important for the Common Market, especially when these questions are closely connected with fields covered by the Community's powers. As a result, the Member States must take joint action in international organizations of an economic character, in accordance with Article 116 of the EEC Treaty.¹ The implementation of this procedure is not hindered by the fact that the Community is not a party to the agreement nor a member of the organization, because the relevant questions fall outside the Community's powers.

As a rule, practice is in accordance with the principles outlined above. However, the Communities sometimes have difficulty in getting States to deal with them and in particular to accept them as a contracting party. This is mainly because some non-member States are reluctant to recognize the Community's international personality, or at least to recognize its right to be a party to multilateral treaties and to enjoy voting rights. This problem exists particularly in the sphere of the United Nations, which only accepts States as members. The provisional arrangements adopted to date, whereby the Community has the status of an observer, cannot be regarded as wholly in accord with the EEC Treaty.

590. With particular reference to the Community's participation in the work of international bodies on customs questions, attention should be drawn to the Council decision of 21 June 1971,² accepting (subject to three amendments) the recommendation made by the Customs Cooperation Council on 9 June 1970 for amendment of the nomenclature for the classification of goods in customs tariffs prescribed by the Brussels Convention of 15 December 1950. By the same decision the Member States were instructed to report their action promptly to the Belgian Ministry of Foreign Affairs, in accordance with the procedure prescribed by this Convention. It will be recalled that recommendations of the Customs

¹ In 1971 the Commission made a proposal to the Council for a decision on joint action by the Member States for the negotiation of a convention on the international transport of goods, to take place within the framework of the UN Economic Commission for Europe and IMCO.

² *Journal officiel* No. L 137, 23 June 1971, p. 70.

Cooperation Council only enter into force if they have not given rise to objections from the contracting parties.

This decision is the first binding act in this field. It reflects the development of customs law which is now largely a matter of Community law. At the same time it illustrates the situation described above, showing that the structure and procedures adopted by many international bodies do not take sufficient account of the development of the Community. Of course, as the customs law of Member States has given way to the customs law of the Community, the Community should be given the status of full membership in international bodies dealing with customs questions, so that it can participate with the right to vote in the work of these bodies.

NATURE AND SCOPE OF COMMUNITY LAW

Direct applicability

591. In a judgment delivered on 26 October 1971,¹ the Court held that Article 16 of the EEC Treaty, taken in conjunction with Article 9, clearly and precisely prohibits the Member States from levying after the end of the first stage at the latest any kind of charge with an effect equivalent to customs duties on exports, and that this prohibition is not subject to any qualification which would enable States to make its introduction conditional upon the passing of any domestic legislation or upon intervention by the institutions of the Community. By its very nature, the prohibition produces direct effects in the legal relations between States and their subjects. Since 1 January 1962, therefore, the relevant Community provisions have created rights for individuals which municipal courts must protect.

592. On the other hand, the Court held² that Article 90(2) of the EEC Treaty does not constitute an unconditional rule capable of creating individual rights which national judges must protect. It is true that this provision declares that undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly are subject to the rules of the Treaty, particularly the rules on competition. But this provision can only be implemented by striking a

¹ CJEC, 26 October 1971 (*Eunomia di Porro v. Italian State*, case 18-71).

² CJEC, 14 July 1971 (*Ministère public luxembourgeois v. Muller and others*, case 10-71).

balance between the need to protect the Community's interest and the need to fulfil the special purposes for which the undertakings were set up. At the present stage of the Community's development, this balance depends on the general economic policy pursued by the Member States, under the surveillance of the Commission, which retains its power to address the appropriate directives and decisions to Member States under Article 90(3).

Relationship between Community law and national law

593. The uniformity of Community law can only be ensured if its supremacy over national law is respected. By its case-law the Court of Justice has gone a long way towards developing this supremacy, a concept which involves that Community law prevails over a subsequent national law. The practice of national courts as regards the relationship between Community law and national law is thus of decisive importance in this matter. For this reason it should be studied closely.

594. The judgment delivered by the Belgian Court of Cassation (First Chamber) on 27 May 1971 (Belgian State *v.* Fromagerie Franco-Suisse "Le Ski")¹ is particularly interesting because it deduces the supremacy of Community law from the very nature of that law. In the first place, it should be noted that the Court did not regard a conflict between an international treaty (approved by Parliament) and national law as a conflict between two laws. Consequently the principle *lex posterior derogat lege priori* does not apply to a conflict between an international treaty and a conflicting national law. The Court went on to deduce the supremacy of an international treaty from its very nature, provided that its provisions have a direct effect in the national legal system. What is true in the case of an international treaty is even more true in the case of rules of Community law, which, as the Court of Cassation said, constitutes a new legal system in favour of which the Member States have limited the exercise of their sovereign powers. This decision is all the more noteworthy in that the Belgian Constitution does not at present contain any express provision ensuring the supremacy of international treaties. As a consequence of the supremacy of Community law, the judge is "bound to refuse to apply provisions of municipal law which are contrary to (a) provision of the treaty".

¹ 86 *Journal des tribunaux* pp. 460-474 (No. 4750/1971) which also reproduces the interesting submissions by the Procureur général Mr Ganshof van der Meersch.

595. Many German courts have already recognized the supremacy of Community law over conflicting national law.¹ The judgment given by the Federal Constitutional Court on 9 June 1971² carries particular weight because the Court held expressly that there is no constitutional objection to according supremacy to Community law over conflicting German law (tax law in this particular case). After examining the question in depth, the Court justified the supremacy of directly applicable Community provisions on the ground that their function is to protect individuals. As the Court said, "... German courts are also obliged to apply provisions which, although derived from the powers of an independent non-national sovereign authority, produce, by virtue of the interpretation placed on them by the Court of Justice of the European Communities, direct effects in municipal law, over-riding and replacing conflicting national law; it is only if this condition is satisfied that rights granted to the subjects of the Common Market may be exercised". As regards the consequences of the supremacy of Community law, the German Constitutional Court has adopted a position similar to that of the Belgian Court of Cassation—provisions that are contrary to Community law cannot be applied.

In this connection, the important decision of the French Court of Cassation (Criminal Chamber) of 22 October 1970 (*Administration des contributions indirectes v. Ramel*)³ should be mentioned. This decision recognized that a Community regulation, an instrument duly published and having the force of an international treaty, had, in accordance with Article 55 of the Constitution, "an authority superior to that of ordinary laws"; in this way the supremacy of Community law is recognized.

As for the Court of Justice of the Communities, its recent judgment⁴ on a preliminary question raised by the President of the Turin Tribunal reiterated that in accordance with the second paragraph of Article 189 of the EEC Treaty, a regulation, by virtue of its very nature and its function in the system of sources of Community law produces immediate effects in municipal law. Consequently, the directly applicable character of Community regulations "precludes the application of any legislative measure, even if enacted subsequently, which is incompatible with their provisions".

¹ *Fourth General Report*, p. 433 *et seq.*

² 17 *Außenwirtschaftsdienst des Betriebs-Beraters*, p. 418-420 (Nos. 8-9/1971).

³ 47 *Zeitschrift für Zölle und Verbrauchssteuern*, p. 303-304 (No. 10/1971).

⁴ 86 *Journal des tribunaux*, p. 25-26 (No. 4726/1971) and 90 *Gazette du Palais*, p. 334-336 (Nos. 6-7/1970).

⁵ CJEC, 14 December 1971 (*Politi v. Italian Ministry of Finance*, case 43-71).

Secondary law and the enlargement of the Communities

596. From the opening of the negotiations for accession, the principle was laid down that the new Member States of the Community would have to accept not only the Treaties and their political objectives, but also "the decisions of all kinds adopted since the Treaties came into force and the policies adopted for developing the Communities".¹ As for the problems which might arise for the new members in adapting to the new conditions created by their entry into the Communities, solutions would have to be sought in the adoption of transitional measures and not in the amendment of existing rules.

The principle of full acceptance of the *novum* that constitutes the Community has been given the widest scope. It does not simply mean that the Member States accept the rules enacted by the institutions for the Community as a whole and which make up the Community's secondary law properly so called—EEC and Euratom regulations, ECSC general decisions, EEC and Euratom decisions and directives, ECSC recommendations addressed to all Member States and other decisions (Beschlüsse) of a general character. These acts form only a part of the Community's "stock" which the new Member States will have to accept in order to be in the same position as the present Member States. In addition, entry into the Communities requires accession to various agreements which, although not emanating from the institutions, are closely linked to the life of the Communities or connected with their development—decisions or agreements reached by representatives of governments meeting in the Council, conventions provided for in Article 220 of the EEC Treaty and other conventions or agreements concluded by the Six *inter se* or with non-member States. Similarly, a number of acts or expressions of intent of all sorts (declarations, resolutions, programmes of action, etc.) which are not always strictly binding, but which nevertheless lay down principles or express intentions or guidelines which the new Member States will have to respect, have been adopted or made within the context of the Communities or in connection with their work.

597. But complex and delicate problems of implementation have arisen despite the apparent simplicity of the principle of full acceptance of Community law by the new Member States; on the practical side, the sheer volume of work involved in listing, examining and evaluating the relevant rules has been a great problem. To a very large extent, the work

¹ Hague communiqué, sec. 13.

of preparing solutions to these problems has fallen to the lot of the Commission, acting in cooperation with the candidate countries, on the basis of instructions issued to it from time to time by the Council.¹

Obviously a number of acts forming part of the stock of the Community, in the broad sense, have merely needed to be listed and, as regards those which were not published in the official gazette of the Communities at the time, communicated to the candidate countries.

