

EUROPEAN ECONOMIC COMMUNITY  
COMMISSION

Sixth

GENERAL REPORT

on the

**Activities of the Community**

*(1 May 1962 — 31 March 1963)*

JUNE 1963

The President  
and the Members of the Commission  
of the European Economic Community  
to the  
President of the European Parliament

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Mr President,

We have the honour to submit the Sixth General Report on the Activities of the Community, which the Commission is required to publish in pursuance of Article 156 of the Treaty establishing the European Economic Community.

In accordance with Article 122 of the Treaty the Commission also prepares a Report on the Social Situation in the Community, to be included in the General Report. This document will be submitted to you before the end of the month.

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

*Brussels, 1 June 1963*

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## INTRODUCTION

I. Despite the obstacles met with from time to time, the build-up of the Common Market has made steady progress since 1958. In each of the five general reports submitted at regular intervals to the Parliament, the Commission has reported noteworthy successes both in the internal development of the Community and in the organization of its external relations and the enhancement of its international prestige. The interruption of the negotiations for the accession of Great Britain led for the first time to a major crisis in the Community.

Contrary to certain forecasts made before the entry into force of the Treaty of Rome, the most intractable problems in the integration process are once more of political, and not economic, origin; the political crisis of 29 January 1963 is in contrast with the successes in other fields throughout the previous year.

In 1958-59 the Community, at the threshold of its career, had to assert its personality despite the attitude — to say the least of it reserved — of many non-member countries. Today the weight of the Community in the world has become such that questions connected with its expansion or with its external relations take a leading place in international affairs and among matters of concern to the member countries. Fully aware of this situation and of the responsibilities laid upon them as a result, the Community authorities have in recent months sought to mitigate the more serious consequences of the crisis in order to maintain the unity of the Community and safeguard its future development.

II. We may briefly recall the important successes of the Community before January 1963. They are perhaps too easily forgotten today. For example, on 1 July 1962 customs disarmament within the Community was once again speeded up. Customs duties on industrial products as between

member countries were reduced to 50% of their level in 1957, the reference year.

Thanks to the labours of the member governments and of the Community institutions, the new system introduced by the agricultural regulations of January 1962 entered into force on 30 July 1962. In the space of a few months a complete body of regulations covering the important sectors of cereals, pigmeat, eggs and poultry and fruit and vegetables was prepared, debated and adopted at European level, and was then incorporated into the administrative practices of each of the member countries. The transition to a European system took place without a hitch. The new machinery, particularly that of the management committees, has proved flexible and efficient in use, and the day-to-day administration of the new European market organizations has encountered no major obstacle that treaty and regulations procedure cannot overcome; nor, it would seem, is it likely to do so.

Anti-trust legislation has been brought into force. Firms are confronted with a novel and somewhat revolutionary development; they must henceforth comply with directly enforceable European regulations and they come under the jurisdiction of the competent European authorities (Commission and Court of Justice) who are empowered to apply or interpret the regulations. After a certain hesitant trend, the number of notifications the Commission received by the time-limits set in the regulations on cartels and monopolies confirmed that the new arrangements were understood and accepted.

In July 1962 the Member States and Greece exchanged instruments of ratifications of the association agreement between that country and the Community. The agreement entered into force on 1 November 1962 and the Community is gratified by the spirit of trust and friendship in which it is being applied.

Lastly the initialling at the end of 1962 of the new association convention with the African States and Madagascar demonstrated that the Community not only confirmed the intentions of the sponsors of the Treaty but was willing to go even further in its commitments with its partners in Africa and Madagascar by strengthening its economic relations with them

and by stepping up and diversifying its aid to them so as to facilitate the adaptation of their production to world economic conditions. The new convention should also enable the Community to participate with greater authority in efforts to organize commodity markets, which are so important to development. In this way, the Community will be able to pursue its action to help the associated States without on that account neglecting its responsibilities to the other developing countries of Africa, Latin America and Asia.

It is now expected that the convention will be signed in the near future and will enter into force on 1 January 1964.

*III.* The Commission has already had occasion in previous general reports to stress the importance of a balanced development of the Community. Although the Treaty is explicit on such matters as the free movement of goods, services, capital and persons; it is less so as regards the other aspects of economic union and the co-ordination or gradual merging of national economic policies. Here it is for the Community institutions to decide upon the nature and timing of the measures needed. For this reason the Commission has drawn up, in response to a recommendation of the Parliament, an "Action Programme for the second stage" which is a blue-print for the building of economic union in all sectors; it synchronizes the principal stages and presents a logical schedule in which the proposals to be made by the Commission in coming years will find their place.

As an efficient instrument of parliamentary control, as a tool for the member governments, as a useful guide in enlightening public opinion, the Action Programme was welcomed with enthusiasm by the European Parliament, which, after the crisis of January 1963, at once declared that it retained all its value and force. The Parliament felt then that only the implementation of a balanced set of measures such as those proposed in the programme would enable the Community to make further progress.

It has emerged from recent discussions in connection with the preparation of a programme of work for the Council that the latter attaches considerable importance to the Action Programme and that the six governments are ready to entertain in due course the proposals foreshadowed by the Commission.

IV. All these results, which did not pass unnoticed in the Western world, among the non-aligned countries or in the Iron Curtain countries, were attained at the same time as the negotiations for the accession of the United Kingdom and other European countries were proceeding at an ever faster tempo. This meant that the Council, the Commission and the Ministers of the Member States were certainly fully stretched in 1962.

Despite these efforts little progress had been made in the last months of the negotiations for the accession of the United Kingdom. It was then that the French Government suddenly announced its decision to suspend them.

The Commission has several times made known its views on the various factors in the January crisis: in statements made by its President to the European Parliament on 5 February and 27 March and in the report on the state of the negotiations with the United Kingdom which it transmitted on 26 February to the European Parliament at that body's request. Those views need only be briefly recalled.

V. The Commission hereby confirms the opinion expressed on 5 February on its behalf by its President; "It is not possible to say of the negotiations at the moment when they were interrupted that they had in practice failed, or to say that it had been proved that they could not succeed. It is equally impossible to say that the negotiations had already to all intents and purposes succeeded, in other words that they would without question have come to a successful conclusion. It would rather be true to say that they had reached a difficult stage in which the British side too would have to make a number of considerable concessions, but that there was a reasonable chance of reaching agreement[...] there can be no doubt that the chance of success was great enough to justify the continuation of the negotiations".

This being so, the Commission, while admitting that under the Treaty of Rome the Member States have a say in the matter of applications for membership, could not but regret the way in which the decision to suspend the negotiations had been taken and announced.

VI. At the very moment when, in these circumstances, the Community was assailed by a crisis of confidence, the Franco-German treaty of 22 January 1963 was signed.

The Commission felt impelled to express its views on this treaty. It acknowledged the importance for the two countries, for Europe and the Western world of the fundamental political fact that the treaty set the seal on Franco-German reconciliation. The Commission noted at the same time that in its scope and procedures the treaty touched on certain matters lying within the purview of the Community, and might therefore significantly influence developments in those fields, depending on the way it was implemented.

Speaking on behalf of the Commission, the President therefore told the European Parliament on 27 March 1963 that "a definitive judgment on the treaty from the standpoint of Community interest can hardly be reached without finding how the treaty is applied in practice[...] the position of the Community may therefore be summed up in the form of an urgent request to the legislative bodies responsible for ratification and to the governments concerned to state as clearly and bindingly as possible when parliamentary ratification is given to the treaty that the treaty shall not be interpreted or implemented in such a way as to detract from the existence, functioning and momentum of our Community".

This appeal did not go unheeded.

*VII.* Though the shock was severe and the crisis grave, they could not be allowed to call into question the very existence of the Community. The Treaties of Rome and Paris are not merely the expression of a policy; they have founded a new constitutional order, and it is in moments of crisis that one appreciates the value of a permanent constitution, stable institutions and immutable rules. With the full support of Parliament the Commission has therefore sought above all to ensure continuity in the work of the institutions and compliance with the rules of the Treaty in all fields.

This meant not only holding the ground gained but also making fresh progress towards the economic union that had to be established during the transition period. The Council and the six governments all endorsed this view, which underlies the Council's recent decisions.

To the Commission's great satisfaction the Council has stressed the need for the "harmonious development" of the Community, as regards both its internal build-up and its external relations. The January crisis had

brought into sharper focus the close links between these two fields. In the first place the growth of the Community explains the magnetic attraction it exerts on most of its European neighbours and the desire of many other countries to negotiate with it. Secondly, differences of opinion inside the Community on its relations with the outside world may, if not actually jeopardize internal development, at least slow it down for a time. In a situation in which the Member States adopt divergent attitudes, there is the danger that each partner may lay down prior conditions for the decisions needed for the Community's normal development. The loss of confidence between the partners leads to this method of negotiating, each declining to make concessions without getting something in return in fields where the building of the Community is more in its own interests.

The idea was therefore put forward of a programme and time-table for the most important decisions. These do not necessarily have to be taken simultaneously, but the time-table must be strict enough to assure the Community institutions and member governments that harmonious development will continue. The advantage of this method is that it lays emphasis on the fact that all Member States have a common interest in the general progress of the Community, even if such progress calls for sacrifices from each of them in various fields.

*VIII.* The first decisions taken by the Council on 9 May 1963 are an example of the new method in practice. According to the programme, the Council is to adopt by the end of 1963 the major agricultural regulations still outstanding (dairy produce, beef and rice), to take decisions in good time on grain prices for the 1963/64 and 1964/65 seasons, and to examine various other important problems of common agricultural policy (farm prices, eliminating distortions of competition, uniform application of current regulations, etc.). The Commission has fixed a date for its proposals on the organization of the sugar market.

As for the Community's external relations, the Council proposes to continue preparatory work for the GATT tariff negotiations so that the Community's attitude on all the subjects of negotiation can also be agreed by the end of 1963.

IX. The programme is, however, by no means exhaustive. The Commission intends to launch or continue in 1963/64 several new operations of major importance. It has just submitted to the Council proposals for a set of regulations which are to lay the foundations of the Community's transport policy. The Council is to take a decision on a directive concerning the unification of national systems of turnover taxation. The Commission has also put forward proposals for approval at an early date which will mark the second stage in liberalizing manpower movements in the Community. New steps are to be taken in the field of vocational training and the European Social Fund is to be given wider scope for action. Lastly, as it has already announced, the Commission will shortly table its first proposals on monetary policy and long-term development policy.

X. The Community will also be more active in its external relations. The Association Convention with the African States, initialled some months ago, is awaiting signature and the negotiations with Turkey need to be brought to a successful conclusion. There are good hopes as to the outcome of negotiations with Israel and Iran. The study of problems arising in the Community's relations with the countries of Latin America needs to be pressed forward. On this subject the Commission has submitted to the Council a set of proposals which are now under active consideration.

It is, however, relations with Great Britain and the other member countries of the European Free Trade Association and relations with the United States which raise the most delicate problems for the Community.

Without prejudice to other arrangements now being considered, the Commission will endeavour to maintain close contacts with the United Kingdom Mission to the Communities and with the British Government. It hopes to develop these further, both in Brussels and in London.

The purpose of these contacts should be to provide both parties with the information necessary to obviate as far as possible any divergence in their policies liable to make resumption of the negotiations for accession more difficult. These contacts must not, however, slow down the preparation of Community decisions, and must be maintained in a spirit of strict reciprocity.

The Commission will also endeavour to put into practice a number of ideas which emerged from the negotiations and which are still of value — for example, the conclusion of world agreements on agricultural commodities and co-operation with the Commonwealth countries, such as India and Pakistan, and countries of Africa and the West Indies. On a limited but significant point, the opening of conversations between the Community and Great Britain with a view to completely suspending customs duties on tea and tropical woods already constitutes a first step in this direction.

The Commission is well aware of the special problems confronting Austria. It has begun studying them in conjunction with the Council and hopes that solutions will be found for them in the near future.

XI. The major tariff negotiations of 1964 — the “Kennedy round” — which were regarded as a logical sequel to British membership of the EEC, are perhaps even more important now that the negotiations have been suspended. A reciprocal and substantial cut in customs duties in the Western world, particularly if it were combined with fuller economic and financial co-operation, would do much to alleviate the present tension.

The preparatory work and contacts for these negotiations must therefore be pursued in the right spirit, that is to say the field of negotiation must be made as wide as possible and its basis must be quite fair. Customs duties must be cut by the across-the-board method, while leaving room for narrowing present disparities between duties on the same products. Non-tariff or “semi-tariff” measures or practices must not be allowed to nullify or diminish the value or scale of the concessions made by the various States. For farm products, in particular, it would seem that the negotiations are more likely to succeed if they are directed towards a thoroughgoing reorganization of world markets to help solve the surpluses problem and that of world hunger at the same time.

The GATT negotiations should also stimulate the organization of markets in tropical products and thus contribute to a much-needed stabilization of the developing countries’ export incomes. In more general terms the negotiations should lead to a more satisfactory organization of trade between the more developed areas of the world and the less advanced countries.

In accordance with the Treaty these negotiations are entrusted to the Commission and the fact that they can be conducted along purely Community lines is not without its importance.

*XII.* Although recent events have highlighted the interdependence of internal development and external relations, they must not obscure the fact that the strengthening of the institutional structure is, in the last analysis, the best way of ensuring the efficient working of the Community in compliance with its rules and of developing a genuine joint responsibility. The duty and purpose of the Community institutions, and particularly of the Parliament and the Commission, is to hold the common interest paramount at all times. But for this they must have adequate powers.

By the letter of the Treaty alone the unanimity rule will be superseded by majority vote for most Council decisions at the end of the second stage, that is to say, at latest 1 January 1966. But before this date certain measures which have long been under consideration should at last be put through. The need for a merger of the Executives — were it only for purely practical reasons — is now obvious to all. To widen the Parliament's powers would present no difficulty and there is no insuperable obstacle to its election by universal suffrage.

We may look even further ahead. If the Community held together during the January crisis, the reason is, as we have seen, that it is the expression of a new constitutional order. The way it stood the strain and the way its institutions reacted to overcome the crisis gave a further striking proof of the value and significance of the Community order. In presenting its Action Programme in October 1962, the Commission recalled that the Community was a political union in the economic and social fields. Today, after some of the most difficult months the Community has seen, the Commission is even more firmly convinced that this union should be extended to other fields and that only the presence of strong institutions, the tangible expression of the Community interest, can give a political union the permanence and dynamic force thanks to which our peoples will place their confidence in it to preside over their henceforward common destinies.

## CHAPTER I

### THE ACTION PROGRAMME

1. In accordance with the procedure agreed on by the Parliament and Council the officers of the European Parliament, in a letter to the Council on 1 October, proposed as a topic for discussion at the annual joint meeting of the Parliament, the Council and the Executives the tasks of the Community during the second stage, which began on 1 January 1962, of the transition period laid down in the Treaty of Rome for the attainment of its objectives.

In preparation for this discussion, to which the Council agreed on 25 October, the President of the European Parliament asked the Executives and more particularly the EEC Commission to inform him of their plans and prospects with regard to the tasks to be accomplished by the Community during the second stage.

In reply the Commission prepared an Action Programme for the second stage, which was submitted to the Parliament on 26 October and also to the Council. It subsequently served as a basis for discussion at the joint meeting on 20 and 21 November.

The Commission drew up the Action Programme in considerable detail, feeling that its publication would be of interest not only to the Parliament but also to the Council, the Governments and the general public in the Community countries.

It was thought important to keep the Council and member governments informed of what the Treaty implied for the Commission, and no less important for the European Parliament (like the national parliaments and the public in the member countries) to be able to view in a general context the measures on which it was called on from time to time to decide. The Action Programme is of assistance to the Parliament in keeping its watching brief over the Commission's activities.

It is also useful for the rest of the world, and especially countries seeking membership of or association with the Common Market, to be well informed of the Community's aims.

2. In the introduction to the document the Commission states that the economic integration of Europe is in essence a political phenomenon and that together with the ECSC and the EAEC the Community forms a political union embracing the economic and social spheres.

This political aspect of the Community came to the fore at the beginning of the second stage. The first stage was marked by substantial progress towards a customs union which, however, can only be fully effective if it is followed by the economic union also provided for in the Treaty. Here the stress will no longer be, as in the customs union, on negative measures — the abolition of restrictive rules and regulations — but on constructive action. What now remains to be achieved is the gradual merging of national economic policies into a common short-term and long-term policy. Without this there can be no common market, no economic area where conditions are those of a domestic market.

Besides this first reason for the opening up of markets to be followed by common policies in a wide range of sectors, there is another. Integration of the economic and social aspects of national policies is effected by the Treaty of Rome as a means of achieving political unity in Europe; for what is being brought together, what is here being welded into a community is the policies of the individual States. What is being built up is a union of Member States in the eminently political sphere of economics or more precisely of the influence exercised by the State on economic affairs, i.e. economic policy. It is a union which affects an essential part of the internal policies of Member States and part of their external policy, namely, trade policy. With the Community political integration has already begun in one essential field.

3. The eleven chapters of the Action Programme outline what steps must be taken if the Community's objectives are to be achieved; they present an overall view of the anticipated development of the Community.

As regards the internal market, the Commission stresses its twofold task: the pace at which the customs union is developing must be kept up, and the Community must give increased attention to indirect obstacles to

the free movement of goods, which are becoming all the more conspicuous as further progress is made in the abolition of customs duties and quotas properly so called.

In order to attain the first objective the Commission announces that the directives it proposes for tariff disarmament during the third stage will aim at eliminating all internal customs duties by 1 January 1967.

As to the second objective, the Commission sets out a detailed programme for dealing with various obstacles to trade such as charges equivalent in effect to customs duties and measures equivalent in effect to quotas.

The Commission also stresses how important it is to harmonize legislation governing professions and trades if freedom of establishment and freedom to supply services are to be achieved.

Chapter II emphasizes the essential function of competition in the Common Market, describing it as an important tool in the building of the Common Market, with an essential role to play in the control of the economic process on the many new Community markets, and as a guarantee of economic freedom for all those concerned in those markets. The Commission considers that the constructive competitive policy described in detail in Chapter II of the Action Programme is one of the most important and effective instruments for realizing the aims of the Treaty.

The chapters on energy and transport mainly reproduce earlier proposals published by the Commission in other documents (Memorandum of the Inter-Executive Working Party on Energy, Action Programme for a Common Transport Policy). The chapter on agricultural policy restates, in the light of intervening Council decisions, the general ideas put forward by the Commission in a previous memorandum.

The chapter on social policy particularly stresses that the Community must have its own social policy, co-ordinated of course with the other elements of Community policy but not subordinate to them. Besides applying and amplifying Community Regulations the Commission will be mainly concerned with implementing a policy on vocational training and employment and with harmonizing social systems.

The chapter on economic policy announces that by the middle of 1963 the Commission is to submit to the Council proposals for "Community planning". The first step will be to make a comparative study of the long-term plans, programmes, projections or forecasts of Member States with the aim of dove-tailing the national policies and the various Community measures and of laying the technical and political foundations for a consolidated plan covering, it is suggested, the 1964-68 period.

As regards structural policy, the memorandum provides for research into industrial sectors faced with special problems; three working parties are to be set up to study regional policy problems.

Monetary policy is of special importance in bringing about an economic union, a condition for which is that exchange rates must be stabilized within very narrow limits. To strengthen co-operation on monetary policy in the Common Market the Commission proposes the formation of a Council of Governors of Central Banks and advocates that Member States adopt a common attitude on world monetary problems.

In the chapter on external relations the Commission emphasizes that the Community is keenly aware of its duties towards non-member countries in Europe and in the world at large, and that it desires to follow a policy of co-operation and progress for all. This policy finds specific expression in the following fields: the widening of the Community, partnership with the United States and the shaping of the Community's trade policy along liberal lines.

The Commission's programme for aid to developing countries, dealt with in Chapter X, comprises the improvement of the association system considered as a comprehensive effort covering a vast area of the developing world and, with due regard at all times to the special situation of the associated countries, consideration for the interests of developing countries not linked with the Community and implementation of solutions appropriate in their case.

In the chapter on administration and finance the Commission draws attention to the staff shortage, which has become more acute as a result of the additional work involved in the implementation of the common agricultural policy and policy in regard to competition.

4. The Action Programme has been widely circulated among the Community institutions and in non-member as well as member countries and has aroused keen interest everywhere.

It has been examined by the Council and the various Committees of the European Parliament <sup>(1)</sup> and was the subject of a lively discussion at the joint meeting on 20 and 21 November.

During this discussion, M. Colombo, President of the Council when the memorandum was published, said that the EEC Council had received the Action Programme with great interest. He voiced two opinions which endorsed those of the Commission — that it was not possible to move forward to economic union without permanent political co-ordination between the Member States, and that the work to be done in the second stage must be set in the framework of a well-conceived plan.

The Parliament for its part gave the memorandum a very favourable reception and approved it by a large majority.

Members were particularly interested in the ideas on planning and forecasting, which were developed by two speakers: Professor Erhard, Minister for Economic Affairs of the Federal Republic, and Professor Hallstein, President of the Commission.

In the Economic and Social Committee an "Action Programme" sub-committee made a detailed study of the programme and the conditions for its implementation, and the publication of the Committee's opinion on the programme as a whole was announced for the end of May.

The Action Programme has been given wide prominence in the European press and has been the subject of resolutions by industrial and trade federations. It is recognized as giving a comprehensive survey of the European Community's present situation and future prospects and pointing the way for the years to come.

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<sup>(1)</sup> European Parliament, working documents on the objectives of the Community during the second stage of the transition period of the Common Market (No. 100 of 12 November 1962).

Outside the Community attention has centred mainly on the chapters dealing with external relations and aid to developing countries, with special emphasis on the Commission's views on the widening of the Community, partnership with the United States and a liberal Community trade policy.

5. Since the interruption of the negotiations for the entry of the United Kingdom, the European Parliament has formally stated on two occasions the importance it attaches to the implementation of the Action Programme. In a resolution of 19 February 1963 it explicitly urged that a start should be made as soon as possible on implementing the Action Programme, so that the harmonization and gradual integration of member countries' economic policies in all sectors might soon become a reality. In another resolution on 29 March 1963 the Parliament said that the establishment of a customs union and an economic union must be pursued along the lines laid down in the programme, which it termed an "essential instrument for a European order".

## CHAPTER II

### THE ESTABLISHMENT OF THE COMMON MARKET

#### The free movement of goods

6. The further tariff disarmament measures taken by the Member States on 1 July 1962 gave an additional boost to intra-Community trade. They also brought out with even greater clarity — if that were necessary — the need for the simultaneous abolition of non-tariff obstacles to the free movement of goods within the Community and for completion of the common external tariff. The value of this tariff will, moreover, be greatly enhanced once the second alignment of the national tariffs has been carried out on 1 July 1963.

In this connection, the Commission has made improvements to its policy of granting tariff quotas where this appears to be warranted. With effect from the second alignment on the common tariff, these can be at reduced — but no longer at nil — rates. The Commission has enlarged the scope of the regulations on intra-Community trade, particularly trade in farm products, and put the finishing touches to a programme for more rapid approximation of customs legislation. Progress has also been achieved in abolishing the remaining quantitative restrictions on trade in farm products, and work has continued on a programme for the abolition of measures equivalent in effect to quotas and of taxes equivalent in effect to customs duties. The Commission has also sent fresh recommendations to several States for the adjustment of their trading monopolies and has been careful to see that the safeguard measures requested by Member States under various Articles of the Treaty do not prevent the sectors concerned from adapting themselves to the conditions of competition which are part and parcel of a common market.

#### TARIFF DISARMAMENT

##### *Internal customs duties*

7. On 1 July 1962 the Member States gave effect to the second decision on the speed-up of the Treaty taken on 15 May 1962 and proceeded to the

second additional reduction of the customs duties they apply to each other's goods.

As a consequence, customs duties on manufactures have been reduced to 50% of the basic duty. Since 1 July 1962 a duty equal to the basic duty reduced by at least 35% has been applied to those farm products covered by Annex II of the Treaty and shown on a list annexed to the decision of 15 May. On the remaining products listed in this Annex II duties are still being charged at rates corresponding to the basic duties less 30 or 35% according to whether the products are liberalized or not. The Member States have also taken steps to abolish internal customs duties on those farm products now subject to a levy system under a common organization of the market (cereals, pigmeat, eggs and poultry).

On 28 August 1962 Italy made use of the right to speed the reduction of customs duties granted to Member States by Article 15(1). Duties on imports from other Community States were lowered ahead of schedule, but this reduction does not affect products in respect of which Italy has asked for safeguard measures under Article 226 of the Treaty.

#### *Charges equivalent in effect to customs duties*

8. The Court of Justice of the European Communities, to which the Commission referred an infringement of Article 12 of the Treaty by the Belgian and Luxembourg Governments in the matter of a charge on honey-bread and the extension of this duty to similar products, has handed down an interpretation of the concept of a charge equivalent in effect to a customs duty (see sec. 302). On the basis of this interpretation the Commission is examining, case by case, the charges brought to its attention by Member States in reply to a questionnaire designed to show which of these charges can be considered as having "equivalent effect" and so fall under Article 13(2) or Article 16 of the Treaty, which requires that such charges should be abolished between Member States.

The Commission hopes shortly to conclude this examination. As pointed out in its Action Programme, it expects that in the next few months it will be able to draw up directives fixing the pace at which charges with effect equivalent to import duties shall be abolished in trade between Member States.

*THE COMMON EXTERNAL TARIFF**Petroleum products*

9. As it did not prove possible for the Member States to adopt the common external tariff for the petroleum products on List G during the first stage, it has been the Commission's responsibility since the beginning of the second stage to submit proposals to the Council under Article 20(3). Until the end of the second stage the Council can fix the duties only by unanimous vote, but subsequently a qualified majority will be sufficient.

Discussions which took place between the Commission and the Member States in 1962 have yielded a common nomenclature for the products concerned and led to agreement in principle on the advisability of customs protection for the Community's refining industry. The Commission will shortly be in a position to submit proposals to the Council. If adopted, they will both fill the last remaining gap in the common external tariff and provide a useful element when Member States come to apply the common energy policy.

*Modification or suspension of various external duties*

10. Technical progress and the changes that have occurred in the economic and commercial situation have called for certain modifications in the common external tariff, and these have been made during the period under review. The most important of them are the result of the concession which the Community made to the other GATT Contracting Parties at the Tariff Conference in Geneva. The rates of duty or the description of nearly 1 000 tariff items have been changed to allow for the bindings and reductions of duties negotiated by the Community (see also sec. 269).

Other changes decided on by the Council under Article 28 of the Treaty are intended to ensure harmony in the charges made on manufactures according to the extent of processing to which they have been subjected and to encourage trade with non-member countries by making reductions, some of them quite appreciable, in the common external tariff <sup>(1)</sup>. One of

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(1) See official gazette of the European Communities, No. 70, 6 August 1962 and No. 136, 17 December 1962.

the Council's most typical decisions was to introduce a maximum charge of 5 units of account <sup>(1)</sup> per sq.m. on knotted carpets (tariff heading 58.01 A) which originally were liable to a 40% duty, arrived at by calculating the arithmetical average. A 32% reduction was subsequently agreed by the Community in the GATT negotiations, but the present implementation of the specific maximum charge above-mentioned, along with the 32% *ad valorem*, appreciably ease the duty levied on oriental carpets, whose dutiable value is often in excess — even greatly in excess — of the minimum at which the uniform duty of 5 units of account per sq. m. becomes applicable (15.625 units of account per sq. m.).

On similar commercial grounds the Community has decided unilaterally to reduce the rates on other items. Finally, there are some changes whose sole purpose is to clarify the nomenclature of the common external tariff from the technical or drafting angle.

Other Council decisions, also taken under Article 28 of the Treaty <sup>(2)</sup>, have suspended the duties on certain tariff headings, in most cases for one year. This has provided a Community solution to the problem of reducing the number of Member States' applications for tariff quotas in respect of basic products at present produced in the Community territory in insignificant quantities or not at all. In some cases the aim has been to facilitate the import of new semi-finished products needed by the processing industries.

Mention should also be made of the Council decision, under Article 28, to grant Community tariff quotas to the Federal Republic of Germany for the import of prefabricated wooden houses and building materials following the catastrophic floods in the Hamburg region at the beginning of 1962.

#### *Introduction of the common external tariff*

11. The second decision to speed up the implementation of the Treaty was taken on 15 May 1962 by the Representatives of the Governments of the Member States meeting in the Council. It fixed 1 July as the date on which the second step should be taken to bring into line with the common

<sup>(1)</sup> Unit of account = 1 US dollar.

<sup>(2)</sup> See in particular the official gazette of the European Communities, No. 136, 17 December 1962 and No. 141, 29 December 1962.

external tariff those duties in the national tariffs which apply to manufactured goods. Under the terms of the Treaty this further alignment was not due until the end of the second stage. For the products in question the progressive introduction of the common external tariff is therefore being carried out, like the abolition of intra-Community duties, two-and-a-half years ahead of the time-table laid down by the Treaty.

The details of this second speed-up were settled on 2 April 1963 by decision of the Representatives of the Member Governments; they were fixed largely with an eye to a further round of multilateral negotiations, and the effect of the decision is to establish the same basis of calculation for the second alignment as for the first, i.e. the common external tariff reduced by 20%. Where the rate for a heading has already been cut by more than 20% under a tariff concession, the alignment will be towards the reduced rate.

It should be further noted that during the second half of 1962 France and Italy cut many of their duties on imports from non-member countries. Although the effect would in no case be to reduce rates below those of the common external tariff, this reduction, nevertheless, meant a speedier alignment of at least some parts of the tariffs of these two Member States on the common tariff.

#### TARIFF QUOTAS

12. The first approximation of the national customs tariffs to the common external tariff for farm products took place on 1 January 1962, whereas the effective date for manufactures was 1 January 1961. Applications for tariff quotas lodged by Member States for 1962 have therefore been based not only — as in 1961 — on Article 25(1) and (2) of the Treaty and on the Protocols to the List G Agreement (provisions on manufactured goods) but also, for the first time, on Article 25(3) of the Treaty, which concerns farm products.

As in 1961, an effort has been made to keep to a minimum the number of applications lodged for 1962. Some applications have actually been withdrawn by the member countries, particularly when it has proved possible, as we have seen, to find a Community solution (suspension of duty).

The table below shows that the total number of applications for 1962 (they mainly concerned chemicals) was not unreasonable compared with 1961 if it is remembered that Article 25(3) was invoked for the first time.

The German Government and German importers have appealed to the Court of Justice of the European Communities against the Commission's decisions on certain applications for quotas for agricultural products (distilling wines and fruit). Other disputes between the Member States and the Commission concern a small number of industrial products (in particular lead and zinc).

At the same time as it dealt with the applications for increases in quotas already opened and with the new applications made by several Member States, the Commission continued its periodical study of the tariff quotas granted both under Article 25 and under the Protocols to the List G Agreement.

Meanwhile the Member States were consulted with a view to establishing a time-table for lodging 1963 applications and simplifying the procedure for their scrutiny.

This has enabled the Commission to avoid consulting non-applicant Member States which have not raised objections about products whose economic position is well known and for which the quotas requested are not more than 20% above those granted in 1962. In the agricultural sphere, however, this simplified procedure concerns a list of only nine products representing about 40% in volume of all applications lodged for 1963.

Before deciding as to the quota applications the Commission discussed them in multilateral or bilateral consultations with the Member States. In many cases further examination proved necessary, and this could not always be conclusive as the economic data supplied to the Commission by some Member States were insufficient, not all the criteria laid down in the Treaty for the granting of quotas having been satisfied.

The following is a comparative table showing the trend of applications for 1961, 1962 and 1963 and the decisions concerning them.

TABLE 1

Comparative table of applications for tariff quotas (1961, 1962 and 1963)

	Provisions invoked														
	1961					1962					1963				
	Art. 25			List G	Total	Art. 25			List G	Total	Art. 25			List G	Total
	par. 1	par. 2	par. 3			par. 1	par. 2	par. 3			par. 1	par. 2	par. 3		
Applications made	55	58	—	46	159	58	92	85	43	278	29	27	43	36	135
Withdrawn															
a) by the applicant Member State	13	21	—	2	36	17	41	22	1	81	3	2	1	—	6
b) with a Community solution	12	19	—	9	40	13	32	5	5	55	—	6	—	—	6
Totals :	25	40	—	11	76	30	73	27	6	136	3	8	1	—	12
Applications not yet dealt with	30	18	—	35	83	28	19	58	37	142	26	19	42	36	123
Refused	4	7	—	1	12	—	9	28	1	38	—	—	—	—	—
Granted	26	11	—	34	71	28	10	30	36	104	21	3	23	36	83
Applications on which decision is pending											5	16	19	—	40

This table shows that the total of applications for 1963 fell sharply below 1962 and is only slightly higher than the number of quotas granted in the latter year. The Commission is conservative in its attitude to new

applications and the number of quotas granted for 1963 will probably be much the same as in 1962.

It goes without saying that, as far as the information available allowed, the Commission dealt first with applications likely to be accepted so that the Member States concerned could open the quotas as soon as possible after 1 January 1963. Many of the applications are being held over, by agreement with the Member State concerned, until such time as contacts between Community producers and consumers show whether or not adequate supplies are available in the Community.

In its Action Programme the Commission says it aims to have national tariff quotas abolished by the end of the transition period at the latest. In pursuing this aim the Commission's rule is to take account of the degree of progress in establishing the common market (particularly the abolition of internal customs duties concurrently with the gradual introduction of the external tariff), and to see that the quotas granted do not exceed the limits beyond which transfers of activities to the detriment of other Member States might be feared.

The Commission has drafted its first proposals to the Council, under Article 25(1) of the Treaty, for the granting of tariff quotas to various Member States in the light of the second alignment of national tariffs on the common external tariff, planned for 1 July 1963.

The quota volume proposed for the whole of 1963 was generally coupled with nil quota duties for the first six months, but for the second half of the year the duties were raised.

The Council did not formally accept the Commission's proposals concerning higher quota duties for the second half of 1963, but it approved the increase for a whole range of products, while the remainder were adjusted in the light of the factual situation, a possibility which the Commission moreover did not rule out. In this way the Council approved the essence of the Commission's proposals, i.e. the principle of introducing, with effect from the second alignment on the common external tariff, "reduced" duties — and no longer nil duties — to accompany those quotas for which a "case by case" examination does not show a nil duty to be indispensable.

The Commission's decisions on the manufactures affected by the second alignment tally in substance with those of the Council: the tariff quotas will be accompanied by increased duties effective from 1 July 1963 whenever the provisions invoked (Article 25(2) and certain Protocols annexed to the List G Agreement) make this possible and a study of the facts does not show a nil duty to be indispensable.

### CUSTOMS LEGISLATION

#### *Extension of Community regulations on free circulation and processing trade*

13. The salient features of the Commission's activity in the field of customs legislation have been a considerable extension of the regulations applying to intra-Community trade and renewed efforts gradually to establish legislation common to the Six to the full extent necessary for the satisfactory functioning of the Common Market.

The extension of the customs regulations on intra-Community trade began with the first measures for a common organization of agricultural markets. Special machinery for administrative co-operation had to be set up so that the system of intra-Community agricultural levies could operate.

The Commission has also prepared at the request of the interim Committee set up under the Association Agreement between the Community and Greece, and in collaboration with government departments, three texts on the movement of goods under the Association: a Convention on administrative co-operation between the contracting parties and two decisions of the Council of Association (Articles 7, 8 and 9 of the Athens Agreement). These texts came into force on 1 November 1962 and clear the way for the implementation of the first tariff and quota preference measures.

It is certain that customs regulations for intra-Community trade will become further complicated by the operation of the preference system which has to be set up in pursuance of the Association Convention with the African States and Madagascar.

14. On 25 June 1962 <sup>(1)</sup> the Commission took a new decision on processing traffic <sup>(2)</sup> raising the rate of the "customs" levy to 45% of the common external tariff to allow for the new reduction of customs duties in intra-Community trade. Nevertheless it appears that where non-agricultural products have been obtained by the conversion of products subject to agricultural levies, the application of the "customs" levy is in many cases no longer sufficient to ensure the protection which farmers are entitled to expect from the new system. The Commission is studying whether the basis of the "customs" levy should be changed in this sector.

#### *APPROXIMATION OF CUSTOMS LEGISLATION*

15. If the customs union is to be established by the end of the transition period, much more vigorous action than is being taken at present will be needed in approximating national customs legislation. The Commission therefore proposes in its Action Programme to submit to the Governments a harmonization plan which it considers should be carried out without fail in the next four years. The execution of this plan would be supervised by the Customs Committee, which includes the directors of customs departments of the member Governments.

Progress was nevertheless made towards Community legislation in the year under review. Harmonization has continued or has been initiated, particularly with regard to the definition of the origin of goods. In addition the Commission has made three new recommendations :

- i) Recommendation of 25 May 1962 <sup>(3)</sup> proposing common rules for fixing the date to be considered when determining the rate of customs duty applicable to goods declared for consumption. This is an important factor in the uniform application of the common external tariff;
- ii) Recommendation of 8 November 1962 <sup>(4)</sup> concerning the system applicable to tools, appliances or equipment temporarily imported from one

<sup>(1)</sup> See official gazette of the European Communities, No. 59, 13 July 1962.

<sup>(2)</sup> See Fourth General Report, sec. 20, and Fifth General Report, sec. 14.

<sup>(3)</sup> See official gazette of the European Communities, No. 51, 29 June 1962.

<sup>(4)</sup> See official gazette of the European Communities, No. 125, 30 November 1962.

Member State into another for use in work of any kind. The object is to facilitate the implementation of the programme for the liberalization of services;

iii) The recommendation of 6 February 1963 <sup>(1)</sup> providing for common rules in determining ordinary residence for the purposes of temporary import of private vehicles.

The competent government departments have signified their acceptance but the formal replies of the governments have not all reached the Commission yet.

An agreement has also been reached in the Customs Committee on provisions for the free entry of non-commercial consignments dispatched by private persons.

Finally it will be noted that the directors of customs departments in the Six have agreed on a draft mutual assistance convention to ensure that the correct amount of duties on charges on imports and exports is applied and to curb infringements of customs regulations.

*The abolition of quantitative restrictions and measures  
with equivalent effect*

16. As quotas have been abolished for imports of manufactured goods under the acceleration decision of 12 May 1960 and, generally speaking, for exports, in conformity with Article 34 of the Treaty, only imports of farm products are still to some extent subject to quantitative restrictions.

These restrictions were abolished during the year under review in respect of products subject to levy in Community-regulated markets. For certain non-liberalized products where the import system was based on Article 33, quotas were also abolished in conformity with paragraph 4 of that Article, after the Commission had found that imports in 1959 and 1960 had not reached the quotas.

<sup>(1)</sup> See official gazette of the European Communities, No. 27, 20 February 1963.

The Commission's decisions concerned 55 import quotas for France, 9 for the Federal Republic of Germany, 9 for Italy, 3 for Benelux, 2 for the Netherlands and 2 for the Belgo-Luxembourg Economic Union. The products involved are of very varying economic importance. Imports of many of them had already in fact been allowed for some time without quantitative limits or were subject to a minimum price system. The Commission did not see any advantage in making formal decisions on products whose global quotas had not been fully taken up in 1959 and 1960 but which were freed from quantitative restrictions both by the acceleration decision of 12 May 1960 and by the effect of the common agricultural policy regulations.

Infringements of Articles 31, 32, 33 and 34 of the Treaty were relatively few and the Member States concerned put an end to them either after direct intervention by the Commission or by the Article 169 procedure. This procedure was used to impose penalties in a case where a bound liberalization was withdrawn and in a case of refusal to import a liberalized product originating in a non-member country and in free circulation in a Member State. Two other cases of infringement are being examined.

After the almost general abolition of quantitative restrictions in the strict sense of intra-Community trade, the Commission, as indicated in its Action Programme, will endeavour to eliminate measures with equivalent effect. This will be done by means of directives on the basis of Article 33(7) and it will be for the Commission to determine how and with what timing such measures will be abolished.

A study of the relevant laws, regulations and administrative practices has been undertaken with experts from the member countries, and the Commission is planning to adopt directives in 1963 for the early abolition of measures having the following effect :

- i) Making the import of certain products subject to export or to the purchase of national products;
- ii) Obligatory use of national products or exclusion of those of other Member States;

iii) Restriction and discrimination against goods or firms from other Member States when awarding public supply contracts.

The Commission has, however, resorted to the Article 169 procedure in three instances of measures with equivalent effect to quantitative restrictions on imports and exports applied since the Treaty came into force. In one of these cases the Member State concerned has abolished the arrangement objected to; in the others the procedure is taking its course.

On a more general plane the Commission is endeavouring to ease and simplify regulations on external trade where these apply to intra-Community trade and in particular to abolish prior formalities such as licences or visas for products whose import or export has been liberalized.

This is being done concurrently with harmonization of laws and regulations where disparities are often in themselves a source of difficulties and obstacles to trade.

#### *RELAXATION OF GOVERNMENT MONOPOLIES*

17. The Commission continued to work for the relaxation of these monopolies on the lines of the recommendations it sent to the French and Italian Governments in April 1962 <sup>(1)</sup>.

The Commission considers that as long as the national monopolies continue to be the main importers of the goods concerned the relaxation called for by Article 37(1) of the Treaty should in any case include abolishing the following three types of discrimination :

- i) The restriction of imports in relation to outlets on the national market;
- ii) Any further burdening of imported goods;
- iii) Discrimination in marketing conditions — particularly supply to retailers, market prospecting and advertising.

The Commission studied the action taken on its recommendations and in particular approached the French Government with a view to ensuring that discrimination in the manufactured tobacco sector will be progressively

<sup>(1)</sup> See Fifth General Report, secs. 17 - 18.

abolished. The French Government is planning substantial changes in the tobacco monopoly's import and fiscal arrangements. EEC products will no longer be firmly purchased but taken on consignment and the selling prices of monopoly products will be published.

The French monopoly's imports of manufactured tobacco from other Community countries have been as follows :

1959	NF 2 million
1960	NF 3.4 million
1961	NF 5.4 million
1962 (first six months)	NF 4.06 million

The measures taken by the Italian Government under the Presidential Decree of 18 April 1959 to relax the national tobacco monopoly resulted in an increase in imports of tobacco products from Community countries. The Commission has not been able to ascertain whether the reduction of the monopoly's cigarette prices and the general increase in the excise on 1 January 1961 slowed down the growth of cigarette imports in the second half of 1962, since official figures are lacking for the full year.

The Italian monopoly's total tobacco imports from other Community countries were as follows :

1959	Lit. 320 million
1960	Lit. 1 160 million
1961	Lit. 1 850 million
1962 (first six months)	Lit. 1 027.3 million

In the potash sector the French Government has declared its readiness to act upon the recommendation which the Commission addressed to it on 12 April 1962. This recommendation is to allow potash from other Member States to be imported and sold up to a tonnage equivalent, in 1962, to 5% of national production in 1960, this tonnage to be increased annually by at least 15%.

As regards the match monopoly the French Government stated its readiness to accord facilities in 1963 for imports equal to 5% of the 1960 production but asked for temporary degressive protection to attenuate the effects of the disparity between French and foreign prices and for a study

to be made of the European match market in view of the exceptional situation resulting from contracts linking several Member States and a Scandinavian industrial group.

Following a Commission recommendation which applies to 1962, the French Government has almost doubled its import quotas for crude oil and petroleum products (see sec. 121).

As in the case of French petroleum imports, the Commission advocated applying Article 37 to imports into France and the Federal Republic of Germany of brandy and alcoholic beverages and to the French import system for non-military imports of powder, explosives and intermediary products (these are also imported by private individuals under State control).

In accordance with this view, the Commission prepared recommendations for the above-mentioned sectors on the principle enunciated in the earlier recommendations and with due regard to the special nature of these sectors and, particularly, to the effect of the common energy policy on crude petroleum and petroleum products.

#### MISCELLANEOUS EXEMPTIONS

##### *Application of Article 235 (agricultural conversion products)*

18. During the period covered by the last annual report the Council decided, by virtue of Article 235 of the Treaty, to authorize Member States which are importers of food products, to impose, subject to certain conditions, countervailing charges on such products when they are made from agricultural raw materials whose cost price is below that of similar materials in the importing countries.

In pursuance of this decision the Commission took action to authorize countervailing charges, to extend or cancel them or to amend, in the light of the price trend for basic agricultural products, charges already authorized. These decisions concerned the following products :

Imports into the Federal Republic of Germany :

i) Biscuits and waffles from the Netherlands;

- ii) Fondant paste from the Netherlands, Belgium and France;
- iii) Bread (including rolls) manufactured from wheat flour from the Netherlands;
- iv) Hard and soft caramels from the Belgo-Luxembourg Economic Union;
- v) Hard caramels and sugared' almonds from France;
- vi) Hard and soft caramels and sugared almonds from the Netherlands;

Imports into France from other member countries :

- a) Sweetmeats including fondant paste not containing cocoa or liqueur;
- b) Chocolate, cocoa or chocolate confectionery and preparations containing cocoa or chocolate.

The Commission rejected certain applications made to it under the Council decision referred to above, in particular one by Belgium and the Grand Duchy of Luxembourg concerning imports of macaroni and similar products from France and the Federal Republic of Germany. This application was no longer justified in view of the implementation of the cereals regulation and the abolition of the special export systems for these foodstuffs by the two countries whose action was complained of.

In the consultations held in pursuance of the Council decision of 4 April 1962 some member delegations drew the Commission's attention to the need to examine the different price systems applied in intra-Community trade in agricultural conversion products.

They felt that harmonization was desirable in this field quite independently of the application of the Council's decision.

#### *Application of Article 115 (diversion of trade)*

19. Since the Rome Treaty came into force several Member States have had recourse to Article 115 to exempt from Community treatment imports of products originating in non-member countries and put into free circulation in the other Member States.

These appeals were sometimes motivated by disparities in the liberalization systems applied by the Member States in respect of non-member countries and by tariff disparities. In other cases they were the reflection of a concern not to impair the functioning of bilateral clearing agreements between certain Member States and non-member countries. The total number of products originating in non-member countries thus excluded from Community treatment, which was 53 at the beginning of 1962, rose to 62 by 10 January 1963.

In all cases referred to it the Commission sees that sound reasons are put forward in support of a claim to benefit by the safeguard clause. At the same time it is studying in co-operation with the Member States measures to implement the programme contained in the decision taken by the Council on 25 September 1962 to co-ordinate commercial relations with non-member countries. One effect of these measures will be that the need to invoke the safeguard clause in Article 115 will gradually be reduced.

In general, the Commission's doctrine in these matters is that difficulties must be resolved, not by shielding markets, but by measures of common commercial policy.

The methods of co-operation <sup>(1)</sup> which the Commission has suggested to the Member States in connection with certain of their exports to non-member countries have also reduced the number of cases in which they need to invoke the safeguard clause.

*Application of Article 46  
(countervailing charges on agricultural imports)*

20. In view of the measures adopted in organizing the milk and dairy products market in Belgium, France and the Netherlands, the Federal Republic of Germany asked for the validity of the decision of 15 March 1961 to be further prolonged. These measures (export subsidies or subsidies to domestic producers) affected competition in the production of whole milk powder in the Federal Republic.

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<sup>(1)</sup> See Fifth General Report, Chap. 5, sec. 203.

On 11 December 1962 the Commission decided to prolong the validity of the 1961 decision. This means that a minimum price of DM 211 per 100 kg. of whole milk powder will continue to apply to imports pending the introduction of a levy system for this product.

*Safeguard measures (Art. 226)*

21. In its Fifth General Report the Commission pointed out that the measures to speed up customs disarmament might result in more frequent recourse to the safeguard measures authorized under Article 226 of the Treaty.

However, the new safeguard measures concern only a small number of cases.

Many of those authorized are no more than an extension of those to which the Commission had already agreed for the purpose of putting certain commodity sectors (particularly sulphur, lead, zinc and silk) on a sound footing. The Member States had signified their approval of such measures by signing the Rome agreement fixing List G duties.

The Commission will be particularly concerned in future to ensure that the sectors concerned adapt themselves to the conditions of competition inherent in the Common Market within the time-limits laid down. With this in view it is considering what protective measures may still be deemed necessary at the present stage. At the end of the transition period, safeguard measures taken under Article 226 will cease to be applicable.

As regards processed products derived from others which are protected by such measures, the Commission felt impelled to limit the arrangements for exemption to those processing sectors which genuinely had experienced grave difficulties by reason of the safeguard measures applying in the basic sectors.

New applications were also submitted in respect of finished goods. Their object was to circumvent the inevitable difficulties attending initial measures to speed up implementation of the Treaty, particularly in early 1962. The Commission felt obliged to apply strict criteria in evaluating individual situations. It set a time-limit for the validity of exemption measures, since processing industries can adapt themselves more rapidly than basic industries. For two classes of product — transistors and refrigerators — the exemption periods have been limited to a few months only.

22. A typical case is that of domestic refrigerators and components exported to France from Italy. On 19 December 1962 the French Government, invoking Article 226 of the Treaty, requested the Commission to authorize a 12% duty on imports into France of these articles. The Commission was satisfied that these imports were causing serious difficulties, which were likely to persist, in the sector in question and, on 17 January 1963, authorized the French Government to apply an import duty of 12% which would be gradually reduced to 6% and valid until 31 July 1963. The Italian Government decided, as the Commission considered it might, to collect this charge itself and at the same time appealed against the Commission's decision to the Court of Justice of the European Communities.

23. As regards the procedure for studying applications, the Commission, following the principles set forth in the previous report, has endeavoured to keep to a minimum the time required for the approval of safeguard measures under Article 226(2). In certain particularly urgent cases it has taken conservatory decisions, endeavouring, however, to make sparing use of this special procedure so as not to introduce a factor of uncertainty as to the details and duration of the safeguard clauses.

Finally, the Commission has been concerned in all cases to advocate arrangements of a kind least likely to impair the functioning of the common market.

The following table lists the products on which the Commission has taken decisions and the nature and duration of the exemptions authorized :

Date	Country	Sector or product	Action taken
11 Apr. 1962	Italy	Lead-covered electric cables	First acceleration waived
16 May 1962	France	Semi-conductors	Quota of NF 9 million vis-à-vis EEC for January/September 1962
23 July 1962	Italy	Lead, zinc; lead and zinc waste and scrap	Retention until 7 Dec. 1962 of duties applicable on 2 March 1960

Date	Country	Sector or product	Action taken
12 Dec. 1962	Italy	Lead, zinc, lead waste and scrap, zinc waste and scrap	Extension of the decisions of 23 July 1962 until 7 December 1963 for lead and zinc on condition that Italy restores the duties in force on 2 March 1960 for lead and zinc waste and scrap
30 Jan. 1963	Italy	Sheet lead, lead accumulator parts	Second acceleration waived
30 Jan. 1963	Italy	Lead arsenate, lead chromate, zinc chromate, pigments containing lead and zinc chromate	Second acceleration waived
30 Jan. 1963	Italy	Zinc phosphides, lead-covered electric cables	Application rejected
23 July 1962	Italy	Sulphur	Import embargo maintained until 7 December 1962
23 July 1962	Italy	Sodium sulphide	Duties of 2 March 1960 maintained until 7 Dec. 1962
23 July 1962	Italy	Carbon disulphide	EEC duties of 2 March 1960 maintained until 7 Dec. 1962 Countervailing charge of Lit. 1930 per 100 kg. on imports until 7 December 1962.
12 Dec. 1962	Italy	Sulphur, carbon disulphide, sodium sulphide	Decisions extended until 7 December 1963
30 Jan. 1963	Italy	Silk shawls, scarves, mufflers, etc.	Application rejected
30 Jan. 1963	Italy	Silk bolting cloths	Second acceleration waived

Date	Country	Sector or product	Action taken
23 July 1962	Italy	Iodine	Percentage of allocation on the common external tariff limited to 20% instead of 30% until 7 December 1962
10 Apr. 1962	Benelux	Penicillin and preparations containing penicillin	EEC quota of 750 000 million Oxford units for the third quarter of 1962
25 July 1962	Benelux	Penicillin and preparations containing penicillin	application
5 July 1962	Germany (F.R.)	Bread	Decision of 22 Dec. 1961 extended until 30 Sept. 1962 (countervailing charge imports from the Netherlands)
17 Jan. 1963	France	Domestic electric refrigerators and component parts	Charge on imports from Italy of: 12% until 30 April 1963 9% from 1 May to 30 June 1963 6% from 1 July to 31 July 1963
26 Feb. 1963	Germany (F.R.)	Lead and zinc mining	Institution of equalization fund for lead and zinc until 31 March 1964

*THE EMERGENCY PROGRAMME  
FOR THE LEAD AND ZINC SECTOR*

24. In this important sector the Commission considered that the application of purely national safeguard measures would be likely to aggravate the split division caused by the shielding of the Italian market, and would be a threat to the final objective of the Treaty, the establishment of a common market. The Commission submitted to the Council, on 25 February 1963, an emergency Community programme to attenuate the effects of a crisis which is seriously affecting several member countries.

The object of the programme is twofold :

- a) To maintain paying mines which were the first victims of the crisis and thus avoid unduly aggravating the Community's dependence on non-member countries;
- b) To maintain normal activity in the metal-working industry, which is threatened by falling prices and consequent supply difficulties.

The programme aims primarily at the speedier achievement of the Treaty objectives for lead and zinc, which means essentially the total abolition of customs duties between member countries, the introduction of the common external tariff for imports from non-member countries, and a common commercial policy to prevent the automatic re-introduction by any member country of quantitative restrictions on imports which could cause diversion of trade.

The programme provides for further specific measures at Community level if called for by conditions in any Member State.

The Council agreed that the situation could only be remedied by action on the Community plane and began a technical study of the Commission's proposals. Its decisions are expected shortly.

The Commission's initiative is the first attempt at a Community policy in an important industrial sector, and the solutions suggested are a step towards the speedier establishment of a common market. In other very different sectors — shipbuilding and the film industry — the Commission intends to propose action — also at Community level — to resolve the equally serious crisis which these industries are experiencing in several Member States (see sec. 48).

### **The free movement of persons, services and capital**

25. In order to promote the free movement of persons, services and capital together with that of goods, the Commission has submitted to the Council a draft regulation to relax current regulations governing the movement of workers in the Community during the second stage and has also adopted

thirteen draft directives of a general or special character to remove hindrances to freedom of establishment and freedom to supply services. A second directive proposed by the Commission to facilitate capital movements has been approved by the Council.

#### *THE FREE MOVEMENT OF WORKERS*

26. The implementation of Regulation No. 15 on the free movement of workers has been continued and extended with the aid of bodies set up for the purpose — the European Co-ordination Office and the Advisory and Technical Committees.

The European Co-ordination Office has established regular contacts with government departments and the central employment services designated by them. <sup>(1)</sup>

The Office collates the statistical data supplied quarterly by the Member States in accordance with identical schedules laid down by the Office. It draws up and distributes at the beginning of each quarter a list of regions and occupations scheduled by each country as having a shortage or surplus of manpower. It makes quarterly general reports and an annual report on clearing operations and placings within the Community. The Office is studying what "uniform criteria" should be adopted to bring into line Member States' methods of assessing the labour market situation. Lastly, it has begun to examine means of giving workers, employers and labour exchanges more information on the manpower situation in each region of the Community.

The Advisory Committee held three meetings in 1962. It helped in preparing the Commission's drafts for measures to introduce freedom of movement during the second stage. It approved by a large majority the main proposal, which was to abandon the rule of priority for the home labour market. The Committee also examined and approved the draft report on manpower trends in 1962.

<sup>(1)</sup> A list of these services was published in the official gazette of the European Communities, No. 48, 23 June 1962.

The Technical Committee studied ways and means of implementing Regulations No. 15 and No. 18. It approved the continuation of work on the comparative glossary of the trades in which there is most migration within the Community <sup>(1)</sup> and agreed to the organization of a training programme for the specialist staff of vacancy clearing offices.

*The free movement of frontier and seasonal workers*

27. The European Parliament, consulted by the Council on the Commission's proposals for measures to supplement Regulation No. 15 in respect of the free movement of frontier and seasonal workers <sup>(2)</sup>, rendered a formal opinion on 29 June 1962. The Economic and Social Committee did likewise on 16 July.

The Commission carefully examined the numerous amendments suggested and adopted several of them.

*Measures proposed for the second stage*

28. In pursuance of Article 52 of Council Regulation No. 15 on the free movement of workers among the Member States <sup>(3)</sup>, the Commission submitted to the Council in October 1962 proposals for a regulation and a directive on the free movement of workers during the second stage; these are to supersede Regulation No. 15 and the directive of 16 August 1961.

The Commission's proposals for the second stage constitute a real step forward from current provisions. Priority for the home labour market is to be abandoned, though the new arrangements leave room for exceptions to prevent the balance of the labour market in a given region or occupation being upset. The principle of priority for the Community labour market will also be applied flexibly enough to avoid impairing the efficiency of enterprises.

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(1) The first volume of this glossary, covering sixty-eight trades, has been widely distributed, particularly to national employment services.

(2) See Fifth General Report, Chap. II, secs. 30 and 31.

(3) See official gazette of the European Communities, No. 57, 26 August 1961.

The arrangements proposed for approval by the Council are, moreover, designed to make it much easier, in each Member State, for workers from other Member States to acquire the same rights as national workers in three important matters.

The first of these is the prolongation of employment. The Commission considers that where the duration of a foreign worker's regular employment is prolonged, his complete assimilation to national workers should follow sooner than at present. The Commission has proposed, with the support of the European Parliament and the Economic and Social Committee, a reduction in the periods of regular employment stipulated in Regulation No. 15 so that a worker will be permitted to take up any wage-earning occupation throughout the territory of a Member State after two years of regular employment there.

The second is the eligibility of workers for election to representative bodies in the firm. The Commission has proposed that eligibility be extended in any Member State to workers from the other Member States in so far as these matters are regulated by law or depend on the administrative authorities. Before he can exercise this right, however, a worker must have been ordinarily resident for at least three years in the member country where he is employed.

The third point is the admission of workers' families. The right of wives and young children to join the head of the family is extended in the new proposal to all other fully dependent relatives living under the same roof as the worker. The Member State will also permit the entry of any member of the worker's family living with him without being fully dependent. However, the admission of a worker's family will depend on whether he can house them in a manner regarded as normal for local workers in the area where he is employed.

The Commission's new draft directive embodies and extends the liberalization measures contained in its draft regulation. The directive will abolish labour or residence permits for workers under contract for no more than three months, and for other workers, under certain conditions, it makes

provision for such permits to be used by the regional or local offices of the relevant Government department. <sup>(1)</sup>

The draft regulation and directive were referred by the Council to the European Parliament, which discussed them on the basis of a report by M. Rubinacci and on 28 March 1963 passed a resolution expressing a favourable opinion. The Parliament laid stress on the measures to be taken with respect to housing, vocational training, the standardization of definitions of qualifications and social service. It expressed the hope that provision would be made for the free movement of frontier and seasonal workers and that the regulation's scope would be extended to cover refugees and stateless persons.

On 10 January the Economic and Social Committee had also rendered a favourable opinion, which contained the same suggestion that the Parliament had made concerning refugees and stateless persons.

The substance of these two bodies' suggestions was accepted by the Commission <sup>(2)</sup>.

#### *FREEDOM OF ESTABLISHMENT AND FREEDOM TO SUPPLY SERVICES*

29. During the period under review, General Programmes of liberalization were set on foot in accordance with the time-table decided by the Council on 18 December 1961 <sup>(3)</sup>.

Thirteen draft directives were submitted by the Commission to the Council, which approved two of them.

These directives or proposed directives are either of a general nature or relate to particular economic sectors.

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<sup>(1)</sup> For restrictions on movement and residence justified on grounds of public safety or health, see sec. 31.

<sup>(2)</sup> The supplementary measures to facilitate the free movement of workers are discussed in the chapter on social policy, secs. 185 and 186.

<sup>(3)</sup> See official gazette of the European Communities, No. 2, 15 January 1962.

*General directives*

30. On 29 June the Commission approved a draft directive to remove restrictions on travel and residence within the Community in so far as they affect freedom of establishment and freedom to supply services. Nationals of the Member States will not benefit from these provisions until the occupations they intend to pursue have themselves been liberalized.