598. On the other hand, as regards the secondary law properly so called, three distinct questions have had to be solved.

Transitional provisions

The general rule is that the whole of the secondary law will become binding on the new Member States at the same time as the Treaty of Accession, but for various economic, technical or political reasons transitional measures have sometimes been required. Often it has been a question of postponing the entry into force of certain rules or laying down a time limit for the enactment of municipal rules needed to give effect to certain directives. Sometimes, too, the application of a particular act has given rise to the adoption of transitional rules for the benefit of the candidate countries, which either correspond to those which the present Member States themselves originally enjoyed or which take the form of new or different provisions.

Amendments to certain provisions

Experience has shown that the problems caused by the enlargement of the Communities cannot always be solved merely by adopting the transitional measures. Certain provisions obviously had to undergo permanent amendment, applicable both to the new Member States and to the whole of the Community. A number of acts have had to undergo technical adaptation which, without impairing the basic content and principles of the rules, was necessary in order to adapt them to the new features of the enlarged Communities. Two typical examples are, on the one hand, various institutional provisions which will henceforth have to take into account the presence of representatives of the new Member States in the committees which they set up, and, on the other, the customs territory of the Com-

¹ On the procedure of the negotiations and the respective parts played by the Council and the Commission, see the *Fourth General Report*, sec. 337, and sec. 26 *et seq.* of this *General Report*

munity, which Regulation (EEC) No. 1496/68 of 27 September 1968¹ defined for a Community of Six and which has to be enlarged to cover a Community of Ten.

As these amendments have been included in the Act of Accession and thus in a treaty, it was necessary to ensure by appropriate means that the acts thus adapted retained their character of secondary legislation and remained subject to the modification procedures which are prescribed for them in the Treaties establishing the Communities.

The interim period

Finally, reference should be made to the problem raised by the intermediate period between signature of the Treaty of Accession and its entry into force. Of course, as the Communities are living organizations they could not accept a stand-still as regards their legislative activities during this period. Furthermore, as accession will not take place until a later date than that on which the Treaty was signed, the Treaty had to provide that all Community law existing at the time of accession would be binding on the new Member States. In these circumstances, to safeguard the legitimate interests of the new Member States in respect of acts adopted during this interim period, a procedure for consultation with these States prior to the adoption of acts required during this period had to be set up.

ENSURING UNIFORM APPLICATION OF COMMUNITY LAW

Performance of their obligations by Member States

599. The importance of the procedure for attacking breaches by Member States of the provisions of the Treaties, as a means of ensuring respect for Community law, has already been examined in outline in the previous General Report.² Being aware of how important this is, the Commission remains vigilant in ensuring that the States respect all their obligations.

During the period under consideration the Commission has brought some fifty new actions in the EEC sector. In the ECSC sector, action was taken on only one occasion in 1971.

¹ *Journal officiel* No. L 238, 28 September 1968, p. 1.

² *Fourth General Report*, secs. 553 and 554.

In the Euratom sector the proceedings brought in 1970 gave rise to a case before the Court which gave judgment on 14 December 1971. It held that the Member State in question had failed to carry out its obligations under Title II, Chapter VI of the Euratom Treaty by concluding contracts for the supply of fissile material without resorting to the Supply Agency.¹

600. During the last two years, the number of cases of breaches which could not be settled without proceedings being commenced and which the Commission had therefore to refer to the Court of Justice, decreased considerably by comparison with previous years. Whereas eleven cases in all were referred to the Court in 1969,² there were only two cases in 1970³ and the same number in 1971.⁴ These figures scarcely enable general conclusions to be drawn.

It is generally true to say that the Member States have taken action within the appropriate time limits to comply with judgments in which the Court has held that they have broken their obligations under the EEC Treaty. The Commission must, however, refer to one case which represents an exception and which has provoked Parliamentary questions on several occasions.⁵ This breach is at the present time the subject of a new reference to the Court of Justice.

EXTENSION OF THE COURT'S JURISDICTION

601. Two important acts were promulgated on 3 June 1971, which gave the Court of Justice jurisdiction to interpret conventions envisaged by Article 220 of the EEC Treaty.⁶ These acts are in the nature of two protocols, one relating to the Convention on the mutual recognition of companies and legal persons, signed on 29 February 1968, and the other relating

¹ CJEC, 14 December 1971 (*Commission v. French Republic*, case 7-71).

² See the Commission's reply to written question No. 501/69 by Mr Vredeling, *Journal officiel* No. C 73, 18 June 1970.

³ Case 8-70 (*Recueil*, 1970, p. 961 *et seq.*) and case 4-70 (*Journal officiel* No. C 22, 20 February 1970, p. 12) which was settled out of court.

⁴ Case 7-71 (*Journal officiel* No. C 40, 28 April 1971, p. 6) and case 48-71 (*Journal officiel* No. C 84, 23 August 1971, p. 13).

⁵ See written question No. 238/70 by Mr Westerterp (*Journal officiel* No. C 138, 18 November 1970, p. 12) and questions Nos. 454/70, 138/71 and 315/71 by Mr Vredeling (*Journal officiel* No. C 22, 9 March 1971, p. 11, No. C 74, 24 July 1971, p. 19 and No. C 115, 13 November 1971, p. 15).

⁶ *Second General Report*, sec. 629; *Third General Report*, sec. 531; and *Fourth General Report*, sec. 555.

to the Convention on jurisdiction and the enforcement of civil and commercial judgments, signed on 27 September 1968.

Article 2 of the first protocol reproduces Article 177 of the EEC Treaty without alteration; Article 3 makes applicable the procedural provisions which are to be followed when the Court is requested to give a preliminary ruling.

The second protocol contains certain variations on Article 177. These variations concern the type and number of questions of interpretation which may be raised when the Convention is applied and which relate particularly to the jurisdiction of the courts and tribunals trying cases which involve matters that do not directly apply to the parties to the dispute. The protocol provides that the right to ask the Court of Justice to give a preliminary ruling on a question of interpretation is limited, as a rule, to appellate courts; courts of last instance are obliged (as they are by Article 177) to refer cases to the Court of Justice if a question of interpretation needs to be settled before they can decide the case. Article 4 of the protocol contains an interesting innovation enabling *procureurs généraux* in Courts of Cassation, or any other entity designated by a contracting State, to refer a question concerning the interpretation of the Convention to the Court of Justice in cases where decisions by the courts of that State conflict with the interpretation given either by the Court of Justice or by a court of appeal of last instance in another State. This new procedure is designed to clarify the law, and has no effect on the outcome of the case which led to the Court being asked to give its interpretation.

The signature of these two protocols represents a major step towards securing uniformity of the law in inter-Community legal relations governed by the two conventions mentioned above.

THE SOURCES OF COMMUNITY LAW: ACTS OF THE INSTITUTIONS

602. As the Fourth General Report briefly indicated, the Court of Justice gave two very important judgments at the end of December 1970 concerning the implementation of the secondary law of the Community.¹

Since 1962 the Council has adopted—chiefly in the context of the agricultural policy, but also in other fields—an increasingly important num-

¹ CJEC, 17 December 1970 (*Einfuhr- und Vorratsstelle für Getreide v. Köster*, case 25-70, and *Scheer v. Einfuhr- und Vorratsstelle für Getreide*, case 30-70), *Recueil*, 1970, p. 1161 and p. 1197; *Fourth General Report*, sec. 556.

ber of procedures for implementing basic regulations, which derogate from the procedures prescribed by the EEC Treaty. In this respect, a distinction should be made between procedures where the Council itself adopts the necessary implementing provisions and those where the power of implementation is exercised by the Commission; however, the Commission must first consult a committee whose opinion influences the later stages of the procedure (this is known as the management committee procedure and rule-making committee procedure).¹

In the judgments mentioned above, the Court of Justice began by accepting the legality of the Council's practice of itself adopting provisions to implement basic regulations pursuant to a procedure which derogates from Article 43 of the EEC Treaty. Only the main aspects of the field requiring regulation need be enacted in accordance with the procedure prescribed by that Article. Since this finding is deduced from a general principle, one must assume that it is equally applicable to the other rules in the EEC Treaty which allocate powers.

The Court of Justice also approved the management committee procedure, relying on the final words of Article 155 of the EEC Treaty, which authorize the Council to delegate powers to the Commission to implement the rules enacted by the Council. Since such delegation is optional, the Council may also require the Commission to exercise its delegated powers in accordance with certain procedures. The management committee procedure is one of those procedures; it does not distort the structure or institutional balance of the Community.

CONTENTIOUS PROCEEDINGS

603. As regards the judicial protection of individuals, reference should be made first of all to a judgment delivered on 13 July 1971² in which the Court of Justice confirms the position which it had previously adopted in a judgment delivered on 1 March 1966.³ The Court of Justice had held in that case that proceedings for failure to act, brought under Article 175(2) of the EEC Treaty, are inadmissible if the Commission has reacted within two months from the date on which it was called upon to act under Article 169 of the Treaty and has informed the plaintiff of its reaction. In its judgment of 13 July 1971 the Court of Justice held that Article 175(1)

¹ *Second General Report*, sec. 639 *et seq.*

² CJEC (*Deutscher Komponistenverband v. Commission*), case 8-71.

³ CJEC (*Lutticke v. Commission*, case 48-65), *Recueil*, 1966, p. 27.

covers a failure to act which takes the form of a failure to adopt a position or to give an opinion, but not the adoption of an act different from that which the plaintiff considered desirable or necessary.

In addition, in a judgment of 26 October 1971¹ the Court gave a further ruling on the rules governing the admissibility of proceedings for failure to act, brought by individuals under Article 175(3) of the EEC Treaty. Such proceedings may only seek the adoption of individual acts. They do not lie in respect of decisions of a general character which, by reason of their form and nature, are not acts which could be addressed to the plaintiff within the meaning of the provision cited above.