After debating a report by M. Kreyssig on 8 February 1963, the European Parliament, which had been consulted by the Council, passed a resolution expressing a favourable opinion on the Commission's proposal, subject to minor amendments.

The Economic and Social Committee rendered a favourable opinion during its session of 28 and 29 November 1962, subject to certain amendments.

31. In accordance with the Treaty, the Member States remain free in any case to maintain certain restrictions on travel and residence if they are justified on grounds of "*ordre public*", public safety or public health. But under Article 56(2) of the Treaty provisions containing such restrictions must be co-ordinated, hence a further draft directive of the Commission of 4-5 July 1962. This applies to all nationals of Member States, no matter what their occupation, wage-earning or not, and is under consideration of the Council.

The Council consulted the European Parliament, which formulated an opinion on 22 November 1962. The Parliament held that a correct interpretation of the concepts of "*ordre public*" and public safety was essential and that for this it was necessary for an examination to be made of any criminal convictions against persons concerned, both in their country of origin and in the host country; such convictions should not automatically justify refusal of entry or residence. The desirability was stressed of giving better protection against any refusal of entry or residence permit, and as a step to meet this need a form of notification was proposed that would inform the party concerned of the measures taken against him.

Where there are no economic restrictions on the supply of a service, Article 106(1) of the Treaty requires Member States to authorize any payments relating to such service. Where payment restrictions are the only limiting factor, Article 106(2) requires them to be removed under the provisions of the Chapter on services.

This is the background to the draft directive adopted by the Commission on 25 July 1962.

On 8 February 1963, after hearing a report by M. G. Philipp, the European Parliament passed a resolution embodying a favourable opinion on the Commission's draft, subject to certain amendments which the Commission is proposing to the Council.

The Economic and Social Committee gave a favourable opinion on 28 November 1962.

*Proposals for particular economic sectors*

32. On agriculture, the Commission approved two draft directives on 17 April and 9 May 1962, one of them prescribing ways and means of introducing freedom of establishment in agriculture for nationals of a Member State who have been employed as paid agricultural workers in another Member State for an unbroken period of two years, the other laying down measures regarding freedom of establishment on farms that have been derelict or uncultivated for more than two years.

The Parliament debated these two proposals on 22 November 1962 on the basis of reports by M. Kreyssig and M. Van Dijck. Subject to certain amendments, the Parliament approved the draft directives.

On 17 July the Economic and Social Committee unanimously rendered two formal opinions suggesting a number of amendments, most of which were supported by the Commission and incorporated by the Council in its decisions of 25 and 26 February 1963.

33. As regards the film industry, the Commission approved on 26 June 1962 a draft directive providing for an increase in quotas of feature films, the complete liberalization of trade in shorts and documentaries and the regulation of certain practical matters.

On 8 February 1963, the Parliament suggested a number of amendments, *inter alia* the substitution of a Community definition for the national definition of films. The Economic and Social Committee also gave a favourable opinion, though it recommended the complete and immediate liberalization of trade in feature films.

34. On 25 July 1962 the Commission approved a draft directive for the removal of restrictions on freedom of establishment and freedom to supply services in reinsurance and retrocession.

After debating a report by M. Tomasini, the Parliament rendered a favourable opinion without amendment on 8 February 1963.

The Economic and Social Committee did likewise on 30 January.

The Commission also approved two other draft directives on 25 July 1962, one relating to occupations in the wholesale trade, the other to intermediaries in trade and industry. These directives remove restrictions both on establishment and on the supply of services.

On 7 February 1963 the Parliament heard a report by M. Illerhaus and adopted resolutions containing its opinion on the Commission's proposals and suggesting certain minor amendments.

On 30 January 1963 the Economic and Social Committee rendered a favourable opinion, subject to a number of comments.

Transitional measures are laid down for these same occupations in a draft directive approved by the Commission on 19 December 1962, on which the Council has consulted the Parliament and the Economic and Social Committee.

35. The Commission has prepared three draft directives on establishment and the supply of services in manufacturing and the extractive industries.

The first removes restrictions in manufacturing industries and relates to all enterprises, large or small.

The second lays down transitional measures to remove any divergencies in the regulations of the Member States still existent after the removal of restrictions.

The third removes restrictions in mining and quarrying.

When these directives have been adopted, almost the whole of industry will have been freed from restrictions — except for certain sectors such as the food industry, pharmaceuticals and some others including ship-building, aircraft construction and railway equipment.

Further directives will eventually be issued to ensure that the General Programmes on freedom of establishment and freedom to supply services are carried out according to schedule.

With a view to the co-ordination of national legislation in this field, these directives require the Member States to notify the Commission of any legislative or administrative measures they take to implement them. The directives for co-ordination of national provisions, moreover, stipulate that the Commission be also notified of Member States' future intentions.

The Member States will in fact be requested to inform the Commission of any contemplated measure relating to establishment or the supply of services even in sectors where restrictions have not yet been removed.

The removal of these restrictions on freedom of establishment cannot however be considered complete as long as self-employed workers wishing to set up in business in another Member State do not retain, as do migrant wage-earners, their rights to social-security benefits already acquired, particularly retirement benefits. The co-ordination among Member States of the social-security systems to which persons newly benefiting from freedom of establishment are affiliated should be studied as a whole and not for particular categories of self-employed person. Probably this matter can be settled by a regulation on the lines of Regulations No. 3 and No. 4 on social security for migrant workers.

The European Parliament's Internal Market Committee, when the Fifth General Report was being debated, asked whether the Commission had any data on how the situation was developing with respect to the establishment within the Community of firms from non-member countries. The Commission possesses information from private sources on the number of firms concerned but in most cases has no means of distinguishing between the branches of activity represented. At the moment it seems difficult to institute a survey among the Member States. As far as investments are concerned, some indication can be gained from an analysis the Commission has just made of private long-term capital movements to and from Community countries.

*FREE MOVEMENT OF CAPITAL*

36. On 18 December 1962 the Council issued a second directive in pursuance of Article 67 of the Treaty on the removal of restrictions on capital movements within the Community. This directive, which the Commission had submitted to the Council after consulting the Monetary Committee, supplements in a more liberal sense the first directive issued on 11 May 1960.

The new provisions have omitted paragraph 3 of Article 2 of the 1960 directive, which was intended to restrict transactions in stocks and shares by authorizing the Member States to confine acquisition of foreign securities by residents to finance houses and undertakings which acquire securities of foreign companies trading for a similar purpose. Now that the right to deal in securities has been extended to natural persons and undertakings other than those mentioned above, liberalization may be regarded as complete and unconditional in all the member countries. This new directive also completes the liberalization of transactions connected with the movement of persons and the supply of services. Lastly, there are further measures of liberalization to cover less important items such as the transfer of blocked funds or the cession of authors' rights.

In pursuance of Article 4 of the first directive the Monetary Committee has made its second annual examination of restrictions still applied to capital movements. It has studied types of capital movement still subject to Article 3 of the above-mentioned directive, such as transactions in investment-trust shares, medium-term and long-term loans and credits not tied to commercial transactions and the issue and sale of stocks and shares of a national enterprise on a foreign capital market or of a foreign enterprise on the national capital market.

On this last point, further progress was made in 1962 when the Netherlands Government authorized more foreign issues and three loans were floated on the Italian market by international financial institutions.

The Monetary Committee has also studied legislative and administrative obstacles to the placing of foreign securities with savings institutions and the quotation of foreign securities on domestic stock exchanges.

The elimination of these obstacles is essential for satisfactory operation of the system of liberalization of capital movements introduced by the first directive.

### Competition

37. In its Action Programme for the second stage the Commission stresses the importance of giving effect to the Treaty provisions relating to competition — which is the principle by which the Common Market will be built up during the transition period and by which it will be governed thereafter.

The creation and balanced development of this unified market would be difficult if not impossible if, whilst conventional trade barriers among the Six were speedily reduced, other obstacles, less visible but equally restrictive, were allowed to persist. These may arise from Member States applying different economic and fiscal regulations on systems of State aid, or from the abuse of dominant positions on the part of private firms or from agreements to restrict competition among them.

Competition policy has been given form and substance by the following measures :

- i) A draft directive for the harmonization of the laws and regulations of Member States concerning turnover tax;
- ii) A preliminary draft convention on European Patent Law, prepared in co-operation with the member Governments;
- iii) Four implementing regulations of the Council or the Commission, and two memoranda concerning the interpretation of the Treaty provisions which deal with restrictive practices of firms;
- iv) Some fifty decisions or formal opinions concerning existing or contemplated State aids.

Thus the Commission has, in co-operation with the member Governments, made the first practical proposals for the harmonization of provisions which are likely to distort competition and for the creation of a new European

body of law by means of agreements in special fields. From the angle of competition policy, the first two points listed above are of cardinal importance for business concerns and for the creation of a Community market having the characteristics of a domestic market. The first point concerns the gradual introduction, in trade among the Member States, of a uniform turnover tax system, neutral in character and therefore consistent with the principle of free competition; the second concerns the establishment of industrial property rights applicable throughout the Community, thereby ensuring competition on equal terms in intra-Community trade.

#### *RULES APPLICABLE TO ENTERPRISES*

38. Regulation No. 17 issued by the Council of Ministers on 6 February 1962 <sup>(1)</sup> is the main legal basis for implementation of the principles set forth in Articles 85 and 86 of the Treaty, which concern restrictive practices and abuse of dominant positions. This Regulation gives the Commission wide powers to enforce these Treaty provisions <sup>(2)</sup>. The appropriate departments of the Commission's staff have given close consideration to the practical application and the interpretation and analysis of this Regulation.

#### *Implementation of Articles 85 and 86*

39. As a first step the Commission, on 3 May 1962 <sup>(3)</sup>, adopted Regulation No. 27 on the form, content and other details of applications and notifications pursuant to Regulation No. 17. The forms required for applications and notifications were supplied to firms.

On 3 July 1962 the Council, acting on a proposal of the Commission and in accordance with the opinion rendered by the European Parliament on 28 June 1962 <sup>(4)</sup>, issued Regulation No. 59 <sup>(5)</sup>, which allowed firms more time to prepare their notifications or to bring their agreements into conformity with Article 85(1). Under this Regulation the final date for

<sup>(1)</sup> See official gazette of the European Communities, No. 13, 21 February 1962, p. 204.

<sup>(2)</sup> For details see Fifth General Report, sec. 47.

<sup>(3)</sup> See official gazette of the European Communities, No. 35, 10 May 1962, p. 1118.

<sup>(4)</sup> See official gazette of the European Communities, No. 64, 25 July 1962, p. 1805; see also Report of the Internal Market Committee dated 26 June 1962, Session Documents of the European Parliament 1962-63, Document No. 54.

<sup>(5)</sup> See official gazette of the European Communities, No. 58, 10 July 1962, p. 1655.

notification was changed from 1 August 1962 to 1 November 1962 for agreements existing before 13 March 1962 and involving more than two parties. The last date for notification of certain agreements concluded between two parties prior to 13 March 1962 was put back from 1 August 1962 to 1 February 1963. This second extension made it possible to spread the numerous notifications over a longer period.

40. In order to supply firms with more information concerning the new Community law on restrictive practices and to help them to comply with the necessary procedure, a handbook entitled "Articles 85 and 86 of the EEC Treaty and the relevant Regulations: a Manual for Firms" was published in the autumn of 1962 <sup>(1)</sup>. Also, meetings have been arranged with the principal business federations in Europe, and the Commission has answered hundreds of letters and given a great deal of information verbally. Furthermore, the Commission has helped to clarify the legal situation by giving detailed replies to questions by members of the European Parliament concerning the interpretation of European anti-trust law <sup>(2)</sup>.

Finally, by publishing communications in the official gazette of the European Communities, the Commission has given rulings on certain matters of practical importance in the interpretation of Article 85(1), thereby giving business circles greater certainty as to the law. After weighing up the opinions of the parties concerned <sup>(3)</sup>, and after consulting the Internal Market Committee of the European Parliament and the Consultative Committee on Cartels and Monopolies, the Commission, in its communication of 21 December 1962 <sup>(4)</sup>, explained the conditions under which exclusive dealing agreements concluded with commercial representatives, or certain clauses in patent licensing agreements do not, in its view, fall under the ban of Article 85(1) and therefore do not require notification. These types of agreement, which are very numerous, are of considerable practical importance.

<sup>(1)</sup> See European Community Information Service, 42 pages.

<sup>(2)</sup> Written question No. 61, official gazette of the European Communities, No. 76, 24 August 1962, pp. 2135-37; written question N° 71, official gazette of the European Communities, No. 96, 13 October 1962, pp. 2417-19.

<sup>(3)</sup> Communication of 9 November 1962, official gazette of the European Communities, No. 113, 9 November 1962, pp. 2628-29.

<sup>(4)</sup> See official gazette of the European Communities, No. 139, 24 December 1962, pp. 2919-23.

It had further been proposed to declare Article 85(1) inapplicable to a further strictly limited category of exclusive agency agreements and to exempt them from notification <sup>(1)</sup>. But this could not be done, because in the first place it was not possible to establish satisfactorily whether the Commission had power to grant such a collective exemption, and secondly because it was found impossible to draw up a Council Regulation to this effect before 1 February 1963, the final date for notification.

In order to facilitate timely notification of such exclusive agency agreements, to provide a further incentive for the firms concerned to waive more restrictive clauses, and to ease the task of the Commission's staff, a simplified form of notification was devised for that category of exclusive agency agreement. To this end the Commission adopted Regulation No. 153 of 21 December 1962 <sup>(2)</sup>. It seems that a considerable number of two-party agreements which originally would have been subject to normal notification have been modified by the enterprises concerned so that they are now no longer subject to notification, or can be notified by the simpler method. The preventive effect of the notification requirement cannot, therefore, be denied, nor can its importance be underestimated in the field of competition policy.

41. Regulation No. 17 says that before taking decisions the Commission will give firms an opportunity to make known their views concerning any objections raised by the Commission. Others may also be heard (paragraphs 1 and 2 of Article 19). Regulation No. 17 enables the Commission to lay down rules concerning these hearings (Art. 24). It is self-evident that a great deal of importance attaches to this question, both for the firms and as regards the work of the Commission's staff. It has therefore been thoroughly studied and discussed with experts from the Member States and representatives of business circles. Work on a draft regulation concerning such hearings is nearing completion.

<sup>(1)</sup> Communication of the Commission, dated 9 November 1962, official gazette of the European Communities, No. 113, 9 November 1962, pp. 2627-28 in fine.

<sup>(2)</sup> See official gazette of the European Communities, No. 139, 24 December 1962, pp. 2918-20.

In its opinion on the draft of Regulation No. 17, the European Parliament had suggested inserting a clause entitling firms in certain circumstances to withhold information (Article 9(4) of the Parliament's version)<sup>1</sup>. The Council did not adopt this suggestion. The Commission asked the government particularly interested in such a rule to make known its desiderata.

Article 14(6) of Regulation No. 17 stipulates that the Member States shall, before October 1962 and after consulting the Commission, take steps to lend the Commission's servants the assistance necessary to enable them to carry out their investigation. Consultations are going on with all six Member States, and five of them have put forward drafts or preliminary drafts for statutory provisions to this effect.

42. In pursuance of Article 22 of Regulation No. 17 the Commission, before the end of the first year following the entry into force of this Regulation, addressed a letter to the Council explaining why it did not consider that at this stage special provisions could be made in derogation from the provisions contained in the Regulation with respect to the restrictive practices mentioned in Articles 4(2) and 5(2). The Commission pointed out that the time-limit fixed for the notification of restrictive practices existing at the time of entry into force of Regulation No. 17 having expired, not several months previously (31 July 1962) as had been originally intended, but only a few weeks (1 February 1963), and the very bulky documentation received not having been perused, it was not yet possible to say whether the more flexible system suggested so far would, for the time being, best meet practical requirements or whether some other system would have to be applied. On the subject of price-fixing the Commission stated that an assessment of the problem was difficult because it was not yet possible to foretell the part which such practices would play in trade between Member States. For licensing agreements and agreements assimilated to them by virtue of Article 4(2) the Commission recalled its communication concerning patent licence contracts and stated that in this case, too, reactions to this communication should be awaited and wider experience gained from specific cases.

(<sup>1</sup>) See official gazette of the European Communities, No. 73, 15 November 1961, p.1409.

*Notifications of restrictive practices, requests for negative clearance,  
and complaints*

43. By the end of March 1963 some 34 700 notifications of restrictive practices, requests for negative clearance, or complaints had been received. Of this total some 11 100 notifications of exclusive agency agreements were made on the simplified Form B 1. Some concern several agreements at once, and these must be registered separately, so that not until classification is completed will it be possible to give the precise figure and breakdown of the notifications and requests received. As a first estimate it may be said that about 90% of the notifications and requests for negative clearance refer to agreements concluded before the entry into force of Regulation No. 17 (13 March 1962) and some 10% to new agreements. Because of the large number of forms received it is not possible at this stage — only a few weeks after the expiry of the time-limit for notification — to give more precise figures.

*Study of individual cases*

44. Until the entry into force of Council Regulation No. 17 on 13 March 1962 the Commission had only been able to examine individual cases within the strict limits of its powers under Article 89 of the Treaty. This situation underwent a radical change during the period covered by this Report. Henceforward the main task consists of examining individual cases and applying the law to them. In this the Commission will be guided by the twofold objective of the provisions on competition: to safeguard open competition and the economic freedom of all who share in the market<sup>(1)</sup>.

First, certain organizational measures have been taken in the interests of more efficiency in the examination of individual cases. However, owing to the lack of extra staff there are limits to what can be done; certainly the departments concerned are being more and more overburdened.

Priority has been given to the examination of restrictive practices which have an especially disturbing effect on the development of the Common Market. The first of these have been put before the Consultative Committee on Cartels and Monopolies in accordance with Article 10 of Regulation No. 17.

(1) See Action Programme of the Commission, p. 24, sec. 24.

This Committee, which is composed of qualified representatives from the Member States, was set up in the autumn of 1962.

In September 1962 the Consultative Committee gave a ruling on a cartel dating back to before 13 March 1962 and which was both "horizontal" and "vertical". In one of the Member States this cartel controls access to the market for domestic buyers (dealers) and domestic as well as foreign sellers (manufacturers) by means of an admission system coupled with exclusive selling and buying agreements.

In a second case, the Committee gave a provisional opinion on an exclusive dealing agreement between a producer in one member country and his agent in another member country. This agreement contains clauses forbidding competition and the re-export of products covered by it.

In a third case, the Committee took note that a cartel which trades in two Member States, issues a quality label and imposes minimum prices had of its own accord discontinued the price agreement after the Commission had taken up the matter.

The Consultative Committee will before long be called upon to pronounce on other individual cases. The first decisions of the Commission will also be given in the near future.

#### *Special arrangements*

45. The European Parliament invited the Commission to submit, at an early date, proposals concerning special arrangements for certain sectors of the economy <sup>(1)</sup>. The following points are worthy of note :

For agriculture the Council adopted, on a proposal of the Commission, a special Regulation — No. 26 of 4 April 1962 <sup>(2)</sup>. The provisions of this Regulation which refer to cartel legislation came into force on 30 July 1962 <sup>(3)</sup>.

<sup>(1)</sup> Resolution of 18 October 1962, official gazette of the European Communities, No. 116, 12 November 1962, pp. 2669-70, point 7.

<sup>(2)</sup> See official gazette of the European Communities, No. 30, 20 April 1962, p. 993; see Fifth General Report, p. 78.

<sup>(3)</sup> Council Regulation No. 49, official gazette of the European Communities, No. 53, 1 July 1962, p. 1572.

For transport, the Council adopted Regulation No. 141 on 26 November 1962; this provides for non-application of Council Regulation No. 17 to the transport sector <sup>(1)</sup>. Regulation No. 141 came into effect retrospectively to 13 March 1962 (Art. 4).

It provides that Regulation No. 17 shall not apply to agreements, decisions or concerted practices in the transport sector whose object is to fix transport rates and conditions, to restrict or control the supply of transport, or to share the transport market. It further provides that Regulation No. 17 shall not, so far as the transport market is concerned, apply to dominant positions for the purposes of Article 86 of the Treaty. For road, rail and inland waterway transport in the Community, Regulation No. 17 will remain inapplicable until 31 December 1965 whereas no time-limit has been set for sea or air transport.

The Regulation as adopted by the Council differs on several points from the Commission's opinion on the suspension of the application of Articles 85-94 to sea and air transport, from the Commission's proposed Regulation on the non-applicability of Article 85 to transport by rail, road or inland waterway, and from the three resolutions adopted by the European Parliament on 19 November 1962 <sup>(2)</sup>.

Concurring with these resolutions, the Commission was of the opinion that the Treaty rules governing competition automatically applied to the transport sector. The Council alone decided to suspend the application of Regulation No. 17 in this sector. In conformity with the third resolution of the European Parliament, dated 19 November 1962, the Commission had on the other hand recommended that the application of the Treaty provisions themselves be suspended, since the object could only be partly attained by mere non-application of Regulation No. 17.

For transport within the Community, the Commission had proposed that Article 85 alone should be declared inapplicable, and not Article 86,

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<sup>(1)</sup> See official gazette of the European Communities, No. 124, 28 November 1962, p. 2751.

<sup>(2)</sup> See official gazette of the European Communities, No. 134, 14 December 1962, pp. 2849-51.

prohibiting the improper exploitation of a dominant position. Here again the Commission's proposal was in line with the European Parliament's third resolution of 19 November 1962.

In its opinion, the Commission had drawn the Council's attention to the fact that Article 87(2c) did not provide an adequate legal basis for the section of the Regulation dealing with sea and air transport, and had suggested that the Regulation should be based on Article 84(2). On this point the views of the Council coincided with those expressed in the European Parliament's first resolution. Moreover, the Commission had expressed to the Council its concern at the fact that Regulation No. 141 affected retrospectively the situation in civil law.

At the Council session held after the consultation of the European Parliament, the Commission declared that it found the Parliament's third resolution of 19 November 1962 <sup>(1)</sup> an acceptable solution and would be prepared to amend its own proposals accordingly. Nevertheless, the Council felt unable to accept this proposal of the Commission.

With regard to banking and insurance, the Commission is now studying whether special provisions are needed in this field. The problem is rendered more difficult by the fact that the Commission is not yet in possession of all the relevant information.

#### DUMPING

46. In giving effect to Article 91(1) which provides for an "on request" procedure against dumping within the Common Market, the Commission bases itself on Article VI of GATT, to which the six Member States are parties; but the Commission reserves for itself a certain margin of discretion according to the circumstances of each case.

The principles established on this basis for the implementation of Article 91(1) were communicated in detail to the European Parliament in

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<sup>(1)</sup> See official gazette of the European Communities, No. 134, 14 December 1962, p. 2858. This resolution recommended that the prohibition contained in Article 85(1) should be declared inapplicable to transport within the Community until at latest 31 December 1964 and until at latest 31 December 1965 in the case of sea or air transport.

January 1962; they are summed up in section 49 of the Fifth General Report of the Commission.

Investigation into the twenty complaints about dumping received so far shows that the Commission's practice provides an adequate basis for the suppression of dumping within the Community.

Of the twenty complaints — thirteen concerning chemical products — so far examined by the Commission in pursuance of Article 91(1) :

Eight were dismissed as unfounded since no evidence of injurious dumping had been furnished;

Six became groundless because the firms concerned ceased their dumping practices before the conclusion of the investigation;

Two were withdrawn;

Two, involving seven firms, gave rise to a recommendation to two of these firms;

Two are still under examination.

These results confirm the tendency previously observed; they show the strong influence, the "moral pressure" which already attaches to a complaint addressed to the Commission. Firms actually engaged in dumping prefer to desist of their own accord rather than be officially requested to do so by a recommendation from the Commission. The cessation of dumping then usually satisfies the complainants, who do not, in general, press for the proceedings to be carried to their conclusion.

The system of free reimports (boomerang) under Article 91(2) of the Treaty was introduced by Regulation No. 8 <sup>(1)</sup> of the Commission dated 11 March 1960; this was later amended by Regulation No. 13 <sup>(2)</sup> of 15 March 1961. It seems that the mere possibility of "return dumping" has sufficed to prevent firms from engaging in certain undesirable practices of this kind.

<sup>(1)</sup> See official gazette of the European Communities, No. 21, 25 March 1960, p. 597.

<sup>(2)</sup> See official gazette of the European Communities, No. 27, 8 April 1961, p. 585.

With regard to dumping from outside the Community, the Commission's staff is continuing work on the approximation of anti-dumping legislation in the Member States under the terms of Article 27. Uniform principles are also being worked out for commercial protective measures to be taken against dumping practices by non-member countries (Art. 113).

#### STATE AIDS

47. In this field the Commission has drawn the first lessons of experience and established a firmer basis for future action. As the Commission has pointed out in its action programme, the steps to be taken in this field will become increasingly important as other barriers to trade are eliminated.

The inventory of existing State aids has been extended. An inquiry has been undertaken into indirect taxation measures which, while not falling under the fiscal provisions of the Treaty of Rome (Art. 95 *et seq.*) amount to favouring certain firms or branches of production. The first stage of this inquiry dealt with total or partial exemption from turn-over tax; the results are in course of evaluation. At first sight it would seem that several of these measures fall outside the scope of Article 92(1) inasmuch as their only effect is to favour non-profit-making activities (of a charitable, social or cultural nature) or to promote housing construction. The other measures of which the Member States have given notice mainly concern aid to development in certain regions (Sardinia and Sicily in Italy, West Berlin and the Saar in the Federal Republic of Germany) or to small and medium-sized enterprises in trade and industry.

#### *Aid to particular branches*

48. With regard to the shipbuilding and film industries, both of which draw direct and in some cases substantial aid in several Member States, the Commission is endeavouring to bring about the progressive elimination of the competitive advantages conferred. In both cases the importance of the industry concerned, the structural difficulties through which they are passing, and the unfavourable effect of these aids on competition in the Community are such as to induce the Commission to seek in concurrence with the Member States a constructive solution at Community level. In its Action Programme the Commission says that it intends to work out a common policy on these matters before the end of the second stage.

On the point of aid to shipbuilding the French Government has complied with a Commission recommendation by further reducing its subsidies, bringing to about 45% the total reduction in the amount of aid since the entry into force of the Treaty. In accordance with Article 93(1) the Commission has proposed that the French Government continue reducing these aids concurrently with the abolition of internal tariffs, and abolish subsidies altogether at latest by the date on which the customs union is achieved. Talks are in progress between the Commission and the French Government on this proposal.

In Italy, subsidies to shipbuilding have also been reduced, first by 12% and then by 13%; they will disappear by the end of 1964. In compliance with a Commission decision, measures have been taken to re-organize this sector in order to make it competitive without government aid.

The Federal Republic of Germany has notified the Commission of a scheme to aid shipbuilding by providing credit facilities for exports of ships to non-member countries.

After consulting other Member States, the Commission has raised no objection to this proposed aid since it will have virtually no effect on the competitive position of German shipyards in the Common Market.

This step on the part of the Federal Government was prompted by the growing severity of competition on the world shipbuilding market and is further evidence of the need for the study undertaken by the Commission in conjunction with the Member States.

As regards the film industry, the French Government invoked the deterioration of the commercial situation in this sector and worked out an aid programme, replacing the present system by one closer to that in force in Italy and increasing the level of aid above what it would have been in 1963 if the former programme had remained in force.

On the Commission's proposal the French Government has amended its original plan and fixed a relatively short period for the arrangement under consideration (it will lapse on 30 July 1963) and has also given an

assurance that the aid granted during that period will not exceed that given in 1962. The French Government has also introduced a subsidy for "shorts" (including twenty from other Community countries) amounting to 1% on takings in the metropolitan territory. The Commission has not objected to this plan. It is aware that in present circumstances this sector seems unable to survive without State aid. The Commission is nevertheless alive to the fact that the new measures will widen the gap in relation to other Member States, especially Germany, and may therefore adversely affect competition in the Community.

The Italian Government is also amending its system of aid to the film industry. The changes are intended to reduce automatic aid and to lead eventually to a solution at the Community level. In view of the circumstances under which this was done, the Commission felt impelled to take certain formal steps. Here again, the Commission wishes, with the co-operation of the Member States, to seek a common solution which will make it possible to preserve this industry.

#### *Export aids*

49. In this field the Commission has directed its main attention to the drawback mechanism in force in Italy (Act No. 103).

On 1 July 1962, the Italian Government decided to reduce by 45% the drawback granted on exports of mechanical engineering goods to Community countries (a 35% reduction had already been in force since 1 January 1962).

Under the terms of this decision the drawbacks on exports to non-members countries, and a considerable part of those on sales within the Community, remain unaffected. These measures are not, therefore, a sufficient answer to the Commission's objections or to those of the other Member States, and the matter is taking its course in conformity with the appropriate Treaty rules.

#### *General aid systems*

50. The Commission has gone ahead with its study of general aid systems in force in the Member States; it is now in a position to make a first systematic survey and has announced its position in regard to a large number

of new schemes. The Commission applies the term "general aid" to various systems which correspond broadly to most of the situations referred to in the exemption provisions contained in Article 92(2) and (3) of the Treaty.

It has already emerged from the study of existing measures that all the national authorities take the same view of aids designed to deal with natural disasters or other extraordinary events [Art. 92(2 b)] or to compensate for the economic disadvantages caused by the division of Germany [Art. 92(2 c)]. A modification of the obligations flowing from Article 93(3) in their favour is under consideration.

As regards aids to research a distinction has been made between aids which will benefit all alike, and discriminatory advantages which may fall under the ban of Article 92(1).

Although aid to promote economic development, especially regionally or structurally, is granted in various Member States, its features vary considerably from one country to another. Here the Commission's general aim as set out in the Action Programme is to reconcile the requirements of competition policy with those of regional or structural policy. The Commission is endeavouring to find out whether aids are justifiable from this point of view. The current discussions are intended to work out reasonable methods of inquiry which will provide the Commission with a sound basis for its appraisal without laying unjustifiable obligations upon government departments. Without waiting for the outcome of these deliberations, the Commission has made known its views on several aid projects brought to its notice by the Member States in accordance with Article 93(3) of the Treaty (e.g. a scheme for building fishing villages in Sardinia).

## APPROXIMATION OF LAWS

### *Industrial property rights*

51. *Patents*: The patents Working Party has worked out a preliminary draft convention for a European patent law. According to this draft, patent rights will be granted for the Community territory as a whole and can only be transferred or lapse for the whole of that territory. By lending this

territorial character to the protection conferred by national patents the draft therefore solves the problem arising in connection with the free movement of goods in the Common Market.

European patents will be exclusively subject to the provisions of the convention which will be put into effect by a common administrative body — the European Patent Office — and by a common judicial body. Patents will be issued in accordance with a new system of deferred examination.

The draft convention was published on 14 November 1962 and submitted for examination to the appropriate bodies in the Member States and members of European institutions concerned with industrial property rights. The results of this study will be taken into account in the final draft.

An ad hoc working party is preparing a preliminary draft for a general convention which will cover problems common to the patent convention and future conventions on trade marks, models and designs (common rules on the application and interpretation of these conventions, co-operation between the European offices concerned, co-ordination of action by the Member States in the field of industrial property rights).

52. *Trade marks*: In 1963 the Working Party on Trade Marks will draw up a new convention introducing a European Law on trade marks based on the principles approved by the Co-ordinating Committee on industrial property rights and the appropriate State Secretaries.

#### *Unfair competition*

53. The Commission has begun a comparative study of national regulations relating to unfair competition. On the basis of this study the Commission will be able to pinpoint instances in which differences are a major hindrance to the free movement of goods and to prepare the approximation of these regulations.

The Commission has had occasion to consider provisions on price fixing, price maintenance and such problems as government monopolies and concentration and nationalization of certain branches of industry. The systematization of the public law of the Member States inasmuch as it affects competition will of course have to be continued in the light of Articles 100 and 101 of the Treaty.

The Commission has studied those aspects of the common energy policy which are of interest from the point of view of Articles 100 and 101. As this policy takes shape, it will be necessary to approximate the provisions of law relating to energy.

#### *Public contracts*

54. In connection with the general programmes for the liberalization of establishment and services in the Community, the Commission is working out the detailed arrangements for contractors to submit tenders freely for public works contracts. The rules and regulations applicable in the Member States still contain formal or practical restrictions in this matter.

The purpose of the co-ordinating measures envisaged by the Council is to impose strict limits on the discretionary powers of the authorities awarding contracts. They are the subject of a draft directive which is in course of preparation.

The proposed measures will ensure adequate publicity in calling for tenders and of common quality criteria in the selection of contractors and the award of contracts. They will put an end to discriminatory clauses in technical specifications. A co-ordinating committee will be set up to resolve on a friendly basis any difficulties arising in the application of the common rules. This directive concerns public works contracts only. It is to enter into force on 1 January 1964.

Later, other directives will be issued to deal with the question of supply contracts, a distinction being made between contracts involving domestic firms only and others in which firms established elsewhere participate.

#### *Technical obstacles to trade*

55. For motor vehicles and their equipment and spare parts, work on the basis of Article 100 of the Treaty has made good progress towards the elimination of certain technical obstacles to trade resulting from differences in national rules on the composition and quality of numerous products, as well as the supervision thereof.

The purpose is to work out uniform conditions for official approval of vehicles so that the Member States can recognize each other's standards, and in general to establish equal terms of competition for vehicles manufactured in any Member State.

Using the answers to a questionnaire addressed to the Member States as a basis, the Commission is preparing plans for the co-ordinated elimination of these obstacles. Work has begun on a draft agreement between the Member States to prevent new technical specifications from setting up additional trade barriers for no valid reason or, in a more general sense, hampering the establishment or functioning of the Common Market.

In this context, the necessary attention will have to be paid to national rules concerning industrial safety and accident prevention. Differences in these rules may not only set up barriers to trade among the Six but also add to the risks incurred by workers.

#### *Administrative obstacles to trade*

56. Work has continued on measures to remove or at least attenuate difficulties to trade in branded pharmaceuticals caused by differences in statutory or administrative provisions.

A draft directive on the licensing of branded pharmaceuticals was adopted by the Commission on 29 October 1962 and submitted to the Council on 5 November 1962. It was thence transmitted to the European Parliament and the Economic and Social Committee for their opinion.

The draft aims primarily at establishing identical conditions under the six legislations for the issue, refusal, suspension or withdrawal of licences for branded pharmaceuticals. It also brings into line certain regulations concerning labelling.

The Commission's final aim is reciprocal recognition among the six Member States of licences issued by any of them.

In order to remove the first obstacles on the way to that goal the Commission is preparing two draft directives, one on the control of medical preparations and the other on the advertising of branded pharmaceuticals.

The Commission hopes to submit these two texts to the Council in the course of 1963. Later, the approximation of rules concerning the patentability of such products will have to be studied. The draft patent convention leaves unresolved certain difficulties in this field. Finally, the question of prices will call for examination, as well as some points in connection with rules governing colouring additives and narcotics.

*Recognition and enforcement of foreign judgments; bankruptcy law*

57. Progress has been made in the matter of simplifying the formalities governing the recognition and enforcement of foreign judgments in civil and commercial cases (Art. 220(4) of the Treaty), and work has begun on two preliminary draft conventions.

The convention on enforcement will probably be limited to matters involving property. It will therefore leave aside matrimonial cases, donations, testaments, inheritance and matters relating to the status and legal capacity of persons; all these will continue to be governed by the bilateral conventions in force between the Member States pending their replacement by a multilateral convention.

A novel feature of this draft convention is that, where the rules of competence are concerned, individuals and corporations having their residence or head office in one of the contracting States are treated as nationals of that State. The draft also includes common rules on competence. A considerable step forward has been made with regard to exequatur, the formalities of which will be appreciably eased, and the judgment of a foreign court will no longer be examined as to the substance. The question of whether and in what manner the European Court of Justice shall have power to settle conflicts of jurisdiction between courts of the contracting parties remains to be studied.

The draft convention on bankruptcy law will take longer to prepare, as the subject-matter is more complex. The difficulties could be more easily overcome if efforts could be directed towards one uniform law for the Community, leaving aside certain problems such as fiscal privileges.

*Company law*

58. The government experts have begun their study of the mutual recognition of foreign companies (Art. 220, third sub-para.) and appreciate the need for an overall solution to this problem. The best solution would appear to lie in agreement on attachment as the sole criterion.

International mergers will be examined next. This is an important issue because in certain cases mergers may enable firms to adjust themselves more readily to the new economic conditions resulting from the Common Market. Uniform legislation in this field would be desirable.

*Penal provisions in commercial law*

59. An ad hoc working party is preparing a draft convention to overcome difficulties in punishing offences committed by nationals of one Member State on the territory of another Member State.

The working party is considering the possibility of punishing the perpetrator of the offence in accordance with the law applicable in his country of residence, and subjecting him to the criminal law of that country when he has committed an offence on the territory of another State. In this way rules would be established governing the national authorities' competence in such matters. Provision should also be made in the same draft for mutual administrative and judicial assistance, and for the recognition and enforcement of sentences. One of the problems under study is the disparity between penalties imposed for certain offences in the various Member States.

*HARMONIZATION OF TAXATION*

60. The Commission believes that the establishment of the Common Market is meeting with serious obstacles in the field of taxation and that these must be eliminated. Many of these obstacles — especially those arising from certain legal provisions governing direct taxes — can only be cleared away as and when other, non-fiscal, obstacles to which they are linked have also disappeared or the choice has been made between certain courses of action in economic and financial matters.

Others, more immediately apparent and less dependent on other matters, must disappear at an early date if the evolutionary process is not to be jeopardized. This is particularly true of turnover tax.

#### *Turnover tax*

61. In this field the Treaty of Rome (Art. 95 to 97) only lays down rules of non-discrimination based on the taxation system in the importing country. There is a twofold disadvantage inherent in this arrangement: it enables Member States to grant drawback without setting any limit to the inquiry into the tax burden carried by indigenous products; it perpetuates the tax frontiers implied in the application of the tax system of the consumer country.

This being so — and bearing in mind that the rules laid down in Articles 95 to 97 are themselves of a temporary character — the Commission believes that nothing but harmonization, which incidentally is provided for in Article 99, will provide a final solution.

The Fiscal and Financial Committee, set up by the Commission to study the economic implications of fiscal harmonization amongst the Member States, shares this opinion.

On the basis of the Fiscal and Financial Committee's report (the Neumark Report) published at the beginning of 1963, and of the report of the working parties on the harmonization of turnover tax<sup>(1)</sup>, the Commission has, in accordance with Articles 99 and 100 of the Treaty, prepared a draft directive which was submitted to the Council on 5 November 1962; this directive has been passed to the European Parliament and the Economic and Social Committee for their comments.

In its draft directive the Commission advocates as a preferable and feasible common system an added value tax imposed down to the wholesale stage inclusive, combined, according to the customs and requirements of the countries, with an individually imposed surcharge at the retail stage.

<sup>(1)</sup> See Fourth General Report, Chap. I, sec. 65 and Fifth General Report, Chap. II sec. 60.

Such a system would, commercially speaking, be neutral. It would allow of a fairly high rate of tax because payment would be spread over the various production stages and wholesale trade. It would not have any damaging effect on either technical progress or productivity because investment would not have to carry a cumulative tax. Also, such a system would under certain conditions allow of the elimination of tax frontiers by a change-over from the principle of taxation in the country of destination to that of taxation in the country of origin. Finally, this system would not exclude the manipulation of the harmonized taxes in relation to the Community's expansionary economic policy nor the manipulation of the individually imposed surcharges in accordance with the social, economic or budgetary policy of the Member State concerned.

Clearly, the changes which would have to occur in the tax legislation of the various countries would have to be made gradually so as to avoid economic upheavals and abrupt changes in the sources of government revenue. The Commission therefore feels that what is needed is a cautious move forward in several stages, imperceptibly establishing a new equilibrium eliminating the present disadvantages.

From the practical point of view, it would appear advisable in the first stage to abolish only the cumulative taxes and leave the Member States free to choose any non-cumulative system convenient to them in the light of their structure and budget needs. This stage should not last longer than four years.

In the second stage, the Member States would be required to mould the systems of their choice into a Community-wide turnover tax system, without necessarily introducing uniform rates or conditions for exemption. Transition to this second stage would not be effected by replacing the system chosen during the first stage but by way of evolution, brought about mainly by adjustments in the methods of collection. A Member State which had already chosen the added value system for the first stage would not be affected by the second.

There would be a third stage in which harmonization would be pursued so as to make possible the elimination of tax frontiers whilst ensuring the neutrality of turnover tax with regard to trade within the Community.

To this end it may be found necessary to supplement the common system established at the end of the second stage by an extensive approximation of rates and conditions for exemption. As a result, the yield of such a tax may rise or fall as the case may be; this may compel Member States to have recourse to other taxes. Nevertheless, certain methods could be studied by which tax frontiers could be eliminated whilst leaving the Member States greater autonomy in the field of rates and exemption conditions. For these reasons it would be premature at this juncture to lay down a time-table or programme for this last stage; this could be done in a further directive to be submitted to the Council.

62. The Commission has also been studying ways and means of abolishing discrimination by way of indirect taxation between foreign and domestic products of the same kind. Under the terms of Article 95, last paragraph, the Member States shall, not later than at the beginning of the second stage, eliminate or amend any discriminatory provisions existing at the date of entry into force of the Treaty with regard to turnover tax or excise duties.

Although this is an obligation laid upon the Member States, the Commission has, nevertheless, felt impelled to examine, with Government experts from the six countries, certain potentially discriminatory measures which have come to its knowledge.

In consequence, some Member States have amended their turnover tax legislation on certain points where discrimination had been found to exist.

Italy, for instance, has abolished with effect from 1 January 1963 the rate differential in the single-stage turnover tax as between domestic and imported products. Belgium has done away with existing turnover tax discrimination affecting imported spirits, pigs for slaughter and pigmeat (whole carcasses or sides). The Belgian Government has intimated that similar steps would be taken in the near future with regard to other animals for slaughter and other types of meat.

The Belgian Government has also decided shortly to lay before Parliament a Bill to abolish the exemption from turnover tax at present granted in respect of domestic purchases made by Belgian public corporations. The Federal Republic of Germany has introduced a Bill to reduce from 4% to 2 or 2.5% the countervailing charge on certain agricultural imports.

However, in the case of imports of worsted yarns into Germany, on which the incidence of turnover tax is higher than it is on similar German products, the Commission has been compelled to issue a directive under Article 97 of the Treaty; the Bundestag has accordingly reduced the turnover tax on worsted yarns from 4% to 1%.

*Other indirect taxes*

63. Enquiries into discrimination in indirect taxes other than turnover tax have met with considerable difficulties because such discrimination does not spring from the application of different rates but rather from different methods of collection. It has therefore been necessary to make a close scrutiny of the excise duties imposed on certain products, namely beer, sugar, alcohol and tobacco.

The Commission and Government experts are working out a scheme for the partial reform of excise duties on imported beer; this should take effect before the end of 1963.

For sugar and products containing sugar the Benelux countries are to submit to the Commission at an early date drafts for amendments to their legislation.

On a proposal of the Finance Ministers of the Member States, the Commission has also set up a working party to study whether and how indirect taxes on capital movements can be harmonized. The working party advocates the elimination of stamp duties on the securities of companies in the member countries. It has called for the prior harmonization of capital duties paid by such companies and of the stamp duties on shares representing capital which has not paid duty. It may be expected that practical proposals will be submitted to the Council this year.

Another working party is studying the possibility of harmonizing taxes on insurance contracts in order to prevent tax considerations from influencing the choice of insurer once services have been liberalized.

*Direct taxes*

64. In the case of direct taxes, the working party studying the assessment of taxes has given special consideration to the question of depreciation and to the tax treatment of asset appreciation; it noted the disparities existing in this field.

A second working party has endeavoured to work out a common line of action for the six countries in their relations with certain non-member countries where tax treatment is more favourable and therefore liable to cause artificial deflections in the movement of capital.

**The interpenetration of the markets**

65. That intra-Community trade continued brisk, despite a fall-off in growth rate during the second quarter of 1962, is the best illustration of the progress made in merging the markets into a single internal market. But the creation of a unified Community market is not an end in itself: it is expected to help raise the general standard of living by providing the consumer with a greater variety of better-quality goods at fair prices. The Commission, falling in with the European Parliament's wishes, has attempted in the present report to assess the initial effects of the growing common market for consumers in the six member countries. While the results of the survey given on the following pages may be said to be in many respects premature, the Commission notes with great satisfaction the first signs that European consumers are becoming Community-minded. The part they play in the agricultural advisory committees and other bodies to which they have access, the steps they have taken to remove obstacles that deny them the advantages they have a right to expect from the establishment of the common market constitute, in the Commission's view, an important factor for the balanced development of the Community.

*INTRA-COMMUNITY TRADE IN 1962.*

66. The year 1962 again saw a notable expansion of intra-Community trade. In value it was nearly \$13 500 million, an increase of 14% on 1961 and almost twice the 1958 figure. The growth rate dropped slightly in the second quarter, which can probably be put down to anticipation of the tariff

cuts scheduled for 1 July, but it picked up again in the third quarter and accelerated during the last few months of the year, when trade was nearly 18% up on the corresponding period of 1961. True, progress in 1962, though about the same as in 1961 (15%), was definitely less than in 1960 (25%) or even 1959 (19%). However, it is satisfactory when allowance is made for the slowdown of economic expansion in 1961 and 1962.

Trade continued to grow much faster between member countries than with non-member countries: Community exports to the latter were up only 1% in value for the year as a whole, while imports from them increased by 8%. This divergent trend is partly explained by economic factors, in particular the generally more expansive situation in the Community countries than in non-member countries. Nevertheless, it was doubtless due in part to the continuing process of economic integration between the member countries stimulated by the reductions in customs duties on 1 January and 1 July 1962 and by other measures in the most varied fields.

This expansion of intra-Community trade also brought in its wake a better distribution of supply within the Community and — as a result of the consequent increased competition in many sectors, particularly consumer durables — to some extent helped to curb the rising price trend, which was particularly vigorous in 1962.

#### *Breakdown by countries*

67. The salient features of intra-Community trade in 1962 were a notable increase in demand from the Federal Republic of Germany, France and Italy and a more vigorous expansion of exports by the Belgo-Luxembourg Economic Union (B.L.E.U.)

In Germany the relatively marked increase in purchases from the member countries — mainly of industrial manufactures — may have been a result of higher prices and costs at home and of the effects of the revaluation of the mark. Then the bad harvests of the summer of 1961 sent farm imports up substantially in the first quarter of 1962. On the other hand, the growth rate of German sales within the Community remained below that of 1961, since the slackening off in most member countries of the propensity to invest seriously affected German exports of capital goods.

In France the lively expansion of private consumption stimulated purchases from other Community countries. Imports went up more rapidly than exports, which were unfavourably affected by the sluggish growth in sales of farm products.

In Italy, however, farm exports increased sharply in the first half of the year, and there was a steady rise in exports of industrial goods throughout the year. Nevertheless, towards the end of 1962 the expansion of exports diminished perceptibly because of the effects of poor harvests during the summer. Italy's purchases in the Community showed a notable increase; this was stimulated by the tariff cuts in July (as scheduled) and August (by anticipation); the elimination of quotas may also have had a belated effect.

As the increase in demand in B.L.E.U. was relatively slight, imports from the member countries showed no substantial rise except in the last quarter. But exports forged ahead thanks to a somewhat improved competitive position.

In the Netherlands a more elastic home demand may have contributed both to the fall in the growth rate of purchases from member countries and to the slight speed-up in sales to them.

This survey shows, then, that there was some modification of the balance of trade between each member country and its five partners in relation to the previous year. The surpluses of the German Federal Republic and of France in particular dropped sharply. In the same way, Italy's deficit increased a little, whereas the balance of the Benelux countries — especially B.L.E.U. — showed a marked improvement.

#### *Breakdown by classes of products (1)*

68. Demand for consumer goods was the most important growth factor in 1962. The decline in the growth rate of trade in capital goods, which appeared during the first half of the year, seems to have persisted during the second half. The gradual shift in the pattern of demand has brought about major changes in the composition of trade among the Member States

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(1) All percentages in this section are for trade by value.

in favour of consumer goods. Furthermore trade in agricultural products again went ahead more rapidly than in the year before, whereas trade in raw materials showed but a slight increase and activity in the basic industries was almost static.

During the first nine months of 1962 trade in food products increased 16% on the corresponding period of 1961. This growth rate, much higher than that of the year before, was mainly due to the vigorous expansion recorded in the first half of the year, which in turn was largely the result of a considerable rise in exports by Italy, where the 1961 harvests were distinctly better than in previous years and the production of fruit and vegetables was abundant in the spring of 1962. In the other member countries, on the other hand, bad spring weather following poor harvests had caused the demand for imports to rise. Consequently, imports of food products into the German Federal Republic and, to a less extent, France were particularly high. However, this trend was halted in the third quarter after good harvests in most member countries: German and Dutch imports were down on the corresponding period of 1961, but poor harvests in Italy sent her imports up sharply.

During the first three quarters, trade in raw materials rose about 8% on the corresponding period of 1961, when the growth rate had been 5%. But this slight rise does not mean that there was a net recovery of trade in this sector in 1962, for in the Community as a whole the level of activity in the basic industries was relatively low — particularly in iron and steel. Here there was a slight drop in output that checked trade in iron ore so that it rose only 2% on 1961 (a relatively poor year in any case). Trade in textile fibres, on the other hand, went strongly ahead — especially German, B.L.E.U. and French exports to the other member countries. Italian purchases of raw materials increased more than those of the other member countries — not only as a result of a fairly sharp rise in production but also, it seems, because of heavier stock-building than in the previous year.

Despite the continuing slackness of demand for coal, intra-Community trade in fuels increased about 6% on 1961. This considerable rise from one year to the next is largely due to the upsurge of trade in oil products, which amounted to 25% — all member countries but Germany increasing their sales to their partners. Intra-Community trade in crude oil, however, seems to have fallen off considerably again, probably because of the efforts of several countries to increase their refining capacity.

There was hardly any perceptible change in the growth rate of trade in chemicals, which was 12% in 1962 as against 13% in 1961. This rise in value, however, might indicate a slightly bigger rise in volume since prices tended to drop owing to increased competition in certain products.

The tendency noted in the first half of the year for trade in capital goods to fall off continued in the third quarter and probably also during the closing months of the year. This slowdown is chiefly a consequence of a declining growth rate for fixed investment by industry which was noted in most member countries. Trade in non-electrical machinery, which increased by 35% in 1961, went up by about 25% only in 1962 in each member country except B.L.E.U., where growth was more than 35%. Under the heading "machinery and transport equipment" there was still an increase of the order of 25% during the first nine months of 1962 over the corresponding period of 1961, but this was largely due to the vigorous expansion of trade in motor vehicles, which rose nearly 30% in 1961. It was chiefly Italian, French and to a less extent German exports that increased, whereas Dutch sales were distinctly lower than in 1961.

TABLE 2

*Growth rate of trade between member countries from 1961 to 1962 (1)*

Exporting country	Importing country					
	Germany (F.R.)	France	Italy	Netherlands	B.L.E.U.	EEC
Germany (F.R.)	—	+ 14	+ 24	+ 4	+ 12	+ 13
France	+ 15	—	+ 13	+ 7	+ 6	+ 12
Italy	+ 21	+ 34	—	+ 21	+ 16	+ 24
Netherlands	+ 12	+ 13	+ 26	—	+ 4	+ 11
B.L.E.U.	+ 22	+ 21	+ 37	+ 8	—	+ 17
EEC	+ 16.5	+ 18	+ 22	+ 6.5	+ 8	+ 14

(1) Based on the average of member countries' import and export figures.

N.B. : Those relating to Germany and France have been corrected to take into account changes in import statistics introduced at the beginning of the year.

The development of trade in industrial consumer goods was again considerable: household electrical appliances, for instance, showed a growth rate of nearly 20%. There was a particularly marked increase in France's purchases, especially from Italy, and Italian sales within the Community rose 70% for these products. Similarly, the expansion of intra-Community trade in finished consumer goods in general seems to have been almost 20%.

On the other hand, trade in semi-finished goods expanded relatively little, being only 7% up on the previous year. Iron and steel products showed no increase on 1961, and trade in other products such as aluminium and particularly copper only increased slightly.

TABLE 3

*Movement of trade among member countries by main classes of products* <sup>(1)</sup>

Classes of products	(in millions of units of account)				Increase in 1962 over 1961 (in %) <sup>(2)</sup>
	1959	1960	1961	1962	
Food, beverages and tobacco	753.6	942.4	1030.1	1194	+ 16
Fuels	547.0	616.1	603.3	642	+ 6
Other raw materials	550.0	733.9	767.7	832	+ 8
Chemicals	417.4	548.5	622.2	697	+ 12
Machinery and transport equipment		1 640	2 181	2 682	+ 23
Miscellaneous manufactured articles	2 110.3	2 895.6	3 283.9	3 621	+ 11

<sup>(1)</sup> On the basis of import statistics; classes of products are in accordance with SITC headings. Totals and growth rates refer to the first nine months of the year only.

<sup>(2)</sup> No correction has been made to take account of the changes in import statistics introduced in Germany and France at the beginning of the year.

*THE COMMON MARKET'S EFFECTS FOR THE CONSUMER*

69. In order to ascertain what has been the initial impact of the establishment of the Common Market on the consumer's standard of living and way of life, the Commission itself has made arrangements to obtain the necessary information, particularly statistical data, since it could not be immediately derived from the usual sources.

The effects on prices are much more difficult to discern. Several attempts have been made without any real success so far because of the difficulty of following closely the import and consumer prices of certain products in intra-Community trade. A new survey of consumer prices for some hundred products is to begin in 1963 with the assistance of the distributors, but we shall have to wait until 1964 to evaluate the price trends for these articles.

The distributors have agreed to co-operate in an annual survey of intra-Community trade in consumer goods and their price trend.

70. The gain brought to consumers by the Common Market may be judged by the level of personal income and how it is spent.

It is, of course, impossible to say exactly what effects the Common Market is beginning to have on consumer income levels; a study of this kind would require close analysis by regions, occupational groups and sectors of the population. However, to the extent that the Common Market has helped the expansion of economic activity and industrial production in particular, its effects have spread to wages and personal incomes, which have continued to grow in all Community countries since 1958. At constant prices, the increase in personal income by 1961 was nearly 25% in Germany and Italy, around 15% in the Netherlands and France and 10% in Belgium.

71. The ways in which the opening of frontiers has affected the spending of consumer incomes are easier to ascertain.

Trade flows within the Community have multiplied not only for supplies to industry and agriculture but also, and even slightly more substantially, for household articles.

The following tables give the essential data on the trend of imports between 1958 and 1961 :

TABLE 4  
*Imports of articles for domestic consumption in 1961 (1)*

	Germany (F.R.)	France	Italy	B.L.E.U.	Nether- lands	EEC
	In million dollars					
Total imports	2 093	1 242	562	653	765	5 380
Imports from Commu- nity countries	1 100	376	192	454	505	2 625
Imports from other sources (2)	993	866	370	199	260	2 754
	Increase since 1958 in %					
Total imports	+ 60	+ 13	+ 40	+ 19	+ 70	+ 41
Imports from Commu- nity countries	+ 86	+132	+ 58	+ 26	+ 83	+ 73
Imports from other sources (2)	+ 36	- 8	+ 32	+ 6	+ 51	+ 20

(1) The relevant statistical calculations are made only once a year, in or around July.

(2) Including associated overseas countries.

The increase in four years in intra-Community imports of articles for domestic consumption was 130% in France, 80-90% in Germany and the Netherlands, 60% in Italy and 25% in Belgium. All these percentages are appreciably above the growth of income. It will also be noted that in three countries the increase in imports from non-member countries is also higher than that of family incomes. Thus consumers in each country are being offered a widening range of products from their partners in the Six, and this trend continued in 1962.

It should also be noted that trade does not entirely reflect the realities of the economic situation : when industries are transferred from one country to another, when a firm established in one member country opens a subsidiary in another, this has a similar effect to those of international trade but does

not find its way into customs returns. And this kind of operation has taken place a number of times — both in food production and in manufactures — since the Common Market was set up.

72. On a rough estimate the share of imported goods in current consumer purchases is between 10 and 20% in Benelux but much lower in the other Community countries — 3 to 4% in Italy, 8 to 9% in Germany. France occupies an intermediate position.

By the very reason of their size the Benelux countries have always been more dependent than the other Community countries on outside sources for their supplies of everyday consumer goods, and this tendency became more marked between 1958 and 1962, particularly in the Netherlands.

In the other countries, especially France and Italy, there is much less sale for imported products and the increase in imports of consumer goods, though quite considerable in absolute terms, still failed to effect any transformation of consumer habits in general.

73. In some sectors the opening of frontiers and freer competition not only increased supplies to the consumer but also had definite effects on prices, though here the situation varies from country to country depending on how competitive industry is in each.

74. It is particularly in consumer durables, mainly household electrical appliances, radio and television, that consumers in the Community have been offered a wider range of products at lower prices, thanks to keener competition combined with improved productivity. French and Benelux consumers have been the chief gainers from the broader flow of trade between their countries on the one hand and Germany and Italy — particularly the latter — on the other.

75. Italian and French consumers have benefited most from the relaxation or abolition of quotas in the motor vehicles sector. In Belgium, too, purchases of German and French makes have gone up at the expense of non-Community manufacturers. The effects of the Common Market in this field have been less perceptible for German and Dutch customers. More severe competition

seems also to have brought car prices down in Italy and Belgium, while elsewhere in the Community new models with the latest improvements have been on sale at last year's prices.

76. The initial impact of the Common Market in other sectors has been more limited. Although trade in food products has grown steadily almost everywhere, there have been spectacular rises only for some products in certain countries — imports of Italian and Dutch vegetables into France (partly as a result of exceptional weather conditions) and of French and Italian fruit into Belgium and Germany. In Germany imports increased for the following products in particular — butter and cheese from Holland and France, bakery products and poultry from Holland, wine from Italy and France and fruit juice and chocolate from France. In some cases the intensification of trade in these products put considerable pressure on domestic prices for similar products.

There was some movement in other products too. France imported appreciably more carpets and furniture from Belgium and plastics from Germany. Germany bought more jewellery, clothing, footwear, knitwear and photo-film from Italy. The Netherlands imported more medical preparations and textiles from Belgium and clothing from Italy and Germany; B.L.E.U. increased its purchases of textiles (women's clothing) and footwear from Italy, the Netherlands and Germany. Lastly, Italy bought more household goods, particularly porcelain, from Germany.

77. The most spectacular price cuts for imported products and indirectly domestic products were probably in the textiles, clothing and footwear sectors. Various Italian products (textiles, plastics, footwear) set prices falling and even drew positive reactions from competing producers in Germany and France in particular (improvement of production techniques and price cuts). Continuing customs disarmament will encourage this trend and probably extend it to other products.

78. The development of trade among the Six raises, and will go on raising, the problem of informing the consumer about new products on the market. It may be noted that various national bodies issue certificates of quality. These bodies belong to a "Permanent International Quality Conference", in which experience is exchanged and services rendered on a

reciprocal basis, and each guarantees consumers in its own country that products tested by its counterparts in the other Member States are of satisfactory quality. The European Office of Consumer Associations also has plans to make comparative tests of products already enjoying wide distribution among Community consumers.

79. Finally, consumers have felt the need to form an association at Community level even though their organizations have generally not attained such unity at national level. In May 1962 the "Liaison Committee of EEC Consumers" was set up, consisting of representatives of trade unions, family organizations, consumer associations and consumer co-operatives.

The Commission has invited this Committee to send delegates to the advisory committees set up for farm products in which the market is subject to a common organization. In the five committees so far constituted, sixteen seats (full members and alternates) are offered to consumers' representatives. The Committee meets regularly, and in March 1963 it organized a study group on "organized consumer action in the Common Market" at Brussels, when food additives and price policy in particular were discussed.

## CHAPTER III

### TOWARDS A COMMON POLICY

#### Economic policy

##### *INTRODUCTION — THE ECONOMIC SITUATION IN THE COMMUNITY IN 1962 AND THE OUTLOOK FOR 1963*

##### *THE ECONOMIC SITUATION IN THE COMMUNITY IN 1962*

80. Economic activity continued to expand in 1962, but at a rather slower pace; although bottlenecks in supply gradually eased, the weaker expansion in certain elements of demand became more significant.