604. Proceeding for annulment under Article 173(1) of the EEC Treaty, according to the judgment of 31 March 1971 mentioned earlier,² are not limited to the categories of acts listed in Article 189 of the EEC Treaty. They lie in respect of all provisions adopted by the Community institutions, regardless of their nature or form, which are intended to produce legal effects. The Court considers, in effect, that proceedings for annulment help to ensure respect for law in the interpretation and application of the Treaty, in accordance with Article 164 of the EEC Treaty, and that it would be contrary to the purpose of Article 164 to interpret the requirements of admissibility restrictively by limiting the scope of proceedings for annulment to regulations, decisions or directives.

The Court appears to be adopting the same line of reasoning when it states that the requirement to give the legal basis and reasons "referred to in Article 190 in the case of regulations, directives and decisions, could not be extended to an act of such a special nature as the decision of 20 March 1970; that in truth, participation in the work of the Council has given the Commission all the legal guarantees which Article 190 aims to afford to third parties affected by acts referred to in that Article".

It thus appears that in such cases, the incompleteness of an act cannot be invoked as between institutions to contest the admissibility of proceedings or to dispute the regularity of the act.

This jurisprudence is such as to enable the institutions to settle more easily any fundamental conflicts which divide them. But it does not amount to recognition of any purely consultative function of the Court, for the decision makes it quite clear that the acts in question must be intended to produce legal effects.

¹ CJEC (Mackprang v. Commission, case 15-71).

² CJEC (Commission v. Council, case 22-70), *Recueil*, 1971, p. 263; see also sec. 586 of this Report.

2. Interpretation and application of the basic rules of Community law

605. The past year has seen the development of a substantial amount of case-law in numerous fields, relating to the free movement of goods, the common agricultural policy, the rules of competition and the social provisions of the Treaty.

FREE MOVEMENT OF GOODS

Free movement of goods and rights attached to industrial and commercial property

606. The judgment of 8 June 1971,¹ whose relevance to the law of competition and to the limits on the exercise of rights that are protected in the field of industrial and commercial property will be discussed later,² is also of fundamental importance because the reasons given by the Court for its decision are based exclusively on the rules relating to the free movement of goods inside the Common Market and not on arrangements for limiting competition or on a dominant position. It is true that these rules are addressed only to Member States, but they have also become directly applicable as from the end of the transitional period at the latest. The effect of the judgment is that individuals may invoke the limits which Article 36 of the EEC Treaty places on the exercise of industrial and commercial property rights, so that national rules or judicial decisions to the contrary must give way to the Community rules on free movement of goods. In these circumstances, proceedings under Article 169 of the EEC Treaty could be based on Article 5(2) of the Treaty and on the rules relating to free movement of goods. The Court said expressly that Article 5(2) "imposes a general obligation on the Member States, the specific content of which in any particular case depends on the provisions of the Treaty or on the rules derived from it generally". Even though a Member State's breach of Community rules might result not from an express legislative or administrative provision, but only from its prevailing case-law, the national legislature should still intervene to put an end to that breach.

As a result, full effect may be given to the principle of the supremacy of Community law also in this field by means of a request for a preliminary ruling or proceedings under Article 169.

¹ CJEC, 8 June 1971 (*Deutsche Grammophon Gesellschaft v. Société Metro SB Großmärkte*, case 78-70).

² Secs. 615 and 616.

Free movement of goods and import or export licences

607. The judgment delivered on 15 December 1971 in joint cases 51 to 54-71 is also of great interest. It is clear from this decision that "even a purely formal" requirement of import or export licences or any other similar measures in intra-Community relations is, apart from the exceptions allowed by Community law itself, incompatible with Articles 30 and 34(1) of the EEC Treaty.

The Court thus took the view that even the TLA system ("every license granted"), i.e. the system whereby licences are granted automatically and immediately whenever they are requested, constitutes a measure having an effect equivalent to a quantitative restriction on imports or exports, as the case may be, and is therefore contrary to the rules on the free movement of goods, at least when there is no special rule of Community law permitting it.

Tariff and customs provisions

608. The judgment delivered in case 13-70¹ held that the application to intra-Community trade of a duty which, before the Treaty came into force, was levied only on similar national products, does not have the effect of assimilating it to a customs duty or a charge having equivalent effect.

609. Having to interpret tariff headings in the Common Customs Tariff for the purposes of the common organization of agricultural markets or other similar trading arrangements, the Court has pronounced on the scope of various tariff headings.² The last two decisions cited are noteworthy

¹ CJEC, 16 December 1970 (F. Cinzano & Co. v. Hauptzollamt Saarbrücken, case 13-70), *Recueil*, 1970, p. 1089.

² Farmyard poultry : CJEC, 8 December 1970 (Deutsche Bakels v. Oberfinanzdirektion München, case 14-70), *Recueil*, 1970, p. 1001.

Chocolate in bulk : CJEC, 3 March 1971 (Firma A. Lütticke v. Hauptzollamt Passau, case 51-70), *Recueil*, 1971, p. 121.

Products under the heading 2006, with sugar added : CJEC, 17 June 1971 (Gebrüder Bagusat v. Hauptzollamt Berlin-Packhof, case 3-71).

Maize groats : CJEC, 14 July 1971 (Firma G. Henck v. Hauptzollamt Emmerich, case 13-71).

Broken grains of millet or maize : CJEC, 14 July 1971 (Firma G. Henck v. Hauptzollamt Emmerich, cases 12-71 and 14-71).

Dietary mayonnaise : CJEC, 24 November 1971 (Firma Kurt Siemens und Co. v. Hauptzollamt Bad Reichenhall, case 30-71).

CJEC, 15 December 1971 (Firma Gervais-Danone v. Hauptzollamt München Schwanthalerstrasse, case 77-71).

because, at any rate as far as German law is concerned, they recognize the permissibility of the "Verbindliche Zolltarifauskünfte" (official information binding the administration) mentioned in Article 23 of the German customs law.

Finally, the judgment in case 21-71¹ confirms that for the purposes of interpreting the nomenclature of the Common Customs Tariff it is possible to use as a basic work of reference the "explanatory notes" issued by the Customs Cooperation Council at Brussels, and stresses that Member States were authorized by Regulation No. 19/62 to fix qualitative criteria of a supplementary and restrictive character for purposes of granting refunds on the export of cereals and cereal products.

National monopolies

610. The concept of "monopoly" within the meaning of Article 37 of the Treaty is interpreted very widely by the Court, and includes indirect or *de facto* intervention by States in trade between Member States and also intervention whereby States merely influence such trade without controlling or directing it.² Moreover, Article 37 does not apply only to imports and exports which form the immediate subject-matter of the monopoly; it also covers any action connected with the existence of the monopoly which might affect trade between Member States whether in relation to the products subject to the monopoly or not. Thus the imposition of a charge on the importation of a product may be a measure prohibited by Article 37(2) (same judgment). The prohibition in Article 37(2), however, only covers new measures which create or enhance discrimination between subjects of the Member States as regards access to supplies or outlets, or which restrict the scope of the provisions relating to the elimination of customs duties and quantitative restrictions. According to the Court (in the same judgment) this does not hold true of a measure which imposes on imported products a charge previously levied only on similar national products which were subject to a monopoly, but without making the imported products liable to a heavier charge than national products.

¹ CJEC, 15 December 1971 (Firma Heinrich P. Brodersen GmbH *v.* Einfuhr- und Vorratsstelle für Getreide und Futtermittel, case 21-71).

² CJEC, 16 December 1970 (F. Cinzano & Co. *v.* Hauptzollamt Saarbrücken, case 13-70), *Recueil*, 1970, p. 1089.

COMMON AGRICULTURAL POLICY

Relationship between the common agricultural policy and the rules of competition

611. The establishment of a system ensuring that competition is not distorted and the creation of a common agricultural policy are both general objectives of the Treaty. However, taking into account the particular importance which the Treaty attaches to the latter objective, the rules of competition only apply to agricultural products to the extent determined by the Council, account being taken of the objectives set out in Article 39. Thus, according to the Court,¹ the application of protective measures, in the form of a limitation of imports from non-member States, may prove necessary in order to prevent serious disturbances on the market in agricultural products which might endanger the objectives of Article 39: in these circumstances an express statement of the reasons for these measures with reference to Articles 85 and 86 is not absolutely necessary. Moreover, as the same judgment emphasizes, although it is true that a system of import licences, issued on the basis of specific quantities, may affect competition by freezing pre-existing commercial relations with non-member States, it is equally true that the determination, on the basis of objective criteria, of the quantities which are allowed to be imported, avoids discrimination between those to whom import licences are issued by reason of their pre-existing commercial relations with non-member States. The Court came to the conclusion that this type of system distorts competition to the least extent.

The system of import and export certificates

612. Imports and exports of products subject to organization of markets involving a pricing system require the issue of an import or export certificate. The grant of this certificate obliges the parties concerned to carry out the transactions for which they requested the certificate. The giving of a security guarantees this obligation. Taking into account the adjustments provided for, particularly in cases where the intended imports or exports are prevented by *force majeure* from being effected, the Court² recognizes the necessary and appropriate character, and hence the legality,

¹ CJEC 13 May 1971 (NV International Fruit Company v. Commission, joint cases 41 to 44-70), *Recueil*, 1971, p. 411.

² CJEC 10 March 1971 (Deutsche Tradax v. Einfuhr- und Vorratsstelle für Getreide und Futtermittel, case 38-70), *Recueil*, 1971, p. 145.

of this system of providing security. Its purpose is to ensure that the Community and the Member States have an accurate knowledge of the intended transactions, which is indispensable not only for statistical purposes, but also in order to make possible the forecasts required for judicious use of the intervention machinery designed to guarantee the operation of the pricing system. Bearing in mind that requests for certificates are made voluntarily, the system of providing security is the most appropriate. Compared with other systems it has the double advantages of simplicity and effectiveness. As for the costs arising from the provision of security, they are not, in the Court's opinion, excessive and are clearly a normal consequence of the system of regulating the market in the public interest.