##### a) *Trends in demand*

81. As in 1961, the expansion of overall demand showed a tendency to fall off in 1962, but to a less marked degree than in the previous year.

External demand, in the sense of actual exports of goods and services to non-member countries, offered scarcely any further stimulus to the Community's economy. The growth rate for exports of goods did not exceed 1% in terms of value and volume. In 1961, as compared with 1960, it had been 5% in value and 3% by volume.

This development is a fairly accurate reflection of world economic trends; the year 1962 was marked by an appreciable fall-off in the economic expansion of non-member countries. The Community's sales to the United States, which had further increased by 24% in value in the first quarter of 1962, were 1% below this level in the third quarter. However, over the whole year, they were 10% up on 1961.

Similarly, the Community's sales to the United Kingdom scarcely increased at all in comparison with the previous year, whereas in 1961 they had gone up by 3% in value in comparison with 1960. On the other hand,

although economic expansion was somewhat less vigorous on the whole in the other EFTA countries, it was nevertheless brisker than in the United Kingdom, so that sales by the Community to these countries again made fair progress, increasing by 4.5% in value over 1961, as against 10% in 1961 by comparison with 1960.

The effects of the slacker expansion in numerous industrial countries on the economy of the developing countries have of course been reflected in the sales of the industrial countries and in fact the trend of demand for finished goods on the part of the developing countries was generally hesitant. In addition, owing to the repercussions of political events in Algeria, exports from the Community to that country dropped by about 30% in 1962 compared with 1961. In all, sales by the Community to the developing countries overseas declined by about 6% in 1962, exports to associated countries alone falling by about 16% in value, mainly because of the trend of sales to Algeria. In 1961, a total increase of 2% had been noted, despite a fall of 6% in exports to the overseas associated countries. Exports from the Community to the developing countries in Europe showed, on the contrary, another marked increase. This applies also to trade with Greece, where economic trends in 1962 seem to have been favourable.

Internal demand, in contrast to external demand, has remained buoyant; it was almost the sole determining factor in the economic expansion of 1962. Its annual growth rate was as noteworthy as in 1961; a slight slackening of progress was however to be observed in the course of the year.

This last remark applies particularly to gross fixed asset formation, the annual growth rate of which in 1962 reached only 5.5% in terms of volume as against more than 9% in 1961. For the Community as a whole, this slackening at present affects only fixed industrial investment; government investment has progressed rather more quickly than in 1961.

The hesitant trend of industrial investment has been due essentially to the following factors, the influence of which has been felt in varying degrees in different countries: the last American recession and its repercussions, direct or psychological, on the world economy, unfavourable prospects for exports to the developing countries, a considerable increase in productive

capacity as a result of the investment boom of recent years, and businessmen's doubts whether demand will increase sufficiently to absorb the increased capacity. Mention must also be made of stiffer foreign competition and the whittling down of profit margins in 1961 (already noted in part in 1960) particularly by reason of wage increases exceeding the growth in productivity. Finally, in the Netherlands credit restrictions and quantitative controls have been imposed to check expansion in industrial and commercial building, and the money and capital markets of some other member countries have been under strain. Naturally, the fall in stock and share prices has also adversely affected the financing of investment by the capital markets.

These negative factors have had a stronger effect than the impetus resulting from the need for rationalization, from the increase in private consumption and from industry's efforts to adapt itself to the advance of economic integration. Furthermore the relatively more favourable trend in profits compared with previous years in some Community countries, despite increased wage costs per unit of production, is apparently too recent to have any notable impact on the development of industrial investment.

In contrast with the trend observed in investment, the progress of consumer expenditure has remained almost as rapid in 1962 as in 1961.

Public consumption even showed a rather sharper increase in almost all the member countries, largely accounted for by higher wages and salaries. The increase in public consumption by volume was also greater than in the previous year in all member countries except France.

Over the whole year, the advance in private consumer expenditure was slightly less than in 1961 in both value and volume; according to the latest estimates, it is of the order of 5.7% as against 6% in 1961, in real terms.

A higher proportion of new consumer expenditure was applied to the purchase of durables. New registrations of private and commercial vehicles went up by 18% in 1962, as against 15% in 1961. Travel and tourist expenditure again rose sharply.

b) *Production trends*

82. The slight slackening in the expansion of overall demand in real terms as well as a strong advance in imports, particularly of finished products, were reflected in a corresponding fall in the growth of the volume of production. This weakening is hardly attributable to the damping effect of physical obstacles, which were not generally stronger in 1962.

According to the index of the Statistical Office of the European Communities, industrial production in the Community, with the exception of building and the food, beverages and tobacco industries, increased in comparison with the previous year by 6.7% in 1962 compared with 6.6% in 1961.

As regards the seasonally adjusted index of industrial production, in the course of the year 1962 a slight slowdown of growth became apparent from the first quarter, as compared with the last quarter of 1961. Corresponding to demand trends this slowdown was above all attributable to a wavering tendency in the production of the capital goods industries. In addition, a lull occurred in the production of certain primary and semi-finished products, particularly in the steel industry, as well as continuing weakness in industries affected by structural tendencies towards reduced demand, principally certain extractive industries.

On the other hand, numerous branches of the consumer goods industry, including even some of the old-established, made rapid strides in production in the course of the year.

Increase in production in building and construction was, on the whole, only moderate during 1962 despite the fact that there was, in general, a vigorous demand in this sector and that in some countries this demand was greater than the supply.

Agriculture contributed more than in 1961 to the increase in domestic product. Indeed, in contrast to the previous year, crops were in general normal, and for some items even excellent, except in Italy because of the drought in certain areas. Livestock products continued upwards.

Services supplied direct to households again showed a fairly substantial gain, but in general the added value produced by services may perhaps have fallen off a little.

Developments in the various sectors of production resulted in an increase of the gross product of the Community of 4.8% by volume as against 5.3% in 1961.

The slight slowdown in the growth rate has been accompanied by a certain slackening in the upward movement of the total numbers employed. The improvement in productivity was consequently about the same as in the previous year.

In industry, the number of wage-earners increased only slightly. Taking into account the slight reduction in the length of the working week and the longer holidays, the total number of hours actually worked seems barely to have risen, so that production per man-hour is likely to have increased more or less to the same extent as total industrial production (6.2%) and rather more than in 1961.

In 1962, labour migration within the Community again made for better economic equilibrium; it helped to increase employment and production where such progress would otherwise have been impossible, to reduce unemployment and to increase earnings, particularly in Italy.

c) *The balance of the markets*

83. In contrast to production, Community imports increased in 1962. According to customs returns, imports of goods from non-member countries increased in value by some 9% as against 5% in 1961. The increase by volume was of the same order, average import prices having varied little.

This fairly considerable increase in purchase from outside the Community was mainly in finished products. Imports of capital goods showed a tendency to slacken off, but purchases of consumer goods expanded considerably throughout the year. In addition, agricultural imports were particularly high in the first half of 1962 and even into the summer, whilst imports of raw materials remained relatively low.

As has been pointed out in the chapter on the merging of the markets (secs. 63 to 69), intra-Community trade continued to progress in 1962 faster than trade with non-member countries.

Since the terms of trade have changed little if at all, the increase in imports coupled with the relatively slight increase in exports entailed a marked deterioration of the Community's trade balance. According to customs returns, the deterioration by comparison with 1962 may be put at about \$17 000 million. The actual deterioration, which amounted to \$15 000 million, will mean an appreciable decline in the Community's current balance of payments surplus. The balance of capital transactions may have been better than in the previous year in spite of further advance repayments, albeit smaller, of external public debts.

#### THE OUTLOOK FOR 1963

##### a) *Trends in demand*

84. The outlook for the Community in 1963 is, on the whole, favourable. Economic activity may be expected to continue expanding at a normal rate. There may well be, however, a further slight weakening in the progress of demand.

No particular impetus for the Community's economy is likely to come from external demand in 1963. In fact, only a modest improvement may be expected in sales by the Community to industrial non-member countries, where economic expansion will be, on the whole, moderate. True, in the United States, expansion has been continuing in the course of the first quarter of 1963, contrary to the pessimistic forecasts sometimes made in 1962. Furthermore, we may expect for 1963 a broadening of the recovery which began in the United Kingdom in the early spring, thanks to stimulants applied by the government. But the total effect of the economic revival in these two countries and in most of the other industrial non-member countries will be somewhat limited. Moreover, only meagre progress is to be expected in exports from the Community to the developing countries, since they are rather poorly supplied with foreign currency and have only slender prospects of expanding their exports to industrial countries in 1963.

In forecasting exports to non-member countries, it has been assumed that the major industrial countries outside the Community will pursue a vigorous anticyclical policy. Moreover it is unlikely that the suspension of negotiations with a view to certain countries joining the Community will seriously affect the Community's economic situation. The effects, if any, will probably be marginal when set against the conjunctural factors which determine the course of economic activity. In the short term, this will no doubt be true of the non-member countries concerned in the negotiations.

Internal demand in the Community is likely to increase in 1963, though slightly less rapidly than last year. The growth of fixed industrial investment will no doubt slacken further in 1963. It will even tend to disappear in the Netherlands and be fairly weak in Belgium and the Federal Republic of Germany. In France, the growth of investment by private enterprises will doubtless be very moderate; on the other hand, that of public undertakings will be faster than in 1962. In Italy, a new spurt in fixed industrial investment as a whole seems possible. But even should some of the factors mentioned in the 1962 survey of the situation become less important in the course of 1963, we can scarcely expect any fresh impulse towards a general expansion of private investment in the Community.

In contrast to gross fixed asset formation in industry, expansion in public investment will remain lively and will probably be more rapid than in 1962.

Demand for housing will increase further in 1963. Restrictions on demand envisaged in the Federal Republic of Germany will hardly take effect during 1963 in view of the volume of work in progress and the orders already placed at the end of 1962. In France and Italy a speed-up in building starts is even expected. On the other hand, in Belgium the situation may tend to become static.

The exceptionally cold weather early in 1963 slowed down building activity in the whole of the Community. Owing to labour shortages in this sector in most member countries it is improbable that the losses will be made up during the remaining months of 1963. Investments in building will thus show only a modest advance in 1963 over 1962, despite the size of order books. The total growth of gross fixed asset formation may not exceed 4.5%.

Consumer expenditure will continue to increase vigorously in 1963; it will be the principal factor in the growth of economic activity. Public consumption will continue to advance as compared with the previous year, though at a somewhat slower pace in some countries where, according to budget proposals, wages and salary increases in the public sector will not be as large as in 1962.

Private consumption will also increase as against the previous year but perhaps slightly less than in 1962. The rise in average hourly wages will be smaller in a number of countries. Moreover, employment expressed in terms of total number of hours worked will probably not rise appreciably. The numbers employed will go up slowly and the working week will no doubt again be somewhat shortened. In any event the increase in mass income will be considerable, the more so as fresh increases in transfer incomes are envisaged. Furthermore, as prices are expected to rise slightly less there will be relatively more chance of expansion in private consumption in real terms than in 1962. In these circumstances, for the Community as a whole, the annual growth rate of private consumption by volume might still reach about 5% as against 5.7% in 1962.

b) *Trends in supply*

85. Having regard to the prospects for overall demand, supply is likely to show some slackening in growth but this will mainly affect imports from non-member countries.

Industrial output (excluding food, beverages and tobacco and building and construction) may increase slightly less, say about 5% in 1963 as against 6.7% in 1962. Growth in the output of capital goods in particular will fall off, although a relatively vigorous advance may yet be expected in sectors such as the electronic industries, which specialize in equipment to increase manufacturing efficiency. On the other hand, the trends in internal demand will once again favour consumer goods and particularly consumer durables. In the motor industry, for example, there is every reason to expect a favourable trend in internal demand. On the other hand, the output of certain industries producing primary materials and semi-finished products, above all the steel industry, might further weaken slightly.

In the services sector, expansion in 1963 will probably be of the same order as in 1962.

Assuming normal weather conditions for agricultural production, the gross product of the Community may be up on the previous year by about 4.5% by volume.

As regards employment in the Community, the forecast of demographic trends for 1963 is that the natural increase in the working population will be about the same as in 1962; it will be considerable in Italy, the Netherlands and France. In the latter country, repatriation from Algeria and the shortening of military service will also contribute to an increase in the potential labour force. On the other hand, the Federal Republic of Germany will again import labour, though possibly on a smaller scale than in 1962. Probably the rising demand for labour will not be fully satisfied in the Community as a whole but there should be a slight easing of the situation in the Netherlands and in France.

c) *The balance of the markets*

86. A further increase in imports may be expected in 1963. It is, however, likely to be less than last year, since the better harvests of 1962 may mean a slower growth of imports of agricultural products; also the expansion of overall demand will decline slightly.

Intra-Community trade is likely to expand more rapidly than trade with non-member countries. But its growth might also decline somewhat, not only by reason of the slackening in the growth of demand but also of the fact that in Italy, one of the principal exporters of agricultural products, the harvest has been indifferent whereas in the other member countries yields have been up on last year's.

On the whole, prices may show a tendency towards greater stability. A number of pointers admit of such an assumption: the return of supplies of agricultural products to normal, the absence of strain on numerous markets and the expected slowdown in the rise of wage costs per unit of production. The cost of services, however, will in general continue to rise.

In view of the expected trend of external trade, a deterioration in the Community's trade balance is to be anticipated for 1963. It will, however, not be so marked as in the previous year.

The balance of current payments is likely to close once more with a fairly large surplus. By reason of uncertainties over capital movements, it is not possible to forecast whether the surplus on the overall balance of payments will continue to fall in 1963.

#### *The opinion of the European Parliament*

87. At its session of 26 March 1962, the European Parliament discussed the economic situation and outlook outlined above. It noted that the problem of rising prices in the Community was becoming acute and gave its attention to the implications of this trend, both within the Community as well as from the point of view of the Community's ability to meet external competition.

The Parliament emphasized the advisability of taking measures to ensure the maintenance of a rate of economic growth in conformity with the Commission's long-term forecasts. It supported the Commission's efforts to induce the Member States to equip the Community with an adequate range of weapons to forestall recessions.

The Parliament drew attention to the fact that the Community as yet possessed no machinery to conduct a common conjunctural policy and that consequently more effort should be made to co-ordinate policy between the Member States.

An account of the steps taken by the Commission in this direction during the period under review will be found in the following pages.

### CONJUNCTURAL POLICY

#### *Economic trends and the Treaty objectives*

88. From the standpoint of the objectives laid down in Articles 2 and 104 of the Treaty, economic development in the Community was, on the whole, satisfactory in 1962. However, as the Commission had forecast <sup>(1)</sup>, certain

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(1) See Fifth General Report, sec. 83.

problems met with in the previous year persisted in 1962; most member countries again experienced fairly severe labour shortages and the rise of retail prices continued unabated throughout the Community.

Though slightly lower than in 1961, the economic growth rate in the Community was still appreciable since, as we have seen above, the gross product increased in volume by about 4.8% as against 5.3% in 1961 (and 7% in 1960). Thus the slowdown in expansion was less pronounced in 1962 than in 1961.

In any event, very considerable progress has been made since the entry into force of the Rome Treaty. The gross product of the Community in 1962 was greater by 27% in real terms than in 1957. During the same period the corresponding increase in the United States was 18% and in the United Kingdom 14%.

Economic growth was satisfactory in almost all member countries and in some of them was indeed at a high rate.

The increase in gross national product in 1962 was 6% in Italy, 5.5% in France, 4% in the Federal Republic of Germany and Belgium and 3% in the Netherlands. In the latter country the increase in gross domestic product, which excludes factor income from abroad (the trend of which was particularly unfavourable to the Netherlands in 1962) came moreover to 3.5%. Only in the Grand Duchy of Luxembourg, with its practically undiversified economy, was there a slight reduction in the gross national product owing to a faltering international demand for steel products.

As for progress in the standard of living in 1962, it may be noted that the increase in private consumption over the previous year was again appreciable; by volume it was in the aggregate 5.7% and nearly 4.5% per head. The total increase in household consumption since 1957, by volume, reached 26.5% and 20% per head. The tendency towards shorter working hours, which had been evident in recent years, continued in 1962 in a number of member countries.

Employment reached a high level in all member countries. The labour shortage in France and the Netherlands eased slightly, especially during the second half of 1962, while in the Federal Republic of Germany it was

almost as severe as in the previous year. In Belgium the number of unemployed again dropped and full employment has now been reached. Italy's structural unemployment was once more reduced; according to Ministry of Labour figures, the number of unemployed was 250 000 down on that of 1961; this reduction is the largest recorded since the war.

As for the objective of stabilizing general price levels, the rise noted since the middle of 1961 became steeper in 1962, especially in France, Italy and the Netherlands, although this trend is attributable, in part, to a fortuitous factor: the shortages of agricultural products caused by the poor harvests of 1961 and bad weather in the spring and early winter of 1962. The rise in prices was, however, also due largely to the continued increase in production costs. The trend towards a better overall balance of payments in the Community, also noted in 1961, continued in 1962.

Whereas in 1960 the official gold and foreign exchange reserves of the Community countries had risen by \$3 300 million, they rose by only \$1 200 million in 1961 and by a bare \$600 million in 1962. The decrease in the balance of payments surplus was again due mainly to the reduced credit balance on current transactions, as the rate of economic growth in 1962 was higher than in most non-member countries.

The sharper increase in production costs within the Community as compared with the trend elsewhere may also have played some part in this. Moreover, France, Italy and the Federal Republic of Germany again made advance repayments of external debts, in particular to the United States. The monetary policy pursued by the member countries, which generally took the form of maintaining relatively low interest rates or even of reducing them, helped to curb the influx of private capital from abroad.

#### *Conjunctural policy of member countries in 1962*

89. Although the rise in prices was the main problem of conjunctural policy which most of the member countries had to face in 1962, governments on the whole refrained from taking any measures to restrain overall demand, in view of its faltering trend — particularly in the sphere of industrial investment.

In general, governmental budgetary policies had, on the contrary, a stimulating effect on overall demand, receipts from taxes increasing relatively slowly while expenditure continued to rise appreciably. In Italy, however, Treasury surpluses again reached a high level.

In view of the acute labour shortages in the building industry, accompanied by a constant increase in orders and in the volume of work in progress, as well as an appreciable rise in costs, certain member Governments took steps to curb demand. The Netherlands continued to apply the restrictions introduced in the middle of 1961 on the granting of building permits for certain classes of housing. In the Federal Republic of Germany, the Government proposed in September 1962 to withdraw certain tax benefits for housing and to cut down public works appropriations in the Federal budget for 1963.

On the other hand, measures taken in certain countries and at Community level stimulated the growth of supply: the lowering of intra-Community customs duties on 1 January and 1 July 1962, which tends to spread economic activity more evenly among the member countries, and efforts to improve vocational training, to encourage the employment of migrant workers and to promote investment in less developed areas.

A number of member countries have sought new solutions for the problem of rising production costs and their effect on selling prices on the internal market. The Netherlands Government has adopted a new system of wage settlement which gives greater freedom to employers and labour in collective bargaining and as regards the standards for fixing wages.

In France the Government in September 1962 held talks with the representative trade organizations in order to work out the general principles of an incomes policy. The talks were not unfruitful but it will be some time before constructive proposals can be made.

The Commission notes that member countries pursued in 1962 a conjunctural policy broadly consonant with the objectives of the Treaty of Rome. Nevertheless some countries could certainly have done more to combat rising prices, in particular through imports and by way of incomes policy.

*The action of the Commission in conjunctural policy*

90. As the Commission has stated in its Action Programme, it is aiming gradually to establish a Community conjunctural policy into which national policies will merge. To this end, the Commission, in collaboration with the Monetary Committee and the Economic Policy Committee, has studied the most important short-term economic problems and decided upon suitable means of solving them. In addition, it has taken steps to improve trend analysis and forecasting, to promote better knowledge of the weapons of conjunctural policy and their uses and to hold periodical comparative reviews of the conjunctural policies of the member countries. In the course of the second stage the Commission intends in particular to improve business surveys and economic budgets and to organize a comparison of national and other public budgets.

91. *Basic studies.* In response to the desire expressed by the European Parliament in its comments on the Fifth General Report, the Commission made a statistical survey of price trends, wage costs and productivity in the Community countries, the United States and the United Kingdom. The results were published as an annex to the second Quarterly Survey of 1962 on the economic situation in the Community. They show that in some member countries unit wage costs in industry rose appreciably in 1960 and 1961. After being very rapid in 1959 and during part of 1960, gains in productivity declined whereas the per capita wage, on the contrary, tended to rise more steeply. At the same time, in a number of countries, particularly from 1961 onwards, industrial selling prices rose more rapidly, although less so than wage costs.

On the other hand, the Commission has not so far found it possible to make a similar quantitative study of the part played by demand for capital goods on economic trends, as the information available proved too incomplete and uncertain. It may, however, be expected that with the progressive improvement in statistical information and forecasts, especially in the sphere of economic budgeting, and thanks to an investment survey which is on the Commission's programme for 1963, this gap will be filled in the years to come.

92. *Search for common lines of action.* The Commission, as requested by the European Parliament, has sought concrete solutions to the problems presented by price and wage trends. It has examined, in collaboration with the Economic Policy Committee, the causes of price increases and the means to restrain them in future. Following this study the Committee rendered a formal opinion, which the Commission adopted in its essentials and passed on to the governments of the Member States in the form of a recommendation. This opinion gives as root causes of the rise in prices in recent years not only the excessive growth of demand in relation to supply in certain member countries but also factors such as wage costs, rising costs of services, imperfect competition, and action by public authorities in raising rents and transport rates.

The general view in the Economic Policy Committee, with which the Commission concurred, was that if in principle price rises were to be combated by preventing too large an increase in overall demand, in the economic situation of 1962, marked as it was by a slackening of demand in many sectors, such action would have been inappropriate except in certain sectors such as building and construction. Furthermore, in so far as wage increases were a distinct operative factor in the rise in prices, the Committee advised setting up machinery to prevent such developments. It also recommended that the public authorities should make contact with businessmen and urge them, in fixing their prices, to have due regard for general price stability. Finally competition, further reductions of customs duties between the member countries, a liberal trade policy towards non-member countries and consideration for consumer interests in common agricultural policy could all be helpful. The Committee urged that in any decision on economic policy in the broadest sense greater account should be taken of repercussions on the general price level.

Furthermore, after studying the main features of wage formation in the member countries, the Economic Policy Committee gave an opinion on the broad lines of wages policy. It emphasized the need to make the latter compatible with the general aims of economic and social policy. To this end the public authorities should inform both sides of industry on their general economic policy and thereby afford some guidance as to future wage trends.

The Economic Policy Committee considers that in practice a wages policy must form part of a more general incomes policy. To plan the latter

it is necessary to make arrangements of a technical and institutional nature to facilitate the decisions that have to be taken and give them a more rational character.

From the technical point of view the economic budgets which all member countries have agreed to produce provide information as to the available margins for increases in income, in particular wage increases, taking into account the objectives laid down for economic policy. As for institutions it appears necessary to ensure the co-operation of the principal social sectors concerned and to discuss with them the overall objectives and possibilities of economic policy as well as the guiding principles of wage policy, according to methods which may differ from country to country. At lower levels the fixing of overall wage-rate differentials should be essentially a matter for the representative trade organizations.

93. In December 1962 the Commission sent to the Governments of the member countries a memorandum recommending that their weapons of anti-cyclical policy be put into a state of readiness to combat any sharp fall-off in economic growth or recessive trend. These recommendations, the full text of which was communicated to the Economic and Financial Committee of the European Parliament, are largely based on surveys conducted by the Economic Policy Committee in collaboration with the Monetary Committee. They make concrete proposals for the adaptation of instruments of monetary and budgetary policy as well as of investment, price and incomes policy to give them the necessary flexibility and effectiveness. The Commission emphasized the advisability of closer co-ordination of economic policies at national level and of avoiding delay in preparing, approving and implementing measures of conjunctural policy. Finally, it suggested for each of the member countries certain criteria as to unemployment and economic growth which they should take into account in their forecasts in order to restimulate their economy if need be.

It should be noted that the purpose of these recommendations is by no means to ward off an already foreseeable recession; it is, on the contrary, a longer-term undertaking to enable the Community countries to face any contingency by preparing the necessary apparatus for rapid and effective action.

94. *New instruments of policy.* As stated in the Fifth General Report, the Commission was considering plans for a standard Community-wide system of business surveys. These began in April 1962. Uniform definitions are used for all participants in each member country (with the exception of the Netherlands where industrialists have so far not co-operated) and information is obtained monthly on the trend of essential variables: total orders and orders from abroad, stocks of finished products, production and selling prices. In addition, every four months a sixth question is asked on the utilization of the factors of production. The first results were published in November 1962 together with an explanation of the methods followed.

These methods have been improved for 1963 by adopting a more detailed classification, better suited to the needs of the principal users and enabling the results to be collated by main classes of product, i.e. consumer goods, capital goods and intermediate products. It will be extended to include employment which will be the subject of an additional question in May and October. The harmonization of investment surveys which take place in most member countries is also included in the Commission's programme of work for 1963.

On a proposal by the Commission and the Economic Policy Committee, preparations for drawing up an economic budget for each Community country in the form of forecasts accompanied by an outline of the economic policy pertaining to them began in 1962. Having prepared with the help of experts a uniform schedule for presenting the information thus requested, the Committee drew up a time-table providing for the member Governments to transmit to the Commission at the beginning of November an economic budget for the coming year and in the following April a revised economic budget, followed each time by a report on conjunctural policy in the course of the ensuing month.

The first phase of this procedure did not go according to plan. The German members of the Economic Policy Committee were unable to deliver their forecasts until the end of December 1962 and the Luxembourg members could not supply most of the information requested. Some countries gave incomplete replies, so that as regards certain important elements in the economic forecasts it was not possible to make a co-ordinated study at

Community level. Most of the Governments failed to supply in good time the required information on their economic policy for 1963. Collaboration on these first surveys concerning economic budgets thus fell short of what was desired, and was relatively ineffective since the time-table had not been respected. The Commission hopes, however, that these inevitable teething troubles will soon be overcome and that governments will realize that co-operation in this field cannot but help them to fulfil their Treaty obligations concerning the co-ordination of economic and conjunctural policies.

#### *Conjunctural policy in 1963*

95. The business outlook for 1963 outlined above suggests that economic activity will continue to develop satisfactorily but, nevertheless, augurs a certain slackening in the expansion of overall demand and even a fairly marked decline in the growth of industrial investment. At the same time the upward price trend will persist.

To meet these problems, there seems to be no immediate need to take any new measures of monetary and financial policy. Public financial administration is at the moment stimulating overall demand, principally by reason of the stabilizing effect caused by a fall-off in the growth of revenue accompanied by a continued rise in expenditure.

Nevertheless, it will be advisable to see that the financing of heavier deficits does not seriously hamper industry in resorting to outside sources for its investment finance. Similarly, it will be advisable, as a general rule, to encourage developments on the money and capital markets such as will enable the need for investment finance to be met and even stimulate the propensity to invest. In any case, member countries whose balance of payments is deteriorating should try to prevent this trend from having its full impact on internal liquidity; they should counteract it by taking steps to increase liquidity as far as the price situation of course will allow. It would be advisable for the banks to avoid as far as possible repatriating their foreign assets or having recourse to foreign credit abroad. Such a policy, in fact, withdraws foreign currency and liquidity from non-member countries and this might be undesirable from the point of view of the international monetary

situation and of the balance of payments. Furthermore, this method of increasing internal liquidity can obviously be applied only within certain fairly narrow limits.

These considerations do not exclude the need in some member countries to promote price stability by limiting the expansion of internal demand in certain sectors. No doubt, it will be desirable to relax general restrictions on credit where they still exist: in fact, such restrictions primarily affect the capital spending of enterprises where growth is, in any case, already tending to slacken. But selective measures such as have recently been taken in France regarding credit, and action aimed at restraining demand for building and construction and matching it with possible supply, will probably continue to be justified.

If it appears advisable also to put a brake on the increase of consumer incomes, at least in some member countries, the reason for this does not lie in an excessive growth of private consumption but in the effect of the pressure on production costs of too great an increase in incomes: price rises or else, where it is impossible to pass on cost increases to the customer, pressure on profit margins and possibly slackening of the propensity to invest.

The Commission has in several of its quarterly surveys expressed its views on these problems and on the conclusions that should be drawn as regards conjunctural policy and incomes policy. These problems will persist in 1963, though they may become slightly less acute in some member countries in consequence of improved productivity, a slower advance in wages, low raw material prices and lighter taxation. But in other countries they may still give cause for concern. The possibility cannot be ruled out that in the long run such cost trends may gravely threaten the Community's ability to compete with non-member countries.

The Commission considers that general measures to restrain demand in order to hold prices down are no longer advisable in certain member countries. In the present situation such a policy could hardly attain its object without gravely compromising real economic growth. This does not, however, exclude the use of other contributory means of stabilizing prices. The following courses of action would be helpful: further reductions in

customs duties, in particular anticipatory reductions under Article 15(2) of the Rome Treaty; a liberal trade policy towards non-member countries including a reduction in consumer taxes having similar effects to customs duties; intensified competition including amongst other things a scrutiny of existing practices in price formation and price fixing; encouragement of mobility of labour and of vocational training in the Community. The balance of payments position and the foreign exchange reserves of the Community are still sufficiently strong for the effects of an increased stimulus to imports to be borne without serious difficulty.

Finally, attention should once more be drawn to the importance for internal monetary stability of decisions on prices for certain farm products under the common agricultural policy.

#### MONETARY POLICY

96. Monetary trends are closely linked with economic trends in general and it is artificial to dissociate monetary policy from conjunctural policy. With that reservation we nevertheless devote a special section to monetary and financial developments in 1962 in the Community countries.

##### *Monetary trends in 1962*

97. Although internal liquidity in the member countries continued to expand quite strongly in 1962 as in previous years, changes nevertheless appeared under the influence of various factors not least of which was the trend in the balance of payments. In general, whereas in France and Benelux factors favourable to the expansion of liquid assets remained preponderant, the reduction in balance of payments surpluses in Italy and above all in the Federal Republic tended to slow down the increase of liquidity of the economy and the banks.