Protective measures applicable to the agricultural sector

613. According to the judgment delivered on 11 February 1971 in case 37-70,¹ Article 226 continued to apply until the end of the transitional period to the agricultural sector also. The Court held that the ambit and period of validity of Article 226 are not affected:

by the existence of protective clauses contained in the agricultural regulations (bearing in mind the specific character of these protective measures and the fact that they relate only to trade with non-member States);

or by the existence of Regulation No. 653/68 of 30 May 1968 concerning the conditions for alteration of the value of the unit of account used in the common agricultural policy;

or by the fact that Regulation No. 804/68 of 27 June 1968 establishing a common organization of the market in milk and milk products had put an end, as far as that sector was concerned, to the transitional régime prescribed by other regulation for particular sectors of agriculture. According to the Court the fact that this regulation prohibits the collection of any customs duties or charges having equivalent effect in the agricultural sector does not mean that the application of a general provision of the Treaty, such as Article 226, is to be restricted.

In another case² affecting the fruit and vegetable sector, the Commission was held to be authorized to take protective measures affecting imports from non-member States in order to deal with serious disturbances

¹ CJEC 11 February 1971 (*Rewe Zentrale des Lebensmittels-Grosshandels v. Hauptzollamt Emmerich*, case 37-70), *Recueil*, 1971, p. 23.

² CJEC 13 May 1971 (*NV International Fruit Company v. Commission*, joint cases 41 to 44-70), *Recueil*, 1971, p. 411.

in the market or the danger of such disturbances even if it finds that difficulties in marketing produce exist only in certain Member States. Such a situation still concerns the whole of the Common Market "whose machinery for stabilizing prices is based on the financial participation of all the Member States and on a responsibility extending to the whole of the Community".

However, according to the same judgment, the protective measures authorized by Regulations Nos. 2513/69 and 2514/69 are lawful only in so far as they are strictly necessary for achieving the objectives of Article 39 and cause the minimum possible amount of disruption to the functioning of the Common Market; in the present case the Commission was held to be entitled to prefer a system of import licences which, although not expressly provided for in the basic regulation, was less restrictive than the total cessation of imports from non-member States which was permitted under that regulation.

THE RULES OF COMPETITION

(Articles 85 and 86 of the EEC Treaty)

614. The judgment delivered on 18 February 1971 in case 40-70¹ gave the Court an opportunity to make clear that the provisions of the Treaty apply to restrictive practices which originated before the Treaty came into force but which continue to be effective after that date.

A judgment of 6 May 1971² confirmed the Court's previous rulings³ that the prohibition in Article 85 relates to agreements which, on the basis of a collection of objective legal and factual criteria, make it possible to infer with a sufficient degree of probability that they may exercise a direct or indirect influence, actual or potential, on trade between Member States in a way which might obstruct the unification of the market. In this respect, the validity of an agreement depends on the actual circumstances to which it relates. Thus, according to the Court, "an exclusive dealing agreement may escape the prohibition of Article 85(1) if, taking into account the parties' weak position on the market for the relevant products in the geographical area covered by the agreement, it is not capable of

¹ CJEC 18 February 1971 (*Sirena v. Eda*, case 50-70), *Recueil*, 1971, p. 69.

² CJEC 6 May 1971 (*Cadillon v. Höss*, case 1-71), *Recueil*, 1971, p. 351.

³ CJEC 30 June 1966 (*Sté Technique minière v. Maschinenbau Ulm GmbH*, case 56-65), 1966, p. 338.

CJEC 9 July 1969 (*Franz Völk v. Sprl Ets Vervaecke*, case 5-69), *Recueil*, 1969, p. 295.

detracting from the realization of the objectives of a single market between States, even if it creates absolute territorial protection... This is true *a fortiori* where such an agreement does not prevent third parties from making parallel imports into the relevant territory or the dealer from re-exporting the goods covered by it.”

615. The Court, in two cases¹ of outstanding importance, also ruled on the relationship between Articles 85 and 86 and the exercise of exclusive dealing rights conferred by national legislation as regards industrial and commercial property. It re-affirmed, in the context of trade marks law and the law relating to a right similar to copyright, the principles which it had developed in its judgment of 13 July 1966² and, in the context of patents, in its judgment of 29 February 1968.³ Articles 85 and 86 of the EEC Treaty do not affect the actual existence of rights conferred by the laws of a Member State in respect of industrial and commercial property. As they are created by law, these exclusive rights do not as such possess the elements of agreement or concerted action covered by Article 85. Nevertheless, the way in which such rights are used may bring them within the prohibition contained in Article 85(1) if the use to which they are put forms the subject-matter, constitutes the means, or is the result of restrictive practices which have the effect of fragmenting the market between Member States.

Thus Article 85 applies if a trade mark is used to prevent the importation of goods originating in other Member States and bearing the same trade mark, in circumstances where the holders of the trade mark acquired it (or the right to use it) under agreements concluded among themselves or with third parties.

As regards Article 86, the mere fact that the holder of an exclusive right, such as that held by a manufacturer of sound recordings or by the holder of a trade mark, is in a position to prohibit third parties from selling goods covered by the right in the territory of a Member State does not, in the Court's opinion,⁴ justify the conclusion that he enjoys a dominant

¹ CJEC 18 February 1971 (*Sirena v. Eda*, case 40-70), *Recueil*, 1971, p. 69. CJEC 8 June 1971 (*Deutsche Grammophon Gesellschaft v. Société Metro SB Großmärkte*, case 78-70).

² CJEC 13 July 1966 (*Ets Consten and Grundig-Verkaufs-GmbH v. Commission*, joint cases 56 and 58-64) *Recueil*, 1966, p. 430.

³ CJEC 29 February 1968 (*Parke, Davis and Co v. Probel, Reese, Beintema-Interpharm and Centrafarm*, case 24-67), *Recueil*, 1968, p. 82.

⁴ Cases 40-70 and 78-70, already mentioned. The judgment of 29 February 1968 (*Parke, Davis and Co*, case 24-67), already mentioned, points the same way.

position. Article 86 implies also that the undertakings concerned must, acting on their own or together with other undertakings, have the power to prevent effective competition on an important part of the market, taking into account in particular the possible existence and strength of producers or distributors selling like or comparable goods.

In this respect, the Court pointed out that the question whether a manufacturer of sound recordings holds a dominant position should be answered by examining whether the recording musicians had made exclusive contracts with him, the popularity of these musicians on the market, the scope and duration of their contracts and the possibilities that other manufacturers of sound recordings might have of obtaining comparable performances.

As to whether such a person is guilty of abusing a dominant position, the difference between the price charged and the price of the product re-imported from another Member State is not necessarily enough to establish that he is guilty. Nevertheless, in the absence of objective justification, this difference may, by its size, constitute decisive evidence of such abuse.

616. The judgment delivered in case 78-70 is of major importance for the interpretation of the EEC Treaty as regards the exercise of rights protecting industrial property in the common market. It follows a series of judgments delivered in this field—Consten and Grundig: cases 56 to 58-64, Parke, Davis and Co: case 24-67, Sirena: case 40-70—and goes further than these judgments on one fundamental point. Until this judgment, the Court of Justice, like the national courts which had referred cases to it, had ruled on the compatibility with the EEC Treaty of the exercise of national rights protecting industrial property, with particular reference to the Treaty's rules of competition (Articles 85 and 86). In this respect it had established a distinction to the effect that although the existence of rights protecting industrial property was not affected by the EEC Treaty, the rules of competition may apply to the exercise of them.

The request by the Oberlandesgericht Hamburg gave the Court the opportunity to rule on the question whether, in addition to the rules of competition, other provisions of the EEC Treaty (Articles 5(2) and 36) limit the exercise of rights protecting industrial property. The present case raised the question whether a holder of such a right is entitled, under the "territoriality principle", to an injunction prohibiting the re-importation of products originating in one Member State and sold in another Member State with his consent (i.e. legally). The Court held that "it is contrary to

the rules providing for free circulation of goods inside the common market for a manufacturer of sound recordings to use his exclusive right under the legislation of a Member State to market the protected goods, as a means of prohibiting the marketing within that Member State of products which had been sold by him or with his consent in another Member State, on the sole ground that such marketing was not effected in the territory of the first Member State".¹

The Court deduced this conclusion in particular from Article 36 of the EEC Treaty. It confirms that Article 36 protects the existence of such rights, but emphasizes that restrictions on free movement based on the need to protect industrial and commercial property are only admissible "if they are requisite for the protection of rights which constitute the specific subject matter of that property". A judicial decision based on the principle of territoriality, prohibiting goods originating in one Member State from being re-imported from another Member State is, according to the judgment, contrary to the fundamental objective of the Treaty which seeks to merge national markets into a single market; "this purpose could not be achieved if subjects of Member States were able to fragment the market and introduce arbitrary discrimination or disguised restrictions into trade between Member States".²

The result of the judgment is that from now on it will no longer be necessary, in proceedings brought before national courts, to prove the existence of the conditions required by Articles 85(1) and 86 of the EEC Treaty, in order to obtain a finding that it is contrary to the Treaty to use industrial and commercial property rights as a means of preventing goods originating in one Member State from being re-imported from another Member State. Such conduct is in any event contrary to the rules relating to free movement of goods.

Articles 85(1) and 86 however continue to retain their importance. They provide the basis for action taken by the Commission under Regulation No. 17 against undertakings which, as parties to agreements limiting competition or as holders of a dominant position on the market, use rights protecting industrial property to divide national markets.

The Court's judgment concerns a right similar to copyright held by a manufacturer of sound recordings. The Court, in its judgment, assumed

¹ CJEC 8 June 1971 (*Deutsche Grammophon Gesellschaft v. Société Metro SB Großmärkte*, case 78-70).

² Sec. 606.

that a right similar to copyright may be covered by Article 36 i.e. that it constitutes "industrial or commercial property". The Commission concluded that the interpretation given by the Court must apply *a fortiori* to other rights such as patents.

617. In its judgment of 25 November 1971¹ the Court confirmed a number of positions taken by the Commission in several of its decisions applying the rules of competition:

thus the relationship between two companies, one of which enjoys no economic independence of the other, cannot be taken into account in order to determine the validity of an exclusive dealing agreement between the subsidiary and a third party;

again, the fact that an undertaking is situated in a non-member State does not prevent the application of Article 85(1) of the EEC Treaty if the agreement produces effects within the common market.

Above all, the Court ruled that an exclusive agreement between a producer from a non-member State and a distributor established in the Common Market is subject to the prohibition contained in Article 85 of the Treaty, if its legal or practical effect is to prevent the distributor from re-exporting the goods in question to other Member States, or to prevent such goods from being imported from other Member States into the area covered by the agreement, and from being distributed there by persons other than the dealer or his customers; in particular, this last condition is fulfilled if the dealer can prevent parallel imports from other Member States into the territory covered by the agreement, under the combined effects of the agreement and of national laws relating to unfair competition.

By so ruling, the Court extended the principles which it had developed in the *Sirena* and *Deutsche Grammophon*² cases to national laws on unfair competition. Such a step was certainly predictable, since the right in question does not confer specific protection comparable to that afforded by the law of trade marks, patents or copyright to the holder of the mark, the proprietor of the patent or the author.

The Court has thus clearly fixed the limits within which exclusive sales agreements may be exploited within the common market.

¹ CJEC 25 November 1971 (*Beguelin v. SA Import-Export and Marbach*, case 22-71).

² Cases 40-70 and 78-70 already mentioned.

Undertakings entrusted with the operation of services of general economic interest

618. Article 90(2) of the EEC Treaty permits of certain exceptions to the application of the rules of the Treaty (particularly the rules of competition) in the case of undertakings entrusted with the operation of services of general economic interest or which have the character of a revenue-raising monopoly. In the particular case in which judgment was given on 14 July 1971,¹ the undertaking in question was responsible both for constructing and for operating a river port, enjoying certain privileges in order to perform its tasks and for this purpose maintaining close links with public authorities.

SOCIAL PROVISIONS OF THE TREATY

619. Article 119 of the EEC Treaty, which lays down the principle that men and women should receive equal pay for equal work, extends the concept of "pay" to cover all benefits, whether in cash or in kind, present or future, if they are paid by the employer to the worker, albeit indirectly, by reason of his employment. Asked by the Belgian Conseil d'Etat to rule on the question whether a retirement pension granted as a social security benefit, financed by contributions from workers and employers and by State subsidies, constitutes a benefit paid indirectly by the employer to the worker by reason of the latter's employment, the Court² said:

"Although benefits in the nature of social security payments are not entirely foreign, in principle, to the concept of pay, this concept, as defined in Article 119, cannot be regarded as including social security schemes or benefits such as retirement pensions directly regulated by law, which exclude any element of agreement within the undertaking or professional sector concerned and which apply compulsorily to general categories of workers".

Even if employers contribute to the financing of such schemes, this is more for reasons of social policy than as a consequence of the employment relationship, so that their participation does not constitute even an indirect form of payment. Besides, the worker benefits from the system

¹ CJEC 14 July 1971 (*Ministère public luxembourgeois v. Muller and others*, case 10-71).

² CJEC 25 May 1971 (*Defrenne v. Belgian State*, case 80-70), *Recueil*, 1971, p. 445.

not by virtue of his employer's contributions but because he fulfils the legal conditions required for receipt of benefits.

Discriminatory situations which may result from the implementation of such schemes (the present case dealt with the exclusion of air hostesses from the pension scheme arranged for the benefit of air crews) therefore fall outside the terms of Article 119.

Supplies of ores and nuclear fuel for Community consumers

By a judgment delivered on 14 December 1971¹ the Court of Justice brought to an end a dispute which had lasted for several years between a Member State and the Commission concerning the application of the provisions of Title II, Chapter VI of the Euratom Treaty regarding the supply of ores and nuclear fuel to consumers in the Community.

It will be recalled that Article 76(2) of the Treaty provides that seven years after the entry into force of the Treaty (i.e. 1 January 1965) the Council may confirm the original version of Chapter VI or, failing such confirmation, must adopt new provisions.

Since then, various factors have prevented the Council from settling the question one way or the other and the Government in question drew the conclusion that Chapter VI had lapsed and that Member States were consequently released from the obligations imposed on them by the relevant provisions.

The Court rejected this argument with the general remark that "the lapsing of provisions of the Treaty is not to be presumed", and otherwise relied mainly on an interpretation of Article 76 of the Treaty in the light of the legal nature of the Community and of the permanent function conferred on the Community by Article 2(d) which dealt with the sector in question. In this connection the Court observed that any failure by the Council to exercise its powers under Article 76(2) "cannot have the effect of undoing the ties which the Member States have agreed to establish among themselves, nor of destroying the obligations thereby created for each of them".

¹ CJEC 14 December 1971 (Commission v. French Republic, case 7-71).

3. Information on the development of Community law

620. The impact of Community law grows to the same extent that trade increases and other activities develop in the Communities. Comprehensive information on the development of Community law in all Member States is indispensable for several reasons.

First of all because the chances of businessmen making full use of all the possibilities of the Common Market are closely bound up with their having a good knowledge of its machinery and ways of working. These matters are contained in a host of documents, treaties and secondary law, a good knowledge of which will thus help to dismantle frontiers.

But accurate information on the legal aspects of the Common Market also ensures that the development thereby encouraged will be harmonious. This means that persons subject to Community law and their advisers must know how to avoid practices which are illegal under that law. This again means that national courts and administrative bodies must be able to ensure that major decisions are implemented fairly and that the measures taken to give effect to them are applied uniformly.

Finally, improved knowledge of developments in Community law will make for stability in the effect which national influences have on the actual creation of Community law. For instance, the principles worked out by research at university level and the questions raised in requests by national courts and tribunals for preliminary rulings constitute important contributions from the national law plane to the formation of trends and to the finding of solutions in Community law.

Consequently, since Community law is based on treaties and on action taken by means of legal instruments, the progress made in building Europe will depend to a considerable extent on how fully these various matters are appreciated and on proper use being made of the possibilities by judges, politicians, officials, businessmen, and all those subject to Community law and their legal advisers.

These considerations have guided the action taken by the Commission in this field. This action, which has often been taken in cooperation with the other institutions, has concentrated on three fields—participation in legal studies, visits for purposes of information, and the setting up of a documentation system.

621. Representatives of the Commission, particularly of its Legal Service, have taken part regularly in the important work of the Legal Affairs Committee of the European Parliament.

Various aspects of Community law have been studied at several colloquia and seminars—competition law in Turin in February, transport law in Bad Ems in April and in Grenoble in May, agricultural law in Brussels in May and in Luxembourg in October, and tax law also in Brussels in May. The legal problems raised by certain policies of the European Community have been examined at several meetings—industrial policy in Rome in May, investment policy in Brussels in October and technological policy in Nice in December. The legal aspects of the questions raised by freedom of establishment in the medical professions appeared on the agenda of a congress held in Rome in June. The problems raised in French administrative law by the application of Community law were the subject of a colloquium held in Strasbourg in October. A round table discussion on the conflict of powers between Member States and the European Communities as regards the conclusion of international agreements was held in Genoa also in October. The constitutional problems raised by an economic and monetary union were studied during a colloquium organized in November in Bad Godesberg. Representatives of the Commission's Legal Service took part in all these meetings.

Special efforts have been made to provide information for legal circles in the countries which have applied to join the Communities. The problems which will arise upon application of Community law to these countries were studied at many meetings organized inside and outside the Community with the participation of lawyers from the Commission—at the University of Reading in January, at the colloquium of Scandinavian lawyers in Brussels in February, at a meeting of the National Association of Norwegian Advocates in Sandefjord in May, in Copenhagen in August, in Mannheim and Cambridge in September and in London in June and November.

622. A visit by the members of the Legal Committee of the Bundestag in November provided an opportunity for a fruitful exchange of views on a certain number of Community problems on that Committee's agenda.

The Commission has maintained its contacts with the judiciary in various countries and with officials responsible for the application of Community law in the Member States.

A group of pupils from the *École nationale d'administration*, Paris, visited the Commission and the Court to study the legal problems raised by the implementation of the treaties establishing the Communities.

The Commission was also visited by groups of judges from the courts of Nordrhein-Westphalen and by trainee judges from the courts of Baden-Württemberg, Schleswig-Holstein and Koblenz. Similarly, visits for the purposes of information to the Commission and to the Court of Justice in Luxembourg were organized for prospective French judges from the *Centre national d'études judiciaires*. In arranging contacts with these circles, the Commission pays special attention to meetings and periods of training organized by the Court, like those in March, May and October for judges from the six Member States and for a group of lawyers from Community countries, or the visit to Luxembourg in February by a group of senior British judges.

In addition, many visits to the Headquarters of the Communities have been made by groups of members of Parliament, officials, practising lawyers and academics, during which members of the Legal Service explained various aspects of the development and application of Community law. Here, too, several meetings with British, Danish and Norwegian parliamentarians and university teachers deserve particular mention.