The overall trend of liquid assets does not, however, always reflect these divergences clearly, for factors other than the net movement in foreign currency affect the liquidity of the economy — for example the behaviour of the public as regards its cash receipts and savings and the course taken by public treasury transactions. Thus liquid assets (notes and sight deposits)

continued to rise more rapidly in France and Italy, increasing by 18% over the previous year, whereas in the other countries this growth rate was about 7% or 8%, thus showing a fall-off in Belgium, in Luxembourg and above all in Federal Germany. In general, it was the trend in sight deposits which largely determined this development.

The influence of the balance of payments was more apparent in the trend in bank liquidity. In the Netherlands, in Benelux and above all in France, the banks continued to benefit from large balance of payments surpluses; in France they also benefited from an influx of funds from the franc area as a result of the repatriation of capital from Algeria. In Italy and especially in Federal Germany there was, on the contrary, a slackening in the supply of funds linked with balance of payment transactions. While still fairly limited in Italy where it arose from a reversal of capital transactions, this decline was considerable in Federal Germany, where it was due to a reversal in the balance of current payments, a surplus of nearly DM 3 000 million in 1961 being succeeded by a deficit of 1 300 million in 1962.

Except in Belgium, the other factors of bank liquidity were more conducive to a favourable cash position than in 1961; liquid funds reaching the banks accruing by reason of the deficit on Treasury transactions more than offset the extra burden on banks resulting from a more rapid increase in note circulation. This trend was particularly marked in Italy and the Netherlands, where it contrasted with the 1961 trend of large budget surpluses. In Federal Germany the banks benefited both from a slackening in the increase of demand for notes and from a reduction in the surplus on domestic transactions in the public sector. In Belgium, on the other hand, the very strong demand for bank-notes — the annual increase of circulation was almost double that of 1961 — practically offset for the banks the increasing liquidity deriving from the balance of payments surplus.

#### *Monetary policy in Member States in 1962*

98. Adapting their practice to this somewhat diverging trend in bank liquidity, the Central Banks of the Community countries followed a rather flexible monetary policy in step with the trend of liquid assets and the demands of commerce and industry for credit.

In Federal Germany the Deutsche Bundesbank allowed changes in the balance of payments to influence the situation of the banks, thus adopting for different reasons the attitude of the National Bank of Belgium. It refrained from intervening in support of the banks, obliging them to draw on their liquid reserves — in particular their short-term foreign assets — to compensate for the smaller contribution of foreign exchange from the balance of payments.

It was only to alter the distribution of the bank's internal and external liquid reserves — and to reduce the broad spasmodic fluctuations of bank assets abroad — that the Central Bank intervened to encourage the conversion of foreign investments of the banks into short-term home investments by gradually raising the rates offered for open market paper. In the same way from October onwards it raised the interest on its forward sales of dollars (swap transactions) in order to discourage banks from making short-term investments abroad at a time when their cash position was improving.

In Benelux with ample liquidity on its money market, in view of the comparative stability of prices the National Bank of Belgium continued to refrain from any action to restrict bank liquidity and encouraged the downward trend of money market rates by successive cuts in its discount rate, bringing it down from 4.5% at the end of 1961 to 3.5% in December 1962. The lowering of short-term interest rates was, moreover, facilitated by the reform of the money market at the beginning of 1962. Being in a strong cash position the banks themselves generally financed all their advances to commerce and industry, except that they resorted temporarily to the help of discount houses at important maturity dates or when large withdrawals were made in June-July and in December.

Conversely in two other Member States — the Netherlands and France — the Central Bank deliberately restricted bank liquidity and the volume of credits by rather similar methods. However, the trend of bank cash positions and of the economy led the Nederlandse Bank to suspend this policy by the end of 1962 and the Bank of France to reinforce it in February 1963.

In France the persistence of a large balance of payments surplus and the very rapid expansion of money supply — it increased by 18% in 1962 as against 15.5% in 1961 — led the Bank of France early in 1963

to tighten up the restrictive measures it took in February 1962 by raising the minimum reserve from 30 to 32% in order to reduce the banks' capacity to grant short-term credit. But the banks still had sufficient liquid funds to expand their loans in 1962 as much as in 1961, i.e. by 17%. Then in February 1963 the Bank of France both tightened its restrictive measures on bank liquidity, raising the minimum reserve from 32 to 35%, and limited to 12% the rate of overall expansion of bank credits in the following twelve months.

Finally, in Italy, despite the fact that in 1962 the volume of notes and coin in circulation continued its expansion, which was already vigorous in 1961, the monetary authorities were mainly concerned with increasing bank liquidity in order to help finance the expansion of the economy. Among measures taken to increase the resources of the banks may be mentioned — after the reduction in the minimum reserve ratio in January 1962 — the facility again offered to them of short-term borrowing abroad and the decision of the Treasury to redeem rather than renew the 9-year bonds maturing in January 1963, which had the effect of injecting into the market about Lit. 200 000 million of liquidities. The trend of Treasury transactions with the banking system moreover helped to ease the banks' cash position, which had tightened somewhat because of the reduction in the balance of payments surplus and the heavy demand for notes. The deficit on Treasury transactions, following a cash surplus which had cut back bank liquidity by Lit. 160 000 million in 1961, added nearly Lit. 80 000 million to this liquidity.

#### *Improvement of instruments of monetary policy*

99. Considerable progress was made in 1962 and early 1963 in co-ordinating the instruments of monetary policy used in the various Member States by bringing into play new methods of intervention which helped to strengthen the control of bank liquidity in some States and to bring uniformity into the range of instruments of monetary policy — which will naturally help to bring monetary policies into line. This was a positive reaction to the desire expressed by the Monetary Committee in 1962, when it published a comparative study of the instruments of monetary policy in the Member States, that some of the latter should set up machinery which had already proved its worth in other countries in or outside the EEC. The reforms carried out in

Belgium, Italy and France were in response to this concern, which was also voiced by the European Parliament at its October 1962 session when discussing the Van Campen report on the co-ordination of monetary policies in the EEC.

In Belgium the reform which came into force at the beginning of 1962 consisted mainly in substituting for the system of "banking ratios" a veritable apparatus of compulsory reserves and in issuing public securities — in particular those of the Fonds des Rentes — by periodical tenders at rates varying according to supply and demand and no longer tied to the official discount rate. The "cover ratio", by which the banks were obliged to hold in Treasury certificates (before 1957) or certificates of the Fonds des Rentes (since 1957) a very large part of their customers' deposits, has been abolished and in its place the monetary authorities were empowered to put into force a "minimum reserve" ratio in the form of blocked accounts at the Central Bank. The banks are required only to maintain their holdings of public securities at the level at which they stood in 1961, and are no longer obliged to take up such securities in proportion to the increase in their deposits; they thus have extra resources to finance their credits to commerce and industry for as long as the monetary authorities do not see fit to cut down these resources by raising the minimum reserve ratio.

In Italy the monetary reforms decided on in October and November 1962 also concern the system of issuing public securities and the system of compulsory bank reserves. The issue of ordinary Treasury bills on tap at a fixed rate has been replaced since November 1962 by monthly tenders reserved for the banks. However, the Treasury makes a priority offer at a fixed rate of the amounts which the banks must take to satisfy their reserve obligations. These can be made up, at the choice of the banks, of balances at the Central Bank or of ordinary Treasury bonds. Only for the remainder, i.e. the "free" bills, are applications allowed to form a market rate. In this way a start has been made with the formation of a true money market on which the Central Bank can envisage practising an open-market policy by using the facility under its statutes of buying or selling Treasury bills and government or government-guaranteed bonds.

In order to strengthen the control of the Central Bank over the banks, the regulations concerning compulsory reserves were amended in October 1962 to restrict the banks' facilities for freely modifying, in their compulsory

reserves, the proportion of Treasury bills and that of balances at the Central Bank. These balances must now represent at least 45% of the total, whereas it had become the practice of the banks during the last two years to hold about two-thirds of their reserves in Treasury bills.

Finally, in France the system for issuing Treasury bills intended for banks and other financial institutions operating on the money market was altered in April 1963 on the lines of the Belgian and Italian reforms. The system of issue on tap at fixed rates was replaced by periodical tenders of a limited amount at rates arrived at by the play of demand. As in Italy, however, the Treasury bills required by banks to comply with the regulations on a minimum portfolio of public securities are allotted by priority and at rates fixed by ministerial order.

*Policy on short-term and long-term interest rates*

100. The policies on interest rates applied in the various member countries were largely similar in 1962. The monetary authorities in certain Member States manipulated short-term rates to improve conditions for investment financing. Reduced possibilities for firms to finance out of reserves and the insufficiency of private savings entering the capital market, measured against the financing requirements of the economy, led the Central Bank and the Treasury to take concerted action to make more resources available for medium-term and long-term credit to commerce and industry.

Various countries are applying a policy on short-term rates aimed at channelling more money towards investment in transferable securities, and particularly bonds, by measures to widen the gap between short-term and long-term rates. This course is taken in view of the very rapid increase in liquid savings in the EEC countries in recent years, the rate of which has been about 16 to 17% in Federal Germany, France and Italy, and 11 to 12% in Benelux. In Germany, moreover, the increase in savings deposits, which was more rapid in 1962 than that of ordinary deposits, led the banks to step up very strongly their medium- and long-term lending to commerce and industry.

In France liquid savings, consisting particularly of savings bank deposits and Treasury bills bought by the public equalled — and in 1962 slightly exceeded — the volume of savings invested in issues of transferable securities.

This trend led the authorities to intensify the policy of reducing short-term rates initiated in June 1960. The interest on Treasury bills bought by the public was twice lowered, in April 1962 and in April 1963. After the reduction which had already taken place in the interest on savings bank deposits in January 1961, rates for time deposits with banks and cash certificates were also brought down in May 1962 and again in April 1963. In Belgium a similar policy, aimed at creating a sufficiently wide gap between short-term and long-term rates, led at the beginning of 1963 to a reduction of interest on savings deposits. In Italy the authorities decided in November 1962 to cut down interest on inter-bank deposits with a view to channelling the funds of small and medium-sized banks towards other uses than deposit with the big banks, such, for instance, as the financing of medium-term bills or even the purchase of capital market securities. In January 1963 these same authorities also tightened up the regulations on time deposits, in particular by fixing 5% as the maximum interest which may be paid on them.

Another aim of the reductions in discount rates made by the Central Banks in the Netherlands and, particularly, in B.L.E.U. is further to force down rates on the money market, not only in order to diminish the attraction of liquidities from abroad by narrowing the disparities between domestic and foreign rates, but also to create a more normal gap between short-term and long-term rates at home (Belgium) or encourage the demand for credit to finance industrial investment (Netherlands).

Generally speaking, the trend in 1962 was for interest rates to come closer together in the various EEC countries; for short-term transactions this was seen in the alignment of official discount rates at the level of 3.5% (except in Federal Germany, where the rate was 3%). A similar, although less pronounced trend may be observed as regards long-term interest rates. This is particularly apparent in Federal Germany, Italy and France, where the yield on fixed-interest securities was about 6% at the beginning of 1963 after having increased in the first two countries and fallen a little in the third. A slight upward tendency was also apparent in 1962 in the Netherlands, where, however, the yield is still distinctly lower than in the other member countries. The reduction in issue rates in Belgium in 1962 placed the rates in this country, at the beginning of 1963, midway between those

obtaining in the Netherlands, on the one hand, and the three countries mentioned above on the other. However, in view of the heavier taxation on income from securities introduced in December 1962 the public authorities raised to 5.5% the rate of the loan issued in April 1963.

#### *LONG-TERM DEVELOPMENT POLICY*

101. The alignment of economic policies, which is recognized as essential if the objective of balanced development assigned to the Community by the Treaty is to be achieved, is first of all needed in conjunctural policy. But it cannot be confined to short-term measures, since these, if they are to be on the right lines, must fit into the longer-term perspective. The long-term growth policy of the governments and Community institutions must be dovetailed into a Community programme if it is to be really coherent and effective.

The concept of programming which the Commission sketched out in its Action Programme and proposed for implementation is well known in several Member States. It has been well received by the European Parliament, the great majority of whose members saw no incompatibility between this idea of a programme and the concepts of a market economy and a competitive economy which are fundamental to the Treaty. On the contrary, they pointed to the drawbacks which unco-ordinated economic action by the Member States could have, particularly if general business trends were to slacken.

In any case, it is necessary to assemble reliable information on the long-term economic trend in order to determine the general conditions for expansion during the transition period and to clarify both national growth policies and the common policies introduced or planned in particular fields, of which the most important are agriculture, transport and energy.

102. In recent years the Commission has been studying the potentialities of economic expansion and has sought ways and means of improving existing development policies. It has been assisted in these studies by a Working Party on structures and long-term economic development under the chairmanship of M. Uri.

103. The first fruits of the Working Party's studies were set out in a report on development prospects in the Community between 1960 and 1970 published

on 3 December 1962. The working hypotheses chosen on the future trend of overall employment and on general productivity trends together determine the forecasts of the growth in the gross product for the period considered. The increase in the Community's gross product between now and 1970 could be between 53 and 60%, according to the hypotheses adopted by the experts.

The purpose of the Working Party's present studies is to verify the expansion hypotheses adopted, particularly by breaking down the preceding estimates between certain main branches of activity.

To take one stage further these studies on structures and economic development in the Community, the Commission is also endeavouring to bring into line the methods of analysis used in the various Member States, particularly as regards surveys of inter-industry trade.

The object of this work done by the Commission with the help of independent experts is to enable the Community to consider its development in terms of a period of several years and thus lay the technical foundations for the long-term development policy proposed in the Action Programme for the second stage.

## STRUCTURE POLICY

### STUDY OF INDUSTRIAL PROBLEMS

104. Community decisions — in particular those concerning certain industries — affecting trading conditions within the Community (safeguard clause, aids) or outside (commercial policy, tariff negotiations) — must be made in the light of the fullest possible information on the present situation and developments prospect in the various branches of industry. Such studies are especially needed in preparing the tariff negotiations which the Community will be conducting with the United States following the adoption of the Trade Expansion Act.

With this in mind the Commission has undertaken a series of studies of various industries. Three of these — on the paper and board industry, the motor industry and brewing — are finished; others are nearing completion.

## REGIONAL POLICIES

105. The economic expansion of the Community which according to the Rome Treaty should be not only continuous but balanced presupposes an active regional policy. In its Action Programme the Commission moreover emphasized that the mobilization of the great productive potential of the under-developed areas could make a special contribution to increasing the overall national product.

In this field the Commission's action is largely based on the lessons of the European Conference on regional economies which it organized at the end of 1961. The programme of work adopted after this Conference, by agreement with the competent national authorities, includes not only inquiries into the problems of certain regions but also studies which should make it possible to lay down the main lines of concerted action at Community level to reduce the leeway of the less-favoured regions of the Community.

The most important of the Community's regional inquiries deals with the establishment of a centre of industrial development in a backward region of the Community. Taking a fairly small area whose material and human resources would allow of extensive industrial development, it is a matter of studying how much investment will need to be concentrated on the area to obtain the desired result.

On this basis the Commission, in full agreement with the Italian authorities, has chosen a region of Southern Italy which includes the most backward areas in the Community. It is studying the installation between the cities of Tarento and Bari of an industrial complex mainly devoted to steel production and processing. This complex will embrace certain projects already in train and create a coherent whole which can continue to develop, after the initial action, through the simple play of market forces.

This operation constitutes a pilot scheme for the study of methods of industrialization. The experiment can be repeated not only in other Community regions, but perhaps, with some adaptation, in certain developing countries.

A second inquiry deals with the common problems of two regions separated by a frontier. The experiments are of special interest in a Community whose internal economic frontiers are destined to disappear. The

area chosen is at the Franco-Belgian frontier and includes the southern part of the Belgian province of Luxembourg and the north of Lorraine. The aim is to bring out the existing or potential interdependence of the two frontier zones considered as a single economic area. The studies so far have shown that the solution of a number of problems such as water supply, training of manpower, communications and frontier-crossing conditions, and the promotion of investments in the less developed areas, would be considerably facilitated by increased co-operation between the authorities on the two sides of the frontier, and the Commission intends to encourage such co-operation.

106. The establishment of the Action and Liaison Committee for the sulphur industry in Italy is another example of the Commission's localized action. This committee, set up in September 1962 by decision of the representatives of the Governments of the Member States, was instructed to study the real prospects of the sulphur industry in Sicily in the context of the reorganization programme for this industry submitted by the Italian Government. It will examine the existing and potential employment situation in the area and make suggestions on how to maintain employment at a satisfactory level, in particular by calling on private initiative.

107. The Commission does not intend to confine its endeavours to inquiries on certain regions of the Community — inquiries which can, moreover, serve as lessons for other regions. Like the Economic and Financial Committee of the European Parliament, the Commission thinks that an overall regional policy should be worked out to avoid the occurrence of dispersion or duplication of efforts instead of genuine co-operation.

With the view to defining this broader concept, which obviously includes social aspects, the Commission has decided by agreement with the national authorities to obtain the opinion of personalities specially qualified in this field (as announced in its Action Programme). To this end it has set up three small working parties.

108. The first working party is studying how development can be speeded up in the peripheral regions of the Community which are lagging behind in relation to the central areas. It is seeking means of ensuring a balanced distribution of economic development — both in industry and agriculture — by land improvement schemes planned in a Community context.

109. The problems of industrial regions in which certain long-established trades are declining are being examined by the second working party. Here it is a matter of studying how technological and economic changes and a new pattern of trade have brought about the decline of regions which until recently were in the vanguard of Europe's industrial advance, and of looking for appropriate methods of countering this decline.

110. The task of the third working party is to appraise the effectiveness of the various forms of preferential treatment granted to promote regional development. Comparison of aids and the results achieved should make it possible to draw conclusions as to the most suitable means of resolving the Community's regional problems.

In the eyes of the Commission, the establishment of these working parties goes some way towards meeting the European Parliament's call for an advisory committee on regional economies. When these working parties, which are still only in their early stages, have reached conclusions, it will be possible to envisage their holding joint meetings in which other authorities on regional matters could take part.

111. Among the Community's further activities in this field mention should be made of the work of the joint working party on the conversion of mining areas, in which the EEC, ECSC and the European Investment Bank are represented. This working party has examined applications for finance from industrial firms situated in declining coal-mining areas. <sup>(1)</sup>

#### ENERGY POLICY

112. Until 1961 the Commission's activity in the energy policy field was mainly concentrated on studies and preparatory work. The Commission worked with the inter-executive energy group established in pursuance of the 1957 protocol and collaborated in drawing up the interim 1960 memorandum and the 1961 proposals for initial measures for co-ordinating energy policies. In 1962, while pursuing its studies along the lines of the earlier work of the inter-executive group, the Commission also gave a new turn to its activities. On the one hand, it contributed to defining a common

<sup>(1)</sup> See ECSC Eleventh General Report, sec. 102.

energy policy to replace in the long term the present policies of the various governments and, on the other, it made preparatory arrangements with a view to the introduction of a common market in oil and petroleum products as required to do by the Treaty.

*General lines of a common energy policy*

113. Considering that the stage of studying short-term measures should now be left behind and a wider concept of the problem of co-ordinating energy policies sought, the Ministers of the Six, meeting in Rome on 6 April 1962, instructed the Executives of the three European Communities to submit to the ECSC Special Council of Ministers a thorough study of the terms of the problem and proposals for an energy policy.

Following these instructions, the Executives of the three Communities, on 27 June 1962, transmitted to the ECSC Council a memorandum on a common energy policy. This document proposed measures whose gradual application in the various Member States would lead to a market with the lowest possible prices and free movement of products and at the same time guarantee security of supplies.

The Executives' proposals are in conformity with the principles which the European Parliament enunciated in its resolution of 20 February 1962 and in line with the recommendations made by the Economic and Social Committee on 15 December 1961 concerning proposals for initial measures to co-ordinate energy policies.

The memorandum is based on a detailed analysis of the foreseeable energy requirements for the coming ten years and the probable trend of supply during this period. The Executives expanded on this analysis in a document entitled "Study of the long-term energy prospects of the Community" which they submitted to the Ministers in September 1962 in response to requests for explanations made by several Ministers at the debates in the ECSC Council on 17 July and 4 October 1962.

The terms of the problem may be summed up as follows :

Assuming an annual average increase of 4.6% in the gross product, the increase in the overall energy requirements of the Community may be put at about 4% per annum, i.e. they would rise from 460 million tons coal

equivalent in 1960 to 700 million in 1970 and nearly 850 million in 1975. This increase in demand will vary from sector to sector. Some, like industry and the domestic requirements for the production of electricity in thermal power stations will, on the other hand, assume growing importance, and an appreciable increase in requirements for transport is foreseen.

114. Whatever happens coal, which contributed about 54% to primary energy consumption in 1960, will be able to meet only one-third of total requirements in 1975, even supposing that the present level of Community production remains unchanged. In fact, a decrease is more likely, since whatever is done to ease the exceptional burdens weighing on the coal-mining industry and to remedy its unfavourable competitive position vis-à-vis other forms of energy, no long-term improvement in the competitive position of Community coal as against imported energy can be expected because of the preponderant influence of wages on costs.

115. The Community will therefore be obliged to have recourse more and more to imports for its energy requirements. Imported oil will rise from one-third of the total demand in 1960 to more than a half in 1970. The problems of security and stability of supplies will then assume growing importance and steps will have to be taken to guarantee the Community regular supplies of crude oil at the lowest possible prices.

116. Natural gas will also meet an increasing share of the requirements forecast, although known Community reserves are limited. Together with possible imports, natural gas could cover between 8 and 10% of needs in 1975.

117. The contribution of nuclear energy will depend, on the one hand, on its costs being reduced until it becomes competitive with conventional forms of energy and, on the other, on the pace at which the equipment required to use it can be developed. The information at present available seems to indicate that nuclear energy will be competitive by 1970 for the production of electricity in certain types of power stations, but in view of the time needed to build the equipment it is thought that its contribution to overall primary energy requirements will not exceed some 3 to 5% in 1975.

Although it is probable that the differing trend of cif prices of imports and of the cost of producing Community coal will, in the absence

of protective measures, make a considerable part of this coal non-competitive, it is nevertheless necessary to take measures to enable European collieries to maintain their output above the level which would result from the free play of purely economic factors. While preserving the Community's main coal-mining centres, these measures should be such as to stimulate a reorganization of the industry.

The greater share of imported energy in the Community's supplies also requires that a supply policy be worked out, particularly for crude oil. The principle of Community supply at minimum cost must be thought of in a fairly long perspective and ways and means have to be sought of avoiding artificial price increases where the oil is largely obtained from regions where technical production costs are lowest.

Finally, the optimum rate of development of nuclear installations will have to be determined. However, the novel character of the nuclear industry poses a number of problems for many equipment and maintenance industries, particularly mechanical and civil engineering and chemicals. Any rapid development of industrial reactor plants to produce electricity is therefore likely to come up against certain bottlenecks, particularly as regards supervisory staff, if not planned sufficiently in advance.

118. It was on the basis of these various considerations that the inter-executive energy group worked out its proposals to the six Governments for a common energy policy. These proposals are for the following measures in the petroleum sector between now and the end of the transition period :

- a) Free movement of crude oil and petroleum products throughout the Community;
- b) Free import of crude oil and petroleum products from non-member countries subject to what is said below concerning the East bloc countries;
- c) Community quotas for imports from the East bloc countries;
- d) Zero duty for crude petroleum in the common external tariff (List F);
- e) Low duties for petroleum products in the common external tariff (List G);
- f) Consumer taxes on fuel oil uniform throughout the Community;

- g) Harmonized consumer taxes on fuels so as to permit satisfactory development of the structure of refining in the Community;
- h) Possibility of advantages for crude oil of Community origin and for other oil from specified countries in order to encourage diversification of supplies;
- i) Common stocking policy and harmonized legislation to this end;
- j) Publicity of the prices charged for petroleum products and application of the rules for competition laid down in the Rome Treaty to the market for these products;
- k) Permanent consultation between the Governments and the Commission on trends in the petroleum market;
- l) Permanent consultation between the Governments and the Commission, on the basis of briefs from the Governments, on investment projects in the petrol industry and Commission recommendations for balanced development of refining, transport and distribution of petroleum products.

For coal, the main plan of the inter-executive group is a Community system of direct or indirect subsidies to internal production and unimpeded imports from non-member countries with the exception of those in the East.

These proposals were transmitted on 25 June 1962 to the Special ECSC Council of Ministers with all the economic motivation requested. During the period covered by this report, discussions on them made no progress, but in 1963 it should be possible to lay down procedure for examining them and to take the first decisions on their implementation.

#### *Establishment of a common market in petroleum*

119. The Commission is closely involved in working out principles for a common energy policy and is directly responsible for the execution of the provisions of the Rome Treaty on the forms of energy which come within its purview: petroleum, electricity and gas.

120. One obstacle to petroleum trade within the Community is to be found in France, where under the Act of 20 March 1928 the Government

regulates the market in a manner enabling it to control trade with other countries without recourse to customs or excise.

The applicability to the French oil import system of Article 37 of the Treaty concerning government monopolies has been recognized by the Commission.

Following the first recommendation (dated 13 April 1962) by which the Commission requested the French Government to increase the overall quota of imports from other Member States, the French authorities raised this quota from 670 000 tons, at which it was originally fixed in 1959, to 1 400 000 tons in 1962. This new quota represents 4.7% of internal consumption for that year.

121. The Commission has continued its efforts to harmonize the commercial policies of the Member States regarding oil. It has already obtained their agreement to communicate to it periodically all information concerning oil imports from non-member countries. A first report drawn up by the national officials responsible for oil policy was circulated in July 1962.

122. The prior consultation procedure for trade agreements finalized by the Council decision of 3 November 1961 is regularly applied to oil imports from the East bloc countries.

The Member States reached agreement in 1962 on the system to be applied to imports into the Community of petroleum products from the Netherlands Antilles when the association system described in Part IV of the Treaty (see sec. 217) comes into force for this territory. The protocol on petroleum products lays down that, irrespective of origin, such products refined in the Netherlands Antilles will be admitted by the Member States with the tariff advantages arising from the association of that territory with the Community.

Nevertheless, Member States will be able, under certain conditions, to introduce, increase or reintroduce customs duties (which can never be higher than those on supplies to identical products from non-member countries).

Measures taken by a Member State without previous authorization by the Commission will, nevertheless, be considered legitimate for the current year if imports of petroleum products refined in the Netherlands Antilles and effected directly or through a Member State, exceed in one calendar year the following tonnages : Netherlands : 1 000 000 tons; Germany : 625 000 tons; Belgo-Luxembourg Union : 200 000 tons; Italy : 100 000 tons; France : 75 000 tons.

The machinery set up by the Commission by agreement with the Governments for the exchange of information on investments by the oil industry has made it possible to draw up a report on the present situation and probable developments between now and 1965 in the construction of refineries and pipelines. This report, like the one on imports, was made public and will be kept regularly up to date. This publicising of the oil industry's investment projects is intended to enhance knowledge of development prospects in this sector and thus enable those concerned to base their investment decisions on the fullest information .

At the end of 1961 the Commission began to draw up, with the co-operation of the Member States, a table of the laws, regulations and administrative practices by which these States control or supervise the market in petroleum products. This inventory is now completed and the Commission, aided by government petroleum experts, is making a detailed study of the divergences between the systems reviewed.

Among the problems arising in this context the stocking of crude oil and petroleum products has been given priority because of its importance for security of supplies. A study has been begun, with the help of experts, on the stocking norms which ensure such security and make it impossible for any disparity between regulations to distort the conditions of competition in the Common Market.

As a first move in narrowing disparities between the laws governing transport by pipeline, the Commission, at the request of the Council, has begun a study of technical security standards. The aim is to have these standards made uniform and thus facilitate the building of international pipelines. The Commission is also concerned to harmonize the obligations on carriers to transport petroleum or gas for third parties on fair terms.

*The common market in other forms of energy*

123. In 1962 the Commission, desirous of obtaining information on all questions relating to the forms of energy which are within its province, requested a group of independent experts to make a comparative survey of electricity prices in the Community. This study was published early in 1963; it will help industrial and household users of electricity by informing them of the prices obtaining in the various socio-economic regions of the Community.

In 1962 the European Parliament's Energy Committee made a study of the energy policy aspects of the European gas industry. On the basis of this report, the Parliament, on 7 February 1963, held a debate on the industry and passed a resolution stating, among other things, that the memorandum on energy policy of June 1962 made no special reference to the gas industry, and inviting the Commission to work out common energy policy principles for that field. The Commission has examined this resolution with lively interest and, in 1963, will consider the steps it will have to take on the lines indicated by the European Parliament with a view to establishing a common market in this sector.

*THE ACTIVITY OF THE EUROPEAN INVESTMENT BANK*

124. The credit and loan policy followed by the European Investment Bank is described in detail in its annual report, which will appear shortly.

The Bank expanded its activity in 1962. It made advances to a total of 94.1 million units of account relating to investments whose total cost is estimated at 237 million units of account. Loans approved by the Board of Directors had totalled 66.2 million units of account in 1961 and 43.1 million in 1960.

Thirteen loans were granted in 1962 for the development of the under-developed areas of Southern Italy. Another was granted for the electrification and modernization of railways in Brittany and the Bank has for the first time made a loan under the heading of "modernization and conversion called for by the progressive establishment of the Common Market" to a metal-working firm in the Leghorn area (Italy).

Since it began operations the Bank has approved 37 loans amounting in all to a little more than 250 million units of account. The investment projects which it has assisted total about 1 250 million units of account.

The aggregate of loans granted by the Bank now exceeds its paid-up capital and it continued its borrowing policy in 1962 by floating a loan in Italy and another in the Netherlands.

The Bank is closely associated with the activities of the Commission in regional development matters, both in inquiries into local problems and in the studies of the groups working out a general concept of Community regional policy (1).

## The common agricultural policy

### *Activities of the Community institutions*

#### *THE COMMON ORGANIZATION OF AGRICULTURAL MARKETS*

125. The application, from 30 July 1962, of common rules and machinery in the markets for six farm products ushered in the first phase of the Community's common agricultural policy. The event was important for two reasons: first, because with effect from that date the Member States agreed to submit themselves to Community discipline in this sphere, and secondly, because regulations of sometimes considerable consequence in the economic and financial fields are now directly promulgated by the Community.

Before the Common Market organization could function the Commission had to draft a considerable number of regulations and other instruments. The twelve regulations and basic decisions adopted by the Council on 14 January 1962 were formally enacted on 4 April 1962 and were to have taken effect from 21 April. Their actual application began on 30 July 1962, after delays due to technical difficulties.

Between the beginning of April and 30 July 1962, 32 Council and 57 Commission regulations had to be promulgated, while 3 Council and

(1) See secs. 107 to 111.

10 Commission decisions and a Commission directive were adopted. This represents a total of 103 texts, nine of general scope, 40 concerning the cereals market, 15 pigmeat, 28 eggs and poultry, and 11 fruit and vegetables.

These texts mainly concern :

- a) The fixing of prices in the cereals, pigmeat and eggs and poultry markets;
- b) The amount of levies on cereals and products of the cereals sector, pigmeat, eggs and poultry, in intra-Community trade and in trade with non-member countries;
- c) The amount of refunds on exports to the world market or to the low-price member countries of products of the cereals sector, pigmeat, eggs and poultry;
- d) Quality standards for fruit and vegetables.

No particular difficulty has been encountered in adapting Member States' regulations to the new Community rules.

Once the organization of common markets was established, it became the Commission's task to complete the administrative machinery and keep it working on a permanent basis.

This has involved :

- i) Daily fixing of cif prices for cereals (by Commission decision);
- ii) Weekly fixing of free-at-frontier prices for cereals (by Commission decision);
- iii) Quarterly adjustment of levies in trade with non-member countries and of the sluice-gate prices for pigmeat and eggs and poultry (by Council or Commission regulations);
- iv) A series of market regulations, concerning in particular the system of levies and refunds for products of the cereals sector and quality standards for fruit and vegetables.

Without counting the periodical Commission decisions referred to above, 79 new texts were adopted by the Council and the Commission between 31 July 1962 and 9 April 1963.

Under the Treaty it is solely for the Commission to make proposals for regulating the markets. However, machinery for co-operation with the Member States has been set up in the form of Management Committees for each product or class of products. They are presided over by a representative of the Commission and each Member State has a seat and voting rights. In the cases specified in basic Regulations Nos. 19 to 24 the Commission's representative refers its draft regulations to the Management Committees before they are promulgated.

The Management Committees meet at frequent intervals (twice a month, for instance, in the pigmeat and eggs and poultry sectors). They are governed by the rules of procedure submitted by the Commission to the Council in December 1962, and may already be considered as working satisfactorily. The Commission's proposals, which reflect the spirit of Community co-operation, have generally obtained the necessary majority in the Committees. The general discussions within the Management Committees also provide precise information on the state of markets in member countries, thus facilitating the decisions which have to be taken by the Member States and the Community.

The trade associations and other interested circles, including consumers, have their say in the functioning of the market organizations through five advisory committees (one for each market organization) set up by the Commission at the end of 1962. The fact that only six appeals against Community regulations have been lodged with the Court of Justice of the European Communities by business interests would seem to show that these regulations are satisfactory (see sec. 329).

### **Market trends**

126. The main factors influencing the trend in these regulated markets have been, on the one hand the build-up, particularly in the leading importing countries of the Community, of sometimes considerable stocks of cereals and poultry on the eve of the introduction of the new arrangements, and on the other the Community's exceptionally large cereal harvests, especially of wheat and barley, in 1962. These factors, plus the inevitable delay of the trade in adapting itself to the new Community system, explain the low level of trade after 1 August 1962, the date of effective implementation of the regulations, compared with August-December 1961.

To this must be added the exceptionally long and severe winter, which further complicated trade, particularly in farm products sensitive to frost such as eggs, fruit and vegetables.

The import statistics in the adjoining table therefore show first a fall-off in imports during the early months after the introduction of the common market regulations in relation to the corresponding period of the previous year. But some imports increased in various States, particularly Italy, where weather conditions in 1962 were not as favourable as in the more northerly member countries.

The statistics for January-July 1962 show that because of stock-building in anticipation of the introduction of the common market regulations imports of almost all products were at times well above the same period of 1961 in the chief importing countries. For 1962 as a whole imports were therefore up on 1961 in several cases.

No statistics are available on fruit and vegetable imports, but it is certain that trade developed vigorously in this sector.

The table also shows that some shift in trade in favour of imports from member countries is beginning to be discernible.

But these figures do not yet permit any evaluation of how far the common agricultural policy has had further favourable effects on intra-Community trade in farm products. On the other hand it must be noted that the application of the Community regulations did not provoke any grave disturbances in this trade despite the quota disarmament it implied. The preference system, in the form of standard reductions or lower customs duties, has worked well enough to produce the first signs of trade shifting in favour of member countries.

It may be noted that no prices collapsed or increased unduly. With one exception in the fruit and vegetable sector (Belgian imports of dessert grapes) no Member State has invoked the safeguard clause.

The detailed price trend for the various products has been as follows :

i) Up to the end of 1962 market prices for wheat fluctuated around the intervention prices in the Federal Republic of Germany, Belgium, the Netherlands and France, whereas in Italy they were above the target price. Barley prices were less uniform : they were at the level of the target price in Belgium

*Imports by EEC countries from non-member countries of some farm product.*

Products	Year	Germany (F.R.)		France	
		Jan./July	Aug./Dec.	Jan./July	Aug./Dec.
Wheat (tons)	1961	934 504	1 245 039	240 937	236 878
	1962	1 773 617	765 829	124 754	283 277
Barley (tons)	1961	364 161	260 924	157	26
	1962	1 451 392	172 665	81 064	47 762
Pigs for slaughter (units)	1961	267 951	253 586	35 920	4 217
	1962	190 154	100 154	336	10 380
Poultrymeat (tons)	1961	50 814	74 730	79	—
	1962	97 019	42 260	3	5
Shell eggs (tons)	1961	65 341	30 219	309	604
	1962	51 248	18 610	399	1 134
Intra-Community					
Wheat (tons)	1961	263 145	203 698	173	—
	1962	271 885	91 391	—	9
Barley (tons)	1961	151 879	195 236	—	—
	1962	258 053	131 879	162	285
Pigs for slaughter (units)	1961	89 853	63 578	47 153	14 426
	1962	55 899	41 541	—	31 229
Poultrymeat (tons)	1961	28 221	30 489	577	96
	1962	43 749	29 513	338	263
Shell eggs (tons)	1961	87 761	83 358	2 051	5 171
	1962	97 970	57 645	4 836	5 357

Source : External trade bulletin of each member country.

(<sup>1</sup>) For slaughter pigs, poultrymeat and eggs the August-December column gives the figures for August-November 1962.

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*subject to regulations under the Common Agricultural Policy*

Italy		Netherlands		B.L.E.U. (1)		EEC (2)	
Jan./July	Aug./Dec.	Jan./July	Aug./Dec.	Jan./July	Aug./Dec.	Jan./July	Aug./Dec.
1 942 563	480 581	382 202	343 668	261 687	248 570	3 761 893	2 554 736
322 887	121 670	533 048	228 031	245 063	148 566	2 999 369	1 547 373
181 455	76 905	87 864	56 752	54 283	28 064	687 920	422 671
90 691	267 886	200 603	61 214	166 692	53 718	1 990 442	603 245
4	32 199	494	—	2	—	304 371	290 002
76 889	17 745	—	—	1	42	267 380	128 321
3 775	3 809	446	470	10	30	55 124	79 039
2 606	2 060	525	391	13	29	100 166	44 745
47 750	17 727	1	—	175	12	113 576	48 562
53 297	8 671	—	—	53	17	104 997	28 432

trade (Imports)

382	10 401	38 548	62 914	—	242	302 248	277 255
5 812	—	53 473	2 001	—	20	331 170	93 421
114 374	203 251	67 287	56 798	147 557	94 266	481 097	549 551
64 076	13 158	49 623	4 214	87 761	52 309	459 675	201 845
—	28	3	285	53	2	137 062	78 319
—	49 359	2	—	—	—	55 901	122 129
—	—	—	38	66	43	28 864	30 666
—	111	—	53	55	43	44 142	29 983
2 692	8 826	27	29	160	100	93 691	97 484
6 301	13 214	26	—	141	82	109 274	76 298

(1) The EEC total includes the January-June and July-December periods for France : B.L.E.U. in 1962 the August-November period for slaughter pigs, poultrymeat and eggs.

and the Federal Republic of Germany, but closer to the intervention price in France; in the Netherlands they were first below and then — from November 1962 onwards — above the target price.

ii) For all cereals the cif prices noted by the Commission, which correspond to the most favourable offers on the world market, have tended to rise in keeping with the upward trend of world market prices. Since the end of the winter these prices have ceased to advance and have even begun the usual seasonal fall. Only the prices of hard wheat weakened considerably up to December 1962, since when a reversal of the trend has been noted.

iii) On the pigmeat market the reference prices (i.e. the comparable market prices) in all Member States with the exception of Belgium have been above the sluice-gate prices in intra-Community trade. In the Netherlands and to a lesser degree Federal Germany, price movements were generally moderate, but reference prices increased rapidly in January 1963, particularly in France, whereas they had been constantly moving upward in Italy and Belgium since September 1962 and had been above the sluice-gate price even in Belgium since the end of the year. Since the beginning of 1963 prices have been falling slightly in certain countries, particularly in the Federal Republic.

iv) Wholesale egg prices have also been rising in all Member States since the market came under Community regulations, but here too the increase seems at least partly attributable to the severe winter. The Community countries fall into two price groups — the Federal Republic of Germany, Italy, France and Luxembourg on the one hand, and the Netherlands and Belgium on the other.

v) As regards poultry, large stocks, particularly in the Federal Republic, have tended to depress the market.

Until the lessons of the whole marketing year have been drawn and a definitive judgment can be formed, the common organization of markets can be considered to have made a good start, both from the point of view of administration and of conditions in those markets (trade and prices).

*Common organization of the cereals market*

127. In the year under review the Commission completed the arrangements under Regulation No. 19 for the common organization of the cereals market. It fixed quality standards and equivalence factors for determining cif and free-at-frontier prices and for refunds. It brought into operation Article 14 of Regulation No. 19 concerning products based on cereals and settled the procedure for calculating levies and refunds in respect of such products (Regulation No. 55).

The Council and the Commission have also issued regulations and decisions giving Member States the time needed to adjust their legislation, embodying measures in connection with provisions governing import and export trade prior to the entry into force of Regulation No. 19 or, finally, granting some Member States exemption from certain regulations (Luxembourg, Belgium and Italy).

After clearing away the inevitable transitional difficulties caused in particular by errors on the part of Member States in fixing prices, the Commission was soon able to determine and communicate to the Member States within the time-limits laid down the cif and free-at-frontier prices.

In their concern to stimulate internal and external trade in cereals — limited at first by the volume of stocks and abundant harvests — the Council and the Commission made two regulations. The first (adopted by the Council) authorizes forward dealings in intra-Community trade, whereas Regulation No. 19 provided that these would be restricted to trade with non-member countries. The second (Commission) regulation authorizes Member States to grant supplementary refunds — for a limited period and subject to certain conditions — on their exports to non-member countries. A similar measure was taken for exports of flour.

The Commission's future tasks in the cereals sector will be as follows :

- i) To work out proposals for prices, the standard reduction of the intra-Community levy and the validity period of import licences;
- ii) To study arrangements for exports of cereals and flour, particularly the refund system;

- iii) To examine problems of excess milling capacity;
- iv) To make regulations on aids to production of goods based on starch;
- v) To prepare measures for the advance fixing of levies for certain cereal products;
- vi) To make regulations on refunds in respect of the products.

About 30 meetings with government experts between January and June 1963 have been or will be necessary to complete this work.

*The common organization of the pigmeat market*

128. With a view to applying and amplifying Regulation No. 20 on the common organization of the market in pigmeat it has been necessary :

- a) To adapt or modify each quarter the levies and sluice-gate prices;
- b) To extend the application of the levy system to cuts of pork and sausages and preserved meat.

The quarterly adjustments — required under Council Regulation No. 20 — of the levies vis-à-vis non-member countries and of sluice-gate prices for live or slaughtered pigs, with the exception of Community levies, were made for the first time in September.

In October two draft regulations fixing intra-Community levies and levies in trade with non-member countries for cuts of pork were submitted to the Council. To avoid a partial diversion of trade the Council first decided to bring into force simultaneously, i.e. on 1 May 1963, the regulations on cuts of pork and similar regulations for sausages and preserved pork. On 19 March 1962 the draft regulations on levies for sausages and preserved pork were submitted to the Council, which fixed 1 July 1963 as the effective date for them and for the change in the relevant system of sluice-gate prices.

The Management Committee for pigmeat and the experts are also completing the regulations fixing supplementary refunds on exports to non-member countries.

In future the chief aims of the Commission's activities in the pigmeat sector will be :

- i) To keep the market under closer observation, particularly as regards prices and intra-Community and external trade;
- ii) To develop and adapt the systems of refunds on exports;
- iii) To reduce the intra-Community levies each year as planned.

*The common organization of the egg and poultry market*

129. On the egg and poultry market the Commission has had to bring into play its price-regulating machinery in cases where the new system threatened to raise prices to the point where they would have been out of line with food prices in general. In this way the Commission acceded to the request of France, Italy and the Federal German Republic for permission provisionally to reduce the levies on hen eggs, geese and egg products respectively.

On the other hand, as world prices for hens and chickens had fallen below the sluice-gate prices, the Commission increased the levies with effect from November 1962. On 31 January 1963 the extra amount, first fixed at 25 pfennig per kg. was reduced to 20 pfennig.

In the egg and poultry sector the Commission will now turn its attention to the following matters :

- i) The efficacy of the sluice-gate price on the two markets;
- ii) Improvement of the systems for hatching eggs, one-day chicks and products based on eggs;
- iii) The stamping of hen eggs for direct consumption.

On 7 February 1963 the European Parliament adopted a resolution approving the draft regulation submitted to the Council on this latter question and even proposing to strengthen it.

*Common organization of markets in fruit and vegetables*

130. In the fruit and vegetables sector the Commission's attention has been directed towards :

- a) Fixing common quality standards;
- b) Quality control of fruit and vegetables in intra-Community trade;
- c) A reference-price system for fruit and vegetables imported by Member States from non-member countries.

With the assistance of the Management Committee the Commission has drawn up several regulations on these questions.

Two have dealt with common quality standards — one for citrus fruits and the other for a large number of other fruits and vegetables. The standards chosen are very close to those fixed by the United Nations Economic Commission for Europe.

It may be noted incidentally that the European Parliament, at its June 1962 session, adopted a resolution inviting the Council to set up a body to arbitrate on disputes in the application of quality standards to fruit and vegetables.

The quality control regulation lays down in particular how the compulsory control at the dispatch stage is to be carried out.

The aim of the regulation on the introduction of a reference-price system for fruit and vegetables imported from non-member countries is to permit joint conservatory action should the products be brought into the Community at prices below the reference price. On the basis of this regulation the Commission, after consulting the Management Committee, made several other regulations fixing the reference prices for various products for the 1962/63 season.

With effect from 30 July 1962 the Member States, in pursuance of Regulation No. 23, abolished quantitative import restrictions and measures with equivalent effect in respect of "extra" class fruit and vegetables.

Generally speaking this partial liberalization took place without difficulty and intra-Community trade developed normally thanks to the discipline shown by those concerned in it and by the control services of the exporting Member States and to the co-operative attitude of the authorities checking imports. In the one case, mentioned above, of "extra" class dessert grapes, the Commission decided on 16 October 1962 to authorize Belgium to suspend imports until 31 October 1962 unless the market situation returned to normal before that date. On 31 October the Commission extended this time-limit to 7 November but refused a third application for extension. The Commission's first two decisions were based on the fact that the price of Belgian grapes was extremely low given the structure of Belgian production which, until 30 September 1962, had enjoyed practically 100% protection against imports.

The number of cases in which imports of fruit and vegetables were rejected under Regulation No. 60 of the Commission was very limited and affected only about 2% of intra-Community trade. The first results available — covering a short period, it is true — augur well for the success of the regulated market in fruit and vegetables.

Three questions are now engaging the Commission's attention :

- i) The application of the common quality standards at national level in producing Member States;
- ii) Improvement of the import system for fruit and vegetables from non-member countries;
- iii) Further measures to stabilize markets.

#### *Common organization of the wine market*

131. The highlights of the Community's activity in the wine sector were (a) the implementation of Council Regulation No. 24 on the gradual establishment of a common organization for the wine market and of two Commission regulations, one concerning the declaration of wine harvests and stocks and one the establishment of a register of vineyards, and (b) the Council decision laying down wine import quotas to be opened by Federal Germany, France and Italy.

The regulation on declarations of wine harvests and stocks fixes the beginning of the wine season at 1 September. As soon as the development of the wine policy requires it, harvests will be declared in the various Member States either on 30 November or on 15 December and stocks (quantities in hand on 31 August) before 7 September. The regulation fixes how and when the information is to be transmitted to the Commission and lays down that pending the development referred to above, declarations of harvests and stocks will be made on 31 December and communicated to the Commission at the latest by 28 February.

The regulation on the register of vineyards lists the categories of persons who have to make a declaration as wine-growers and the information to be given. It lays down that the Member States must take steps to see that these declarations are lodged and checked, and that arrangements for communicating the information to the Commission and keeping it up to date will be fixed by the procedure followed in the Management Committees.

After numerous expert meetings the Commission has finalized the draft regulation, provided for in the same Council Regulation No. 24, on quality wines of specific origin. The aim of this draft, which will shortly be submitted to the Council, is to ensure the production of quality wines on a true Community basis while respecting the special features of given regions or types of wine.

As regards wine import quotas the Council took formal note, on 19 June 1962, of a Franco-Italian agreement under which, in the 150 000 hl. import quota for quality wines, the allocation of sparkling wine was fixed at 3 000 hl., to be supplied only in bottles. In September the Governments concerned published the conditions for the issue of import licences for the 150 000 hl. quota in question. The partners of Italy and France were thus, for the first time, given the practical possibility of exporting wine to and between these countries not only in bottle, as allowed by the traditional global quotas maintained in 1962, but also in cask.

In a proposal submitted to the Council in March 1963, the Commission suggested fixing the following 1963 quotas for the three producing countries: Federal Germany 1 380 000 hl.; France and Italy, 300 000 hl. each.

*Common organization of other markets*

132. Following the Commission's proposals and the Council decision of 14 January 1962, common organizations are to be set up for other farm products, in the first instance milk and dairy products, beef and veal, rice and sugar. The markets for the first three classes of products were dealt with in three draft regulations submitted by the Commission to the Council on 7 May 1962. On 26 June the European Parliament rendered formal opinions on these proposals. The markets for oils and fats, potatoes, ethyl alcohol, tobacco and non-edible horticultural products will be made subject to Community regulations later.

*Milk and dairy products*

133. The draft regulation on the milk and dairy products markets includes :

- a) Measures to give adequate guarantees to producers;
- b) Intervention measures on the butter market;
- c) Regulations on trade.

The Commission provides for target prices for milk to be fixed in each State during the transition period. Between now and 1 April 1966 these prices will be harmonized so that thenceforward there will be a single target price in all Member States for milk ex farm. This target price will also serve as a basis for harmonizing the prices of dairy produce.

The aim of intervention on the butter market is to maintain prices of dairy produce at such a level that the milk target price can be paid to producers. If government purchasing agencies are obliged to buy more butter than is necessary to ensure seasonal balance, these extra quantities must be marketed in such a way as to cause minimum disturbance to normal sales.

Quantitative restrictions, customs duties and charges with equivalent effect are to be replaced by a system of levies compensating price differences between the member countries and between them and non-member countries.

In order to determine these differences, threshold prices and free-at-frontier prices are calculated. In computing the levies, a Community preference is to be ensured by a standard abatement.

In its opinion on this draft regulation the European Parliament drew attention to the close relationship between vegetable fats and butter and hoped that the Commission would submit a draft on vegetable fats policy as soon as possible. The Parliament further expressed the wish that in the criteria for fixing the common target price for milk account be taken of costs on well-managed and economically viable farms. The Parliament also considered that guide prices should be fixed for dairy produce, establishing a fixed relationship between prices of milk and dairy products. Intervention was needed in the case of other products also, particularly cheese, and the regulation should apply to such products as lactose, mixed feed containing powdered milk, and casein.

The Council began a discussion of the draft regulation on 18 September 1962. So far the points dealt with have been relations between the milk and fats markets and intervention in respect of dairy produce. The Council has invited the Commission to submit, for consideration at the same time as the milk regulation, a proposal on principles for a common policy in the fats sector.

#### *Beef and veal*

134. The draft Council regulation concerning a common policy in the beef and veal sector includes :

- a) Measures to ensure profitability of production;
- b) Regulations on trade between the Member States;
- c) Regulations on trade with non-member States.

The measures to ensure profitable production cover in particular guide prices for cattle on the hoof. During the first two years the Member States will be allowed to establish guide prices within limits to be laid down by the Council, after which the Council will itself fix them with due regard to the need for approximating them so as to attain uniformity by 1967. If

market prices are more than 7% below the guide prices, Member States will have the right to intervene. There has already been agreement in principle in the Council on the co-ordination of national intervention on the markets, providing also for Community intervention at a later stage.

As a general rule the regulations on trade between the Member States provide for the retention of intra-Community customs duties; these must, however, be abolished more rapidly than envisaged in the Treaty. As the price differences in the Community are greater than was expected and the customs protection is insufficient to cover them, the proposed regulation allows Member States to impose surcharges under certain conditions, the principal one being that market prices must be more than 7% below the guide prices.

In trade with non-member countries the proposed regulation retains national customs duties, which will be aligned on the common external tariff in 1967, and introduces sluice-gate prices for live or slaughtered cattle. Imports of frozen meat, offal and meat preparations and preserves will require an import certificate the issue of which can be suspended should the national market be seriously disturbed by imports from non-member countries.

Discussions in the group of Council experts are not yet concluded, but there has been agreement on the essential provisions (guide prices, market intervention, origin of imports).

The European Parliament had discussed the arrangements, in particular those concerning guide prices (Art. 2 of the draft) <sup>(1)</sup> and the Commission took account of its opinion, particularly on the criteria for fixing guide prices from the second marketing season onwards.

### *Rice*

135. The draft regulation for the progressive establishment of a common organization of the market in rice is based on the principles followed in the Council's cereals regulation and provides in particular for a levy system.

<sup>(1)</sup> See official gazette of the European Communities, No. 64, 25 July 1962, p. 1773.

These principles were, however, modified in view of the fact that rice is grown in only two member countries and a single market is feasible immediately in the other four.

This draft regulation is still under consideration of the Council; it was originally planned to come into force on 1 October 1962 but has been held up because divergent views among the delegations made further economic studies necessary.

The European Parliament has given a favourable opinion on the principles of the Commission's proposal, but has suggested different criteria for fixing the intervention price in the rice-growing Member States and the threshold price in other Member States in the first year.

### *Sugar*

136. On 4 April 1962 the Council decided to make a regulation under Article 43 of the Treaty for the progressive establishment of a common organization of the sugar market with effect from 1 January 1963 at the latest.

The Commission was invited to submit proposals by 15 July 1962. As it was not possible to keep to this time-limit, the Council, on 14 November, proposed beginning the discussion of the principles of the regulation in March or April 1963. It was agreed that the Commission should submit the draft by 1 June so that the adoption of the regulation could coincide with the opening of the 1963/64 season.

### *THE COMMON PRICE POLICY*

137. One essential prerequisite for the common agricultural policy is a common price level. But the government-controlled prices which obtained when the common organization of markets began to operate showed wide disparities for most agricultural products, particularly cereals.

Cereals are at present the only product for which there is a Community price policy, i.e. the fixing of prices according to criteria which the Council lays down in pursuance of Article 6(4) of Regulation No. 19. The target

prices for the various cereals for the 1963/64 season were to have been fixed in the Member States before 1 April 1963. They must be fixed before 1 September 1963 for the year opening on 1 October 1963 (i.e. before the winter sowing).

On 8 March 1963 the Commission consequently submitted proposals to the Council for the alignment by Member States of their cereals prices from the 1963/64 season onwards.

This draft regulation, based on Article 6(3) of Regulation No. 19, deals with three points :

- i) Common quality standards in all Member States;
- ii) Lowering of the upper limits and raising of the lower limits of target prices in the Community;
- iii) Adoption by member countries of identical cereals price relationships taking barley as the basis.

Exceptions are provided for Italy and Luxembourg as regards the target price for barley.

The Council of its own accord referred these proposals to the European Parliament.

The Parliament discussed them on 28 March 1963. It expressed regret that the regulation on criteria for fixing agricultural target prices had not been adopted before the proposals were submitted but recognized the immediate need for a policy of approximating cereals target prices in the transition period.

In the ensuing resolution the Parliament urged that if farmers' incomes suffered as a result of the future price level, they should be ensured of a fair living by the general effect of the common agricultural policy and particularly by Community subsidies in a regional framework.

The Parliament invited the Commission to make proposals to this end on the basis of Financial Regulation No. 25. It pointed out that in

the event of any change in the prices of feed grain, which largely determined the prices of conversion products, the levies applied to such products would have to be reviewed.

As and when prices are aligned in the different Member States, the inevitable fluctuations in farm prices will assume great importance, not only economic but also political and social, in view of their repercussions for producers on the one hand and consumers on the other. The Commission has therefore put in hand studies to enable it to obtain a clearer view of the whole problem and in particular to evaluate the economic effect of price fluctuations.

138. In November 1962 the Commission had transmitted to the Council a draft regulation on the criteria to be observed in fixing target prices for farm products. In this draft the Commission stated that it considered the agricultural price policy as a coherent whole, and that prices of the main farm products should be fixed in the setting of an overall concept. It therefore proposed criteria applicable to target prices not only for cereals (in conformity with Regulation No. 19) but for all other farm products.

To provide the Community institutions competent in matters of prices with the information necessary to apply the criteria the Commission will submit an annual report on the situation of agriculture and agricultural markets.

This report, which is also needed as a background to the provisions to be enacted by the Commission in other fields, will bring out the general and regional situation of agriculture, the balance-sheet of production, external trade and consumption, the trend of farm prices and prices of the means of production and the incomes and working conditions of farmers and agricultural workers.

In its draft regulation the Commission proposed three sets of criteria each composed of various elements which, in combination, give a picture of the economic situation of farming and of markets for farm products and describe the effects of agricultural activity on the other sectors of the national economy. These criteria come under three heads : -

- i) The income of persons working in agriculture;
- ii) The pattern of production in relation to demand;

iii) The development of the economy at large, including external trade.

The relative importance to be attached to these three heads was not specified in the Commission's proposal. The Commission is of the opinion that the criteria should receive a certain weighting in every decision on prices.

The Community's price policy must first enable those working on well-managed and economically viable farms to earn a fair income over the average of several years. To determine what is meant by a "fair" income, comparisons will be made with the incomes of other occupational groups living in proximity to the farming population.

For the second set of criteria i.e. those relating to the pattern of production in relation to demand, the following considerations must be borne in mind :

- i) The need for balance between production and consumption;
- ii) The need to encourage a division of labour corresponding to the economic structures and the natural conditions prevailing in the Community;
- iii) The situation and trends in international trade, particularly the offer prices of the most efficient producers.

The last set of criteria concerns the development of the economy at large. Here it should be remembered that the level of target prices :

- i) Largely determines the prosperity of agriculture;
- ii) Can promote the sale and consumption of farm products both within and without the Community;
- iii) Involves charges on the budgets of the Community, and these must not be allowed to imperil the harmonious development of the economy as a whole;
- iv) Must not impair the Community's contribution to the harmonious expansion of world trade.

The Council began discussing these proposals in January 1963.

On 8 February 1963 the European Parliament suggested amendments on several points. In a new draft the Commission took account of the Parliament's comments, particularly its recommendations on supplies to consumers, at fair prices, on giving maximum weight to the wage factor when assessing the costs of means of production, on evaluating the charges on the Community budget in relation to the general economic trend, and on the Community's contribution to the expansion of world trade.

#### *COMMERCIAL ASPECTS OF AGRICULTURAL POLICY*

139. The working of the Community's price policy and the system of levies determines how much may be imported from non-member countries. The latter are therefore following very attentively the development of this policy, which they are inclined to see as a threat to the expansion of their exports of farm products to the Common Market. This question, whose importance cannot be gainsaid, is dealt with in detail in section 268. It is sufficient here to recall that the Commission's ultimate aim, as set forth in the Action Programme, is a satisfactory level of trade in farm products between the Community and non-member countries.

#### *COMMUNITY FINANCING*

140. With a view to implementing Council Regulation No. 25 on the financing of the common agricultural policy, the Commission on 5 March 1963 submitted to the Council a draft regulation on conditions for assistance from the European Agricultural Guidance and Guarantee Fund. The Council has consulted the European Parliament on this proposal.

The Commission proposes that the regulation should be based not only on Regulation No. 25 but also on Article 43 of the Treaty; this implies, among other things, mandatory consultation of the European Parliament.

Under the proposed regulation the Fund will progressively assume responsibility for refunds on exports to non-member countries in accordance with Article 3 (1 a) of Regulation No. 25 and on the basis of the net

amounts exported and of the lowest average refund. For these operations the Commission proposes a method of calculation which is technically feasible and politically fair.

Expenditure for intervention on the internal market so far concerns only cereals, in accordance with Article 3 (1 b and c) of the said Regulation; the Commission proposes to take over financial responsibility for denaturing wheat and for any losses resulting from devaluation when stocks of cereals are carried forward from the end of one marketing season to the beginning of the next.

The structural measures provided for in Article 3 (d) of the Regulation will concern the improvement of market structures through the operations of the Guidance Fund. Some of the money voted by the Council for these measures will serve to maintain a second fund: the European Fund for structural improvements in agriculture (see sec. 145).

The Commission proposes that agricultural market structures should be improved by means of Community programmes which will define the objectives, the areas on which efforts should be specially brought to bear and the percentage of subsidies which the Fund for the improvement of structures can grant.

The Commission proposes setting up a Committee of the Guidance and Guarantee Fund to assist it in administering the Fund and to advise it on all important aspects of the latter's operations.

The Commission finally proposes that an annual report on Community financing be drawn up.

On 5 March 1963 the Commission, in accordance with Article 209, also submitted to the Council a proposal for a Council regulation on financial and budget arrangements for the two Funds. The Council referred this proposal to the European Parliament.

#### *MINIMUM PRICES*

141. To safeguard their markets in products which are not subject to Community regulations (including fruit and vegetables to which Community standards do not yet apply) Member States may, under Article 44 of the

Treaty, fix minimum prices during the transition period. They mainly use this facility for imports of fruit and vegetables and, in some cases, livestock processed products.

Belgium and France have brought their systems of minimum import prices for fruit and vegetables from Member States into line with the Council decision of 4 April 1962 on objective criteria for the application of minimum prices. In general the method of calculation laid down has not resulted in minimum prices appreciably different from those previously obtaining.

The Federal Republic of Germany has notified its intention of discontinuing the bilateral minimum price systems concluded before the Treaty came into force and so far maintained, and of replacing them by a single system of minimum prices based on the decision referred to above. So far the new system has been instituted for apples.

In September the Commission arranged a multilateral meeting of Member States, which reached certain conclusions on the interpretation of Article 44 of the Treaty and of the Council decision and provided an opportunity for a detailed study of the minimum price systems in force.

#### *APPLICATION OF THE RULES OF COMPETITION TO AGRICULTURE*

142. Regulation No 26, which is based on Article 42 of the Treaty and applies certain rules of competition to production and trade in farm products, and the provisions on the grant of aids by Member States under the market regulations, are essential factors making for integration in the common agricultural policy.

The rules of competition applying to agriculture concern three problems in particular :

- i) State aids;
- ii) Agreements, decisions and practices in restraint of competition, and the abuse of dominant positions;
- iii) Dumping.

143. The Commission considers that State aids are the most urgent problem (see Art. 4 of Regulation No. 26) and on 29 June 1962 it obtained the Council's assent to establishing an inventory of the aids and support granted by Member States to farming.

This inventory does not include aids to transport, which fall under Articles 79 and 80 of the Treaty, or the refunds and interventions expressly provided for by the regulations in force.

The Commission has asked the Member States to supply full information on existing aids, beginning with those which concern products coming under Community regulations issued since 30 July 1962. From the replies received an inventory of this first group can be compiled.

They show that many of these aids are of a general nature and are therefore to be viewed in the wider context of aids to farming in the broad sense. Thus, in the pigmeat sector, and for eggs and poultry, the only forms of aid practised are subsidies for infrastructure, i.e. the construction and/or extension of farm installations and sales centres, the improvement of hygienic conditions in piggeries and the building of modern hen-houses.

On the other hand the fruit and vegetables sector is receiving various forms of aid apart from infrastructure; these are :

- a) Aids to trade in fresh fruit and vegetables;
- b) Subsidies for fruit and vegetable exports;
- c) Aids for fruit and vegetables supplied to preserving factories and distilleries;
- d) Aids to the export of processed products.

The replies concerning aids to products subject to the market regulations which were to come into force at the latest on 31 December 1962 and aids granted for production and trade in farm products were expected by 1 October 1962 and 1 January 1963 respectively. The first replies, with the 1 October time-limit, have reached the Commission and meetings of the Management Committees to complete the lists and amplify the information supplied have taken place or are planned.

The Commission expects that the joint study of these aids with the Member States required under Article 93(1) of the Treaty will shortly be concluded.

*HARMONIZATION OF LAWS,  
REGULATIONS AND ADMINISTRATIVE PRACTICES*

144. In the field of veterinary legislation, a draft directive concerning health problems in intra-Community trade in fresh meat was submitted by the Commission to the Council on 28 June 1962 with the approval of the European Parliament and the Economic and Social Committee.

On 27 November 1962 a draft directive concerning cattle and pigs was submitted by the Commission to the Council, where it is being studied by agricultural and veterinary experts. The Economic and Social Committee gave its opinion in December 1962.

On 27 March 1963 the European Parliament passed a resolution requesting the Commission to make some minor amendments and expressing the wish that the Council adopt as soon as possible similar arrangements for trade within the Community and with non-member countries in other animals.

As regards legislation on foodstuffs the Council adopted on 23 October 1962 a directive on the approximation of Member States' regulations on permitted colouring matters in food preparations for human consumption.

The Council has also prepared draft directives to harmonize legislation on permitted preserving agents in foodstuffs and regulations on cocoa and chocolate.

Preparatory work has begun in the field of antioxidants and on preserving agents and wrappings for fruit and vegetables.

In 1963 draft directives will be prepared on the control of animal feeding-stuffs.

The draft directive on plant health in trade is being discussed with Government experts.

Directives on the marketing of forestry seeds and saplings and cereal, beet and forage seeds and potato plants have also been drafted.

*POLICY FOR IMPROVING AGRICULTURAL STRUCTURES*

145. Since the Council decision of 4 December 1962, agricultural structure policy has been based on an "outline law" which sets up the machinery and means for co-ordinating the action of Member States in this field.

The decision provides for a standing Committee on agricultural structures to assist the Commission in drawing up an annual report on structures for submission to the Council and the European Parliament. This will give a picture of the agricultural structures situation, details of measures taken by the Member States, particularly in relation to the long-term objectives of the common agricultural policy and prospective outlets and finally, the state of progress on co-ordination. On the basis of this report and, more generally, in the spirit of Article 43 of the Treaty dealing with common agricultural policy, the Council will take measures to co-ordinate Member States' agricultural structure policies.

The Council decision of 4 December 1962 took account of the opinion expressed by the European Parliament in the preceding year, particularly as regards :

- a) The link between agricultural structure policy and regional development policy;
- b) Submission to the Parliament of the report on structures;
- c) The obligation on the Commission to express an opinion on the laws and regulations, long-term plans and regional programmes of Member States if any one Member State so requests;
- d) The communication to the Commission of national laws and regulations with a view to their harmonization.

To implement this policy the Commission submitted to the Council on 5 March 1963 a draft regulation on a European Fund for structural improvements in agriculture, to which the Member States can apply for assistance in the form of interest rebates and the extension of redemption dates for loans to finance structural improvement projects. The Council has referred this proposal to the European Parliament.

*TRAINING, RESEARCH AND ADVISORY SERVICES*

146. Acting under Article 41 of the Treaty, the Commission has been studying how far vocational training, research and advisory services in agriculture can be co-ordinated. It is preparing a programme on training for agricultural work and is collating national reports on the organization of agronomic research. A special working party has made recommendations for better co-ordination of agricultural advisory services. In these three fields the Commission intends to work out a general programme of measures to be financed jointly.

*ECONOMIC ACCOUNTING*

147. In conjunction with the Statistical Office of the European Communities and with the Member States' experts, the Commission has pressed forward its methodological studies with a view to obtaining comparable data on the general economic situation of agriculture, farm incomes and farm management. In this way it is preparing a system of agricultural accountancy which the Member States will be requested to use when submitting the required information to the Commission. Methods of assessing farm incomes and conditions of production in the main types of farms are now ready. As regards farm management proper, the Commission has prepared a summary report on methods of analysis and forecasting and proposals for the use of pilot schemes.

Inventories and comparative studies, some of which are well advanced, are continuing on the consolidation of holdings, taxation, co-operatives and the cost of agricultural credit.

*FORESTRY POLICY*

148. Studies on the co-ordination of forestry policies in co-operation with the Directors of Forestry Services in the Member States, have covered intra-Community trade in wood, seeds and saplings, the uniform classification of round woods, speedier liberalization of establishment in certain branches of forestry work and the harmonization of regulations which are an obstacle to trade (on seeds, saplings and plant health protection). In the field of structures, a study on the afforestation of marginal land has been put in hand and inventories made with a view to co-ordinating research, teaching, and advisory services in forestry.

One of the Commission's objectives in this sphere is to work out a co-ordinated long-term production policy.

### *FISHERIES*

149. In the fisheries sector the normal application of Treaty provisions has done away with some quantitative restrictions and narrowed the considerable divergences between rates of customs duty. But with international situations which have been interwoven for many years, this sort of automatic action cannot solve the twofold problem which arises on several Community markets: excess short-term supply coupled with inadequate long-term supply.

Thorough study of these aspects is necessary before proposals can be worked out for a common policy in the fisheries sector. The Commission for its part is prepared to submit such proposals to the Member States.

On several occasions the Council has considered the convening of a conference on fisheries between the six Member States, in which Great Britain and the Scandinavian countries have expressed a desire to take part.

Up to the present the Council has been unable to take a decision on calling such a conference because of a divergency of views on how to bring in non-member States interested in fishery problems.

At its session of 25 and 26 March 1963, the Council further considered the question and invited the Commission to submit a survey of the problems involved.

### *FREEDOM OF ESTABLISHMENT IN AGRICULTURE*

150. On 26 February 1963 the Council adopted the two directives on the above matter mentioned in section 32. Bearing in mind the social aspects brought out in discussions in the European Parliament, the Commission has begun an inquiry into the different forms of aid to migrants and the national organizations active in this field.

*SOCIAL ASPECTS OF THE COMMON AGRICULTURAL POLICY*

151. The Commission's principal social aim under the common agricultural policy is parity for the self-employed and wage-earners in agriculture with workers in other sectors. Such parity must apply in particular to working conditions, remuneration, vocational training, social security and housing. An effective means of bringing this about is to improve the occupational and geographical mobility of farm workers. The Commission further considers that steps should be taken to promote easier access to the farming profession and security of employment. This implies earlier participation of young people in the management of family farms and improvement of the situation of women on the land, more particularly by preparing them for the responsibilities they will normally have to assume on a modern family farm. Regional policy, which is generally concerned with agricultural areas, must make its contribution to the effectiveness of social policy in agriculture (see sec. 107).

In working out specific measures the Commission, in conformity with the resolution of the European Parliament, the opinion of the Economic and Social Committee and the recommendations of the advisory conference held in Rome in September/October 1961, will seek the co-operation of both sides of the industry. For this purpose it has set up a joint advisory committee on the social problems of agricultural wage-earners, and hopes very shortly to set up a similar committee to deal with the social problems of farmers.

Bearing in mind the conclusions of the Rome conference and after consulting Government representatives, the Commission has decided to begin by a study of the social condition of the various categories of workers in agriculture, the protection of women and young people, the working week and wages. It is also concerned to determine more precisely the sections of the public affected by the common agricultural policy. These studies will enable the Commission to carry out the social programme for agriculture which it is now preparing. In this programme the Commission will also take into consideration the recommendation of the "Agricultural" working party of the European Conference on social security held in December 1962, i.e. that general insurance schemes should apply to farmers and their families in the same way as to other workers.

*RELATIONS WITH FARMERS'  
AND FARM-WORKERS' ASSOCIATIONS*

152. The setting up on 18 July of advisory committees for the products or classes of products in which the markets are subject to Community regulations <sup>(1)</sup> responded to the need to place on a formal basis the already active collaboration between the Commission and the 80 or so trade organizations in the agricultural sector represented at Community level.

Consultation of the committees began in November 1962. As stated above (sec. 151), the Commission, wishing to have at its disposal a means of permanent consultation with the representatives of workers and farmers on their social problems has also set up a joint advisory committee on the social problems of agricultural wage-earners, and plans to establish an advisory committee on those of self-employed farmers.

Finally, as explained in section 151, the Commission plans to set up before the end of 1963 an advisory committee on problems of agricultural structure. In this way the essential cogs of the machinery for co-operation on practical matters between the Commission and the farming world will be in place.

*OUTLOOK FOR 1963*

153. Pending the Council decisions on dairy produce, rice, and beef and veal, the Commission, in order to consolidate and build on the first results achieved, will turn its attention to the following points :

- i) Development and progressive adaptation of the common organizations of markets already established.
- ii) Submission of draft regulations for common markets in sugar, potatoes, oils and fats, ethyl alcohol and tobacco and non-edible horticultural products (see the Commission's statements to the European Parliament and the Council concerning staff requirements).

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(1) See the Commission's decisions, including the list of members of the various committees, in the official gazette of the European Communities, No. 72, 8 August 1962.

The common price policy for farm products will become increasingly important. A proposal on fixing, before 1 September 1963, target prices for cereals to be harvested in 1964 will be submitted in good time to the Council.

In the early stages in the approximation of cereal prices, the Commission will take steps to establish uniform price ratios between the various cereals in the light of the Community's economic needs.

With a view to the gradual introduction of free competition in agriculture and trade in farm products, the Commission will give priority to completing the inventory of State aids so as to be in a position to propose measures for their abolition or harmonization.

The Commission will take action gradually to extend the Community's sphere of competence in the financing of the common agricultural policy.

In the course of 1963 the permanent Committee on Agricultural Structures will begin its task of helping to co-ordinate Member States' agricultural structure policies.

### **The common transport policy**

#### *ACTION PROGRAMME FOR THE COMMON TRANSPORT POLICY*

154. During the period under review the Commission's activities in the transport field were mainly concerned with preparing an action programme for the common transport policy.

Having studied the Commission's "Memorandum on the general lines of a common transport policy", the Council, at its session of 27 February 1962, requested the Commission to submit a comprehensive and balanced programme before the end of May, accompanied by a time-table, for road, rail and inland waterway transport. This programme was to be as detailed as possible having regard to the measure of agreement reached.

On 23 May 1962 the Commission laid before the Council its action programme for the common transport policy. This embraces all aspects of transport policy. The measures recommended in it are based on the principles

outlined in the Memorandum. These are : equality of treatment, financial independence and freedom of action for transport undertakings, freedom of choice for transport users, co-ordination of investment. The most important of these measures concern access to the market, regulations on rates, the harmonization of competitive conditions in the fiscal, social and technical fields, and the co-ordination of investment. The other chapters deal with harmonizing operating conditions and structures of the various types of transport, the application of certain special provisions of the Treaty relating to discrimination, aids and cartels, and finally transport costs.

The programme mainly concerns rail, road and inland waterway transport but refers also to certain problems arising from the rapid development of pipelines and raises the question of applying the rules of competition to sea and air transport.

155. *Access to the market*: The action programme contains a set of measures designed to bring about a high degree of integration by the end of the transition period and to adjust transport capacity to the requirements arising from trade expansion in the Community. The aim is, first, to eliminate rapidly any discrimination on grounds of nationality and, secondly, to mitigate the quantitative restrictions at present imposed on carriers, whilst keeping a check on transport capacity. At the same time, legislation governing access to the market in the various countries will be harmonized.

In the especially sensitive sphere of international transport of goods by road the Commission proposes that the bilateral quotas be gradually replaced by a Community quota open to carriers in all Member States irrespective of nationality. The change-over should be completed in five years from 1964 and the single quota would operate from 1969 onwards; it would be governed by a Community procedure.

On the point of international transport by road the programme provides that from 1964 onwards (and in accordance with common rules to be established) non-resident carriers shall be allowed to share in the domestic markets of the Member States if they hold a licence under the Community quota.

156. *Transport rates*: The Commission proposes that for all forms of transport and for the principal categories of traffic a system of rate brackets be introduced, coupled with prior publication of the brackets.

This system will be introduced by stages and in accordance with the methods and timing suitable to the type of traffic concerned. From 1 July 1964 the Member States will use rate brackets on the basis of common principles but according to the method of their choice. From 1966 onwards the national systems will be aligned. By 1969 there should be a uniform rate system in the Community.

The Commission believes that under this system it will be possible to ensure stability in the transport market whilst encouraging the spread of traffic over the various types of transport according to their costs and natural advantages.

157. *Harmonization of competitive conditions*: This is an indispensable corollary to the broadening of the market and the introduction of the tariff system. The Commission believes that the general harmonization which is expected to follow from the functioning of the Common Market must be accelerated and amplified, especially in fiscal, social and technical matters.

In the fiscal context, limited steps must be taken during an initial stage with regard to regulations governing international road transport which influence transport costs. The programme proposes the abolition of double taxation, the harmonization of rules concerning customs clearance of fuel carried in vehicle tanks and the approximation of the basis of assessment for motor vehicle tax. The Commission also recommends that motor fuel taxes be brought into line. Before the end of the transition period equal tax treatment of all three types of transport must be assured, largely through an equitable apportionment of the infrastructure burden.

In the social field, the measures proposed by the Commission (see sec. 130 of the Fifth General Report) and by the European Conference on social security will, by the end of the transition period, lead to the harmonization of certain provisions on working conditions and social security within the three types of transport and in the relationship between them.

The social aspects of the transport sector will also be studied in the context of general social policy, due regard being had to the provisions expressly embodied in the action programme for the common transport policy.

The Commission is planning to convene a round table conference on the social aspects of transport policy towards the end of 1963.

On the technical side, certain standards for weights and dimensions of vehicles, and provisions concerning compulsory insurance will have to be brought into line.

158. *Co-ordination of investment* : Having in its Memorandum stressed the importance of co-ordination, the Commission now proposes that in 1964 there should be introduced a notification and consultation procedure in matters relating to the main lines of communication of Community importance.

159. *Harmonization of operating conditions* : The action proposed in this field will give the railways greater commercial freedom in order to enable them better to adapt themselves to the keener competition which will result from the broadening of the market and the introduction of rate brackets. Another object is to promote efficiency in the organization and modernization of road haulage and inland waterway transport and to mitigate the effects of certain special aspects of transport.

160. *Application to transport of special Treaty provisions* : The action programme sets out the steps to be taken to abolish discrimination in transport rates and conditions, support rates, and aids incompatible with the Treaty; it also provides for the elimination of charges and dues collected for the crossing of frontiers. The action programme further deals with the application to transport of the Treaty provisions relating to cartels and dominant positions.

161. *Study of transport costs* : The Commission has planned certain studies to provide a statistical basis for the execution of the programme and, in particular, for the gradual introduction of the rates system and the harmonization of competitive conditions (see sec. 174).

162. The Commission believes that a smooth change-over from the national systems to a Community-wide transport economy will be assured by synchronizing the measures governing access to the market, by the rate system and

a harmonization of competitive conditions, by careful timing and a gradual adoption of Community procedures. There is no reason to fear serious upsets or imbalances since the markets will be integrated in the light of trade development and the structural evolution of transport.

In the Commission's view the action programme, as it stands, provides a sound framework within which formal proposals to give effect to the common policy can be prepared in accordance with Treaty rules.

163. The Council examined the programme at its sessions of 14 June, 29 and 30 October 1962 and 25 January and 8 March 1963. At the last of these meetings the Council requested the Commission to submit a set of practical proposals in the light of the deliberations in the Council. The Commission informed the Council that these proposals would be made before the end of May 1963.

The action programme has been passed to the Economic and Social Committee for information.

164. *Parliament* : The European Parliament has also taken a lively interest in the common transport policy and in the action programme when that became available.

At its session of 8 May 1962 the Parliament passed a resolution in conclusion to its Transport Committee's study, based on the Kapteyn and Mueller-Herman reports, of the Commission's Memorandum on the general lines of a common transport policy. The Parliament stated that it looked to the Commission to work out as soon as possible, and bearing in mind the above-mentioned reports, a comprehensive programme for the implementation of the common transport policy.

165. The Parliament took up the transport problem again when it came to examine the Fifth General Report on the Activities of the Community. On 18 October 1962 the Parliament passed a resolution on the basis of M. Arrighi's report, the substance of which was adopted by M. Deringer, the principal rapporteur, urging that a common transport policy be worked out with all despatch.

166. On 6 February 1963 the Parliament held a debate on the action programme. A report was presented by M. Brunhes on behalf of the Transport Committee. That Committee had no important comments to make on the substance of the programme. Apart from some general remarks, its opinion largely concerned the time-table for the steps to be taken.

During the debate, speakers said that they had hoped for more action in the social and fiscal fields. The request was also made that the Mannheim Act on Rhine navigation be examined with a view to certain amendments. In the resolution adopted the Parliament urged the Commission to accept the amendments suggested in M. Brunhes' report to the time-table for the implementation of the common transport policy. It also instructed the Transport Committee to follow attentively the Council's and the Commission's further action relating to the common transport policy.

167. On 28 March 1963 a resolution was adopted concerning the transport of oil by pipeline. In this resolution the European Parliament urged the Commission to submit as soon as possible a draft regulation on this subject. Pending such a regulation, the Parliament asked the Council to take a decision without delay on the Commission's proposal to extend to pipelines the procedure of prior examination and consultation laid down for rail, road and inland waterway transport by the Council's decision of 21 March 1962.

#### *FIRST STEPS TO IMPLEMENT THE COMMON POLICY*

##### *Establishment of common rules for international transport*

168. Without waiting for the adoption of the principal measures proposed in the action programme, on the implementation of which the common transport policy depends, the Commission has submitted to the Council provisions of limited scope which it considered urgent. These took the form of two draft directives, one dealing with the liberalization of international road haulage for own account, and the other with the establishment of certain common rules governing international road haulage for hire or reward. The Council has taken no decision on the first directive. On 23 July 1962

it did, however, adopt the second (1). This calls for the elimination of all restrictions on frontier-crossing traffic up to 25 km. as the crow flies on either side of a frontier provided that the total effective haul does not exceed 50 km.

It also provides for lifting quantitative restrictions on transport from a Member State into a neighbouring Member State to a distance of 25 km. from the common frontier as the crow flies.

The Commission has made arrangements for the Member States to give effect to this directive by the appointed date.

*Prior examination of provisions adopted by Member States*

169. The Member States have satisfactorily complied with the Council's decision of 21 March 1962 laying down procedure for prior examination and consultation on Member States' provisions in the field of transport.

The Commission has been consulted on certain matters arising out of this decision and has issued formal opinions or recommendations in the following cases :

- i) Decisions of the Committee of Ministers of the Benelux Economic Union of 21 May 1962 on permitted weights and dimensions of commercial vehicles in intra-Benelux traffic, on the abolition of quantitative restrictions in road haulage, and on the introduction of Benelux rates in road haulage;
- ii) Draft law submitted by the Belgian Government calling for an employers' contribution towards covering losses sustained by the State Railways through the issue of workers' and employees' season tickets;
- iii) Opinion requested by the French Government on the approval of a proposal to amend the freight rates of the French National Railways.

The Commission is gratified at the satisfactory functioning of a procedure which, as had been intended, promotes co-operation with the Member States and prevents national transport policies from developing on divergent lines.

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(1) See official gazette of the European Communities, No. 70, 6 August 1962.

*Transport infrastructure*

170. *Major Community routes* : The Member Governments have to a large extent acted on the Commission's recommendations with regard to transport infrastructure and have undertaken the following schemes or surveys :

*Railways*

- i) Electrification of the line Paris-Jeumont-Liège-Herbesthal-Cologne;
- ii) Electrification of the line on the right bank of the Rhine Wiesbaden-Cologne-Osterfeld-Süd (Hamm);
- iii) Electrification of the north-south line Hambourg (Bremerhaven)-Hanover-Hanau (Gemunden) (undertaken with the help of a \$25 million loan from the European Investment Bank);
- iv) Conversion of current on the line Modena-Turin-Genoa and improvements to the stations at Modena and St. Jean-de-Maurienne, undertaken with the help of the European Investment Bank;
- v) Doubling of the Genoa-Ventimiglia track;
- vi) Electrification of the line Hamm-Hanover-Brunswick.

*Roads*

- i) Construction of a motorway from Paris to Brussels (decided);
- ii) Construction of a motorway Eindhoven-Antwerp-Ghent-French frontier;
- iii) Construction of a motorway Savona-Ventimiglia-Marseilles;
- iv) Franco-Italian survey for a direct route Chambéry-Modena-Turin by means of a trans-Alpine tunnel at Fréjus;
- v) Improvement of the Thionville-Luxembourg road;

- vi) Plan to link the Italian "Autostrade del Sole" with the German autobahn through the Brenner pass across Austrian territory (survey by the countries concerned under the joint aegis of the Community and the European Conference of Transport Ministers);
- vii) Other new schemes or modifications of national road-building programmes have also been decided.

#### *Inland waterways*

Economic and technical studies for the following projects have been put in hand by the governments concerned :

- i) A link between Hambourg and the European inland waterways network;
- ii) A Meuse-Rhine link;
- iii) A link between the French and Belgian inland waterway networks;
- iv) Deepening the Rhine between St. Goar and Mannheim;
- v) A link between the Rhine and the Rhône. The Commission is in favour of this scheme and has assisted in a study of its international aspects.

171. *Regional infrastructure* : On the advice of the Commission the European Investment Bank has, as stated elsewhere, granted a loan to the French railways to modernize and electrify certain lines in Brittany (in particular the Le Mans-Rennes stretch).

172. *Transport equipment* : Plans to rationalize inland waterway transport are going ahead rapidly. European standards have been established for a barge and self-propelled vessel of 1 350 tons capacity. The Commission is also giving its attention to the technical harmonization and rationalization of port loading and unloading facilities.

#### *Passenger transport by road*

173. Several meetings have taken place with government experts on passenger transport by road in order to adopt uniform definitions in international transport and to prepare initial measures to :

- i) Eliminate licences for transit journeys by motor coach (non-scheduled services) provided that no passenger is picked up or set down en route;
- ii) Eliminate licences for non-scheduled journeys to a Member State when the motor coach returns empty.

#### *Study of transport costs*

174. The Commission and the Committee of government experts have continued their studies of transport costs. They concern both the calculation and the apportionment of infrastructure costs, as well as a study of the burden actually borne by enterprises and types of transport.

In its Action Programme the Commission attaches importance to the early completion of studies for harmonization and equalization of transport conditions. The studies on transport costs cannot be rapidly concluded unless perfectionism is abandoned and proof given of a genuinely Community-minded spirit of conciliation. Though the Council is already convinced of the importance and urgency of these studies, the Commission has felt obliged to draw its attention to these considerations.

This is particularly true of the study on infrastructure costs, which is so complex that previous work done at either the national level or by international organizations has not yielded any satisfactory results. The Committee of experts has been studying problems of method in determining total infrastructure costs. This study is expected to be completed in the course of 1963. The Committee has also worked out a time-table for the completion of the entire study on infrastructure costs. This time-table is planned to allow the necessary measures regarding the apportionment of infrastructure costs to be taken in 1968; it provides for a statistical inquiry in 1965 on the Community's entire transport infrastructure. The Commission will at an early date submit to the Council a proposal for a decision on this latter point.

The Committee has also studied the burdens actually borne by enterprises and types of transport; the purpose of this is to ascertain how transport costs are affected by government action, especially through taxation

and social charges. The Committee expects that by the end of this year it will have completed its inquiry into the problem of competition between resident and non-resident carriers in international goods transport by road.

The Committee will shortly undertake a similar inquiry into competition between resident and non-resident carriers in national goods transport on the one hand and international passenger transport on the other. It will then begin a study of international goods transport by inland waterway.

#### *Transport statistics*

175. In 1962 the Member States carried out a first series of surveys of national goods transport by road. They also sent to the Commission the first data established on the basis of the Standard Goods Nomenclature for Transport Statistics (NST) which came into effect on 1 January 1962.

#### *Application of the standstill clause of Article 76*

176. The Commission has examined whether the laws, regulations and administrative practices of the Member States are compatible with Article 76 of the Treaty (standstill clause). Certain provisions in the Federal Republic of Germany, Belgium, France and Italy were closely scrutinized.

Certain provisions in German legislation laying down a stricter frontier control of foreign vehicles were deemed not fully compatible with Article 76. While admitting the relative unimportance of this matter, the Commission asked the Federal Government to amend some of these provisions so as to comply with the obligations flowing from Article 76.

In co-operation with the Governments concerned the Commission is examining other provisions applicable in the Federal Republic and in France which may amount to infringements of Article 76 of the Treaty.

#### *Discrimination and support in transport rates and conditions*

177. In order to give effect to Articles 79(1) and 80 of the Treaty and Regulation No. 11 concerning discrimination in transport rates and conditions, the Commission has studied a number of practices applied to the three types of transport in the Member States.

Investigations carried out so far with the concurrence of the Governments concerned covered approximately 650 tariffs. Acting either on their own initiative or at the instigation of the Commission, carriers have taken more than 200 individual measures to abolish rates not in line with the objectives of the Treaty. In the context of Article 80(2) the Commission has approved the special 8 B 7 tariff of the Federal German Railways and road hauliers. But the important problem remains to be settled of export, import and transit rates likely to constitute discrimination between a Member State's inland transport and intra-Community goods traffic.

Certain Member States have introduced new laws and regulations to give effect to Articles 14 and 16 of Regulation No. 11 (investigation of and penalties for discrimination in transport rates and conditions). Procedure to adopt the appropriate measures has been initialled in other Member States.

178. Regulation No. 11 is not yet being applied to transport on the Rhine. Practical difficulties have arisen from the fact that a large part of the traffic is handled by firms established in non-member countries.

A solution to this problem has been sought in talks between the Commission and the Member States and in the Central Commission for the navigation of the Rhine. Having regard to the results of these discussions, the Commission believes that the whole complex of problems relating to shipping on the Rhine should be examined by the Council at an early date.

*Charges and dues collected for the crossing of frontiers*

179. The Commission is aware that the gradual reduction under Article 81(2) of the Treaty of real costs (charges and dues) incurred by carriers for frontier crossings can only take place if national regulations (fiscal, health, and other) affecting international trade are brought closely into line. National systems still vary widely, both on the absolute level of the charges imposed and in the relation between them. The Commission, with the assistance of the High Authority of the ECSC and of the Governments and railway administrations, has worked out a system of charges which will better reflect the relations between the costs of the various operations involved in crossing frontiers.

The experts are studying the problems in turn according to whether their solution depends on the transport authorities only, or on the customs authorities, or on both. This work is to be finished by the end of 1963, and the Commission should be in a position to make proposals for the first practical measures at the beginning of 1964.

At the same time, the Commission is seeking to improve the technical conditions at frontier crossing points or inland customs clearance centres. Special attention is being given to crossing points served by rail, road or inland waterway where the need is greatest.

*Freedom of establishment and supply of services for transport ancillaries*

180. The general programmes for the abolition of restrictions on freedom of establishment and freedom to supply services adopted by the Council on 18 December 1961 <sup>(1)</sup> provide for the liberalization between 1 January 1962 and 31 December 1963 of activities serving transport, warehousing and storage.

The Commission is preparing a draft directive to this effect, based on the results of three meetings of a working party.

*Non-application of the rules of competition to the transport sector*

181. Since certain Member States opposed the application to transport firms of Regulation No. 17, the first implementing regulation issued under Articles 85 and 86 of the Treaty which refer to competition, the Council