The Commission has also received trainees, students and research workers who are working on Community law and wish to meet officials or to receive guidance concerning the choice of research topics.

623. Progress has also been made towards an automated documentation system for Community law. An initial programme for recording rules of Community law has been undertaken; this will make it possible to assess at the present time how useful the system may be and whether, as is contemplated, it should be extended. The conclusions reached by the Ministers of Justice at their first meeting on 3 June in Luxembourg, which was marked by a broad spirit of cooperation, have greatly encouraged the Commission to continue in its efforts.

In this field, the Council has emphasized the general interest which it takes in there being an automated documentation system for legal documents and the need to coordinate the work undertaken in the Member States or at Community level. In this way it should be possible to ensure that technical barriers in the information retrieval field do not add to the difficulties already existing as a result of differences in the legal systems.

In this context the Ministers stressed that it is essential that contact between the officials responsible for automated documentation systems in the Member States be established and improved so as to ensure that the national systems are compatible.

Furthermore the Council has insisted, as regards Community law, on the need for making sure that the Community system of automated documentation and the national systems are compatible, that the proper persons or bodies in the Member States have access to the documentation and that unnecessary work and duplication of effort are avoided.

As regards the work undertaken by the Commission since 1967, the Council has invited it to prepare in close collaboration with all the Community institutions concerned a comprehensive review of the results obtained to date and of the projects to be undertaken in the future. The report will serve as a basis for the subsequent work of the Council.

TABLE 24

Work of the Court of Justice in 1971

A—New cases

Total: 96

- (a) *Proceedings brought by the Commission against a Member State under Article 169 of the EEC Treaty and Article 145 of the Euratom Treaty: 2*
 1 concerns the Euratom sector,
 1 concerns the customs union.
- (b) *Proceedings brought against a Community institution: 11*
 1 concerns social questions,
 5 concern the common agricultural policy,
 3 concern competition,
 1 concerns the customs union,
 1 concerns transport.
- (c) *Requests by national courts for preliminary rulings under Article 117 of the EEC Treaty: 37*
 2 concern competition,
 23 concern the interpretation of Community provisions in the agricultural sector,
 (9 of these concern the tariff classification of agricultural products),
 5 concern the customs union,
 6 concern the interpretation of the regulations on social security for migrant workers,
 1 concerns transport.
- 1) *Proceedings brought by staff against their institutions (personnel administration): 46*

B—Judgments

Total: 78

- (a) *Judgments in proceedings by the Commission under Article 169 of the EEC Treaty and Article 145 of the Euratom Treaty: 1*
- 1 Judgment concerning tax questions:

Case 7-71 (v. French Republic). Judgment of 14 December 1971 deciding that the French Republic, by concluding, without resorting to the Supply Agency contracts for the importation of enriched uranium and plutonium and for the supply of enriched uranium and by failing to notify the Supply Agency of the existence of an agreement concerning the processing of uranium imported from South Africa or of the quantities transferred thereunder, had broken its obligations under Title II, Chapter VI of the Euratom Treaty, particularly Articles 52, 55, 57, 64 and 75.

(b) *Judgments in proceedings brought against a Community institution (apart from proceedings brought by Community staff): 16*

1 Judgment concerning tax questions:

Case 4-96 (Firma A. Lütticke GmbH v. Commission). Judgment of 28 April 1971 dismissing as showing no cause of action a claim for damages by a German undertaking which alleged that the Commission had wrongfully failed to issue directives or decisions based on Article 97(2) of the EEC Treaty compelling the Federal Republic of Germany to abolish the compensatory tax imposed in lieu of turnover tax on imported powdered milk.¹

4 Judgments concerning scrap compensation:

Case 67-69 (Società Industriale Metallurgica di Napoli (Simet), SpA v. Commission). Judgment of 16 March 1971 dismissing as showing no cause of action the proceedings for annulment of an individual decision taken by the Commission against the plaintiff concerning the liquidation of the machinery for compensating the price of scrap which had been imported and consumed.²

Case 70-69 (Acciaieria e Ferriera di Roma (Feram), SpA v. Commission). Judgment of 16 March 1971, identical to the judgment given in case 67-69, supra.³

Case 2-70 (Acciaierie e Ferriere Riva, SpA v. Commission). Judgment for 3 March 1971 dismissing as showing no cause of action proceedings for annulment of two individual decisions taken by the Commission against the plaintiff concerning the payment of contributions to the Compensation Fund for imported scrap and the assessment of the tonnage of scrap purchased.⁴

Case 56-70 (Fonderie Acciaierie G. Mandelli v. Commission). Judgment of 21 July 1971 rejecting as inadmissible a request for the revision of the Court's judgment of 8 February 1968 in case 3-67, seeking the annulment of two individual decisions by the High Authority concerning scrap compensation.⁵

1 Judgment concerning transport:

Case 22-70 (v. Council). Judgment of 31 March 1971. Although dismissing the proceeding as showing no cause of action because of circumstances peculiar to the case, the Court laid down the following principles governing the Community's international personality:

the Community's capacity to conclude international agreements is based not only on powers expressly granted by the Treaty, but may also be derived from other provisions of the Treaty and from acts taken by Community institutions;

¹ *Journal officiel* No. C 51, 25 May 1971, p. 13.

² *Ibid.* p. 13.

³ *Ibid.* p. 14.

⁴ *Ibid.* No. C 41, 29 April 1971, p. 4.

⁵ *Ibid.* No. C 33, 7 April 1971, p. 12.

in particular, whenever the Community, in order to implement a common policy prescribed by the Treaty, has made provisions creating common rules (whatever their form), Member States, acting individually or even collectively, are no longer entitled to enter into obligations with non-member States so as to affect those rules.¹

5 Judgments concerning agriculture:

Case 41-70 (NV International Fruit Company *v.* Commission).

Case 42-70 (NV Velleman and Tas *v.* Commission).

Case 43-70 (Jan van den Brink's Im- and Exporthandel NV *v.* Commission).

Case 44-70 (Kooy Rotterdam NV *v.* Commission). Judgment of 13 May 1971 dismissing as showing no cause of action the four actions for annulment of certain acts issued by the Commission limiting imports of eating apples from non-member States.²

Case 5-71 (Aktien-Zuckerfabrik Schöppenstedt *v.* Council). Judgment of 2 December 1971 dismissing as showing no cause of action a claim for damages by way of compensation for the loss caused by the application of Council Regulation (EEC) No. 769/68 of 18 June 1968 which took the necessary steps to off-set the difference between national sugar prices and the prices in force from 1 July 1968 onwards.³

2 Judgments concerning competition:

Case 59-70 (Kingdom of the Netherlands *v.* Commission). Judgment of 6 July 1971 rejecting as inadmissible the proceedings against the Commission's failure to act - the Commission had not taken a decision, as requested by the Kingdom of the Netherlands, prohibiting the aid granted by France to its steel industry.⁴

Case 8-71 (Deutscher Komponistenverband e.V. *v.* Commission). Judgment of 13 July 1971 rejecting as inadmissible the proceedings against the Commission's failure to act, whereby a German association had requested that the Commission be ordered to grant it the formal right to be heard under Article 19(2), second sentence, of Regulation No. 17 (first regulation implementing Article 85 and 86 of the EEC Treaty) in various administrative proceedings instituted by the Commission against GEMA (Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte).⁵

1 Judgment concerning social questions:

Case 2-71 (Government of the Federal Republic of Germany *v.* Commission). Judgment of 6 July 1971 dismissing as out of time proceedings for the annul-

¹ *Journal officiel* No. C 51, 25 May 1971, p. 15.

² *Ibid.* No. C 65, 29 June 1971, p. 12.

³ *Ibid.* No. C 4, 20 January 1972, p. 1.

⁴ *Ibid.* No. C 94, 24 September 1971, p. 4.

⁵ *Ibid.* p. 6.

ment of the (decision of) refusal taken by the Commission on 6 November 1970 and of the statement of accounts of the European Social Fund for the budgetary year 1969, on which that decision was based.¹

2 Judgments concerning the customs union:

Case 62-70 (K G in Firma Werner A. Bock v. Commission). Judgment of 23 November 1971 annulling the Commission's decision of 15 September 1970 authorizing the Federal Republic of Germany to exclude from Community treatment tinned mushrooms originating in China and freely circulating in the Benelux countries, in so far as that decision covered products for which applications for licences were validly pending before the German Administration at the time when the decision came into force.²

Case 15-71 (Firma C. Mackprang jr. v. Commission). Judgment of 26 October 1971 rejecting as inadmissible the proceedings against the Commission's failure to act, in the form of a declaration that the Commission was in breach of Article 155 of the EEC Treaty by failing to take a decision authorizing Member States to impose the lowest intra-Community levy on imports of products from Algeria during 1963, even in the absence of a DD4 certificate relating to goods in circulation, so long as there was further sufficient evidence proving that the goods originated in Algeria.³

(c) *Judgments on preliminary questions submitted by municipal courts: 31*

18 judgments concerning the agricultural policy:

Case 38-70 (Firma Deutsche Tradax GmbH v. Einfuhr' und Vorratsstelle für Getreide und Futtermittel). Judgment of 10 March 1971 confirming the validity of Article 12(1), last subparagraph, of Regulation No. 120/67 which makes the issue of import certificates conditional upon the giving of security and provides that the security shall be forfeit, in whole or in part, if the importation is not carried out during the certificate's period of validity. The judgment also interpreted the expression "levy fixed in advance" appearing in Article 8(b) of Regulation No. 183/67 as referring to the rate of levy fixed for the month scheduled for importation in the request made by the holder of the import certificate.⁴

Case 39-70 (Firma Norddeutsches Vieh- und Fleischkontor GmbH v. Hauptzollamt Hamburg-St. Annen). Judgment of 11 February 1971 in which the Court interpreted Regulations (EEC) Nos. 805/68, 888/68 and 1082/68 concerning entitlement to a total suspension of the levy on imports of frozen meat intended for processing and held that national authorities may not subject importers enjoying the special treatment prescribed by these regulations to supplementary conditions derived from national law which are incompatible with the criteria forming the basis of the Community regulations. A condition required for entitlement to

¹ *Journal officiel* No. C 94, 24 September 1971, p. 5.

² *Ibid.* No. C 126, 21 December 1971, p. 1.

³ *Ibid.* No. C 119, 26 November 1971, p. 11.

⁴ *Ibid.* No. C 33, 7 April 1971, p. 10.

such special treatment, based on a subjective assessment by the national administration, is incompatible with the system established by the Community regulations.¹

Case 51-70 (Firma Alfons Lütticke GmbH v. Hauptzollamt Passau). Judgment of 3 March 1971 interpreting the expression "chocolate in bulk" appearing in Article 1 of Regulation (EEC) No. 755/67, as referring exclusively to chocolate ready for consumption and capable of being sold as such.²

Case 58-70 (Compagnie continentale (France) SA and Compagnie continentale d'importation (Hollande) NV v. Hoofdproduktschap voor akkerbouwprodukten and Produktschap voor granen, zaden en peulvruchten). Judgment of 10 March 1971 interpreting the expression "levy fixed in advance", appearing in Article 8(3) (b) of Regulation 473/67, as indicating the rate of levy fixed for the month scheduled for importation in the request made by the holder of the import certificate.³

Case 76-70 (Firma Ludwig Wünsche and Co. v. Hauptzollamt Ludwigshafen-Rhein). Judgment of 12 May 1971 in which the Court decided that, for the purposes of calculating the intra-Community levy in the cereals sector, deductions should be made from the basic price to cover, *inter alia*, a fixed amount corresponding to the incidence of the internal taxes charged on imports, such as the compensatory tax in lieu of turnover tax.⁴

Case 3-71 (Gebrüder Bagusat KG v. Hauptzollamt Berlin-Packhof). Judgment of 17 June 1971 in which the Court decided that Article 2 of Regulation (EEC) No. 865/68 should be interpreted to mean that the levy applies only to goods to which sugar has actually been added. However, when products have a sugar content of more than 9%, the onus is on the importer to prove that they actually contain natural sugar, not added sugar.⁵

Case 6-71 (Firma Rheinmühlen Düsseldorf v. Einfuhr- und Vorratsstelle für Getreide und Futtermittel). Judgment of 27 October 1971 interpreting the expression "export to non-member States", appearing in Article 20 of Regulation No. 19, which presupposes at the least the produce had been or would be allowed to circulate in a non-member State; Member States were entitled to impose the additional requirement that the product had been or would be used, consumed, worked upon or processed in that State. An examination of the question put by the Bundesfinanzhof revealed no grounds for questioning the validity of Regulation (EEC) No. 162/63.⁶

Case 12-71 (Firma Günter Henck v. Hauptzollamt Emmerich). Judgment of 14 July 1971 defining the tariff classification of broken grains of maize.⁷

Case 13-71 (Firma Günter Henck v. Hauptzollamt Emmerich). Judgment of 14 July 1971 defining the tariff classification of maize groats.⁸

Case 14-71 (Firma Günter Henck v. Hauptzollamt Emmerich). Judgment of 14 July 1971 defining the tariff classification of broken grains of millet.⁸

¹ *Journal officiel* No. C 33, 7 April 1971, p. 10.

² *Ibid.* No. C 41, 29 April 1971, p. 4.

³ *Ibid.* p. 5.

⁴ *Ibid.* No. C 65, 29 June 1971, p. 13.

⁵ *Ibid.* No. C 80, 7 August 1971, p. 8.

⁶ *Ibid.* No. C 119, 26 November 1971, p. 10.

⁷ *Ibid.* No. C 94, 24 September 1971, p. 6.

⁸ *Ibid.* p. 7.

Case 21-71 (Firma Heinrich P. Brodersen Nachf., GmbH and Co KG *v.* Einfuhr und Vorratsstelle für Getreide und Futtermittel). Judgment of 15 December 1971 in which the Court held that "pearled barley" could be regarded as covering only those products which fulfilled at least the requirements stated in the explanatory notes to heading 11.02 in the document known as the "Brussels nomenclature".

Case 30-71 (Firma Kurt Siemers and Co. *v.* Hauptzollamt Bad Reichenhall). Judgment of 24 November 1971 defining the tariff classification of dietary mayonnaise. The Court also held that the entry into force of Regulation (EEC) No. 950/68 on the common customs tariff had not affected the legal effects of the official information binding the Administration, mentioned in paragraph¹23 of the German Customs Law.¹

Case 35-71 (Firma Schleswig-Holsteinische Landwirtschaftliche Hauptgenossenschaft GmbH Kiel *v.* Hauptzollamt Itzehoe). Judgment of 15 December 1971 interpreting Article 15 of Regulation (EEC) No. 120/67 to mean that the day when importation occurs or is completed is the day when the goods leave the warehouse, which implies that they have been irrevocably put into circulation.

Case 51-71 (NV International Fruit Company *v.* Produktschap voor groenten en fruit).

Case 52-71 Kooy Rotterdam NV *v.* Produktschap voor groenten en fruit).

Case 53-71 Velleman and Tas NV *v.* Produktschap voor groenten en fruit).

Case 54-71 (Jan van den Brink's Im- en Exporthandel NV *v.* Produktschap voor groenten en fruit). Judgment of 15 December 1971 in which the Court decided that when provisions of the EEC Treaty or of regulations confer powers or impose obligations on Member States for the purposes of implementing Community law, the question of the extent to which the exercise of such powers or the performance of such obligations may be entrusted by the States to internal organs is governed solely by the constitutional system of each State. The Court also held that the application of a legislative system which is based on a general prohibition of imports unless licences are granted and which is coupled with a general system of exceptions, - in the case of imports from non-member countries subject to Regulation (EEC) No. 2513/69 - is consistent with the principles of that Regulation. The TLA system ("every licence granted") is not inconsistent with the principles of the same Regulation so long as the licence is issued automatically to every applicant without cost or delay.

Case 77-71 (Firma Gervais-Danone AG *v.* Hauptzollamt München-Schwanthalerstrasse). Judgment of 15 December 1971 defining the tariff classification of mayonnaise. The Court also held that the entry into force of Regulation (EEC) No. 950/68 on the common customs tariff, had not affected the legal effects of the official information binding the Administration, mentioned in paragraph 23 of the German Customs Law.

¹ *Journal officiel* No. C 126, 21 December 1971, p. 2.

3 Judgments concerning the customs union:

Case 37-70 (Rewe-Zentrale des Lebensmittel-Grosshandels GmbH v. Hauptzollamt Emmerich). Judgment of 11 February 1971 confirming the validity of the Commission's decisions of 30 and 31 October and 3 and 17 November 1969, authorizing the Federal Republic of Germany, during the period between the revaluation of the mark (27 October 1969) and the entry into force of a system of long-term aid (1 January 1970), to apply temporary protective measures (under Article 226 of the EEC Treaty) for the benefit of German agriculture. These protective measures entailed, *inter alia*, the imposition of a compensatory tax on exports.¹

Case 18-71 (Eunomia di Porro v. Italian State). Judgment of 26 October 1971 in which the Court decided that since 1 January 1962, the date on which the first stage of the transitional period came to an end, Article 16 of the EEC Treaty produces direct effects in the relationships between Member States and its citizens and confers on the latter rights which municipal courts must protect.²

Case 43-71 (Politi v. Italian Ministry of Finance). Judgment of 14 December 1971. After repeating that the tax for administrative services and the statistical tax imposed in Italy constitute charges with an effect equivalent to customs duties on imports, the Court held that the expression "charges having equivalent effect" inserted in the agricultural regulations must be interpreted in the same way as it is interpreted in the Treaty and that the provisions of the regulations are directly applicable as of the introduction of the levy system.

5 Judgments concerning social questions:

Case 80-70 (Gabrielle Defrenne v. Belgian State, represented by the Minister of Social Security). Judgment of 25 May 1971 holding that a retirement pension which forms part of a system of social security provided for by law does not constitute a benefit paid indirectly by the employer to the worker by reason of the latter's employment, within the meaning of Article 119(2) of the EEC Treaty.³

Case 23-71 (Michel Janssen v. Landsbond der Christelijke Mutualiteiten). Judgment of 27 October 1971 in which the Court decided that "assistants", within the meaning of Belgian law, considered as self-employed workers, are included in the expression "assimilated" worker, used in Regulations 3 and 4 (Council), in so far as, by virtue of this legislation, the benefit of the social security system organized to protect all wage-earners against one or more risks is extended to them, if such extension gives them protection against the risk in question which is comparable to the protection provided by the general system. When the law of a Member State concerning the payment of benefits to self-employed workers permits the opening of the right to benefits by taking into account the periods of insurance completed by an individual under the

¹ *Journal officiel* No. C 33, 7 April 1971, p. 9.

² *Ibid.* No. C 119, 26 November 1971, p. 11.

³ *Ibid.* No. C 80, 7 August 1971, p. 7.

social security system for wage earners, periods of insurance completed under the social security system of another Member State as a wage-earner must be taken into account for the purposes of applying that law.¹

Case 26-71 (Heinrich Gross v. Caisse Régionale d'assurance Vieillesse de Strasbourg). Judgment of 10 November 1971, in which the Court held that where the law of a Member State provides for old age benefits of different kinds (depending on the length of the worker's membership), Articles 27 and 28 of Regulation No. 3 should be applied so as to give the worker a right to the most favourable benefit. The benefits should therefore be calculated by taking into account all the periods actually completed by the worker.²

Case 27-71 (Auguste Keller v. Caisse Régionale d'assurance Vieillesse de Strasbourg). Judgment of 10 November 1971 in which the Court decided that where the right to an old age pension arises in a Member State by sole virtue of the periods of insurance completed under that State's law, that State is not entitled to apply Articles 27 and 28 of Regulation No. 3.³

Case 28-71 (Eugen Höhn v. Caisse Régionale d'assurance Vieillesse de Strasbourg). Judgment of 10 November 1971, identical to the judgment given in case 26-71, *supra*.⁴

1 Judgment concerning transport:

Case 10-71 (Ministère public luxembourgeois v. Muller and others). Judgment of 14 July 1971 in which the Court decided, without prejudice to the exercise by the Commission of its powers under Article 90(3) of the EEC Treaty, that Article 90(2) is not at present capable of creating individual rights which national judges must protect.⁵

4 Judgments concerning competition:

Case 40-70 (Sirena SRL v. Eda and others). Judgment of 18 February 1971 in which the Court decided that Article 85 of the EEC Treaty applies where trade marks are used to prevent the import of goods originating in other Member States and legally bearing the same trade mark. The fact that the holder of a trade mark is in a position to prohibit such imports under his own municipal law does not by itself amount to the existence of a dominant position within the meaning of Article 86 of the EEC Treaty; it is also necessary that genuine competition should be prevented on an important part of the relevant market.⁶

Case 1-71 (SA Cadillon v. Firma Höss Maschinenbau KG). Judgment of 6 May 1971 deciding that an exclusivity agreement, concluded between parties holding an insignificant position on the market in the products covered by the contract, may escape the prohibition of Article 85(1), especially if it does not create complete territorial protection. An exclusive dealing agreement coming within the prohibition of Article 85(1), concluded after the entry into force of

¹ *Journal officiel* No. C 119, 26 November 1971, p. 12.

² *Ibid.* No. C 126, 21 December 1971, p. 1.

³ *Ibid.* No. C 4, 20 January 1972, p. 1.

⁴ *Ibid.* p. 2.

⁵ *Ibid.* No. C 103, 16 October 1971, p. 7.

⁶ *Ibid.* No. C 33, 7 April, p. 11.

Regulation (EEC) No. 67-67, may, even though not notified to the Commission, enjoy the block exemption provided for in Article 1 of that Regulation, if it fulfils the conditions laid down by Articles 1 to 3 of the Regulation.¹

Case 78-70 (Deutsche Grammophon Gesellschaft mbH v. Metro SB Grossmärkte GmbH and Co. KG). Judgment of 8 June 1971 in which the Court decided that it is contrary to the EEC Treaty for a producer of gramophone records to use his copyright as a means of preventing his records from being sold by an unauthorized retailer who had obtained the goods from a foreign subsidiary of the producer. Enjoyment of an exclusive right under municipal law does not by itself constitute a dominant position forbidden by the Treaty, but a dominant position will exist if the price structure enables the producer to prevent genuine competition on an important part of the market.²

Case 22-71 (Société Beguelin Import Co. and another v. SA GL Import Export and others). Judgment of 25 November 1971 in which the Court decided that the relationship between two companies, one of which enjoys no economic independence from the other, cannot be taken into account in order to determine the validity of an exclusive dealing agreement between the subsidiary and a third party. The Court also held that an exclusive dealing agreement between a producer from a non-member State and a distributor operating in the Common Market is subject to the prohibition contained in Article 85 of the EEC Treaty, if its legal or practical effect is to prevent the distributor from re-exporting the goods in question to other Member States, or to prevent such goods from being imported from other Member States into the area covered by the agreement, and from being distributed there, by persons other than the dealer or his customers; in particular, this last condition is fulfilled where by virtue of the combined effects of the agreement and of national legislation on unfair competition the dealer can prevent parallel imports from other Member States into the area covered by the agreement.

(d) *Judgments in proceedings brought against Community institutions by their staff: 30*

Case 76-69

Case 19, 21, 29, 45, 47, 48, 49, 52, 53, 54, 55, 57, 61, 77 and 79-70

Joint cases 63 to 75-70

Case 17-71.

¹ *Journal officiel* No. C 76, 26 July 1971, p. 9.

² *Ibid.* C 65, 29 June 1971, p. 14.

TABLE 25
Cases analysed by subject matter
(situation at 31 December 1971)

Type of case	ECSC				EEC						Privileges and immunities	Processed by staff of the institutions	Total		
	Scrap compensation	Transport	Competition	Other ¹	Customs union	Right of establishment, freedom to supply services	Tax cases	Competition	Social security and free movement of workers	Agricultural policy				Transport	Europe
New cases (1971)	169	36 1	55	19	53 7	1	26	38 5	37 7	99 28	3 1	3 1	6	268 46	813 96
Cases struck off (1971)	22	5	15	9	8 1	1 1	5 1	2 1	2 1	4 1	—	1	—	60 5	134 11
Cases decided (1971)	147 4	30	40 1	10	42 5	—	21 1	26 5	34 6	73 23	3 2	2 1	6	163 30	597 78
Cases pending	—	1	—	—	3	—	—	10	1	22	—	—	—	45	82

¹ Levies, investment declarations, tax charges, miners' bonuses.

TABLE 26

Cases analysed by type (EEC Treaty)*
(situation at 31 December 1971)

Type of case	Proceedings brought under Articles										Grand total ⁴			
	169 and 93	170		173				175		177		184	215	
		170		173		175		177						
		By Gov-ern-ments	By indivi-duals	By the Insti-tutions	Total	Valid-ity	Inter-pre-tation	Total						
New cases	27	—	14	52	1	67	8	11	134	141	3	20	259	
Cases struck off	7	—	4	3	—	7	—	—	8	8	—	—	22	
Cases decided ¹	19	—	10	35	1	46	7**	11	114	121	3	9	201	
In favour of plaintiff ²	16	—	1	7	—	8	—	—	—	—	—	—	—	
Dismissed on the merits ³	3	—	8	9	1	18	—	—	—	—	—	9	—	
Dismissed as inadmissible	—	—	1	19	—	20	6	—	—	—	3	—	—	
Cases pending	1	—	—	14	—	14	1	—	12	12	—	11	36	

* Excluding proceedings by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities (see Table 25).

** Including one non-suit.

1 The number of judgments is smaller than the number of cases decided, because some cases were joined during the procedure.

2 In respect of at least one of the plaintiff's main claims.

3 This also covers proceedings dismissed partly as inadmissible and partly on the merits.

4 The total may be smaller than the sum of cases listed, since some cases were based on more than one Article of the Treaty.

TABLE 27

Cases analysed by type (ECSC and Euratom Treaties)*
(situation at 31 December 1971)

Type of case	Number of proceedings brought								Total	
	By Governments		By the institutions		By individuals (undertakings)					
	ECSC	Euratom	ECSC	Euratom	ECSC	Euratom	ECSC	Euratom	ECSC	Euratom
New cases	22	—	1	2	257	1	280	3		
Cases struck off	9	—	—	1	42	—	51	1		
Cases decided ¹	13	—	1	1	214	1 ⁴	228	2		
In favour of plaintiff ²	5	—	—	1	48	1 ⁴	53	2		
Dismissed on the merits ³	7	—	—	—	117	—	124	—		
Dismissed as inadmissible	1	—	1	—	49	—	51	—		
Cases pending	—	—	—	—	1	—	1	—		

* Excluding proceedings by staff and cases concerning the interpretation of the Protocol on Privileges and Immunities (see Table 25).

¹ The number of judgments is smaller than the number of cases decided, because some cases were joined during the procedure.

² In respect of at least one of the plaintiff's main claims.

³ This also covers proceedings dismissed partly as inadmissible and partly on the merits.

⁴ Terminated by order of the Court.

TABLE 28
Decisions by national courts concerning Community law¹

Country	Subject matter ²	EEC Treaty										ECSC Treaty ⁵	Total		
		Free movement of goods			Agriculture	Free movement of persons and right of establishment	Social security law ³	Transport	Competition					Tax provisions	Other ⁴
		Customs duties	Quantitative restrictions	Mono-polies					Restrictive agreements, mono-polies	Dumping	Aids				
					1	2	3	4						5	6
Belgium	1			1	1	9		36					3	2	53
Germany (FR)	20	2	2	53	12	2	1	43	2			34	12	4	187
France	5	1	1	4	3	12	1	16	1	1			2	2	49
Italy			1	3	1	3		1						13	24
Luxembourg								1							1
Netherlands	4		1	1	1	7		34					4		52
	Total	30	3	5	62	18	2	131	3	3	3	34	21	21	366
	Previous totals	28	3	5	50	17	2	124	3	3	3	34	13	20	331
	New judgments	2	0	0	12	1	4	7	0	0	0	0	8	1	35

¹ Figures are for decisions published up to 15 November 1971, excluding cases which gave rise to a reference to the Court of Justice for a preliminary ruling.

² The breakdown of subject matter is according to the main aspect of the judgment. Thus cases referring to tax questions in agriculture are classified under "tax provisions".

³ Cases concerning social security and Article 119.

⁴ Cases concerning Article 7, Article 169 (effects of a judgment by the Court of Justice), Article 177 (costs, examination by a national court of its obligation to lay a request for interpretation before the Court of Justice), Articles 215, 220, 227, Protocol 1, 7, and association agreements with Turkey and the AAMS.

⁵ Prices, financing, social security, competition, transport, obligation to pay, and forced execution.

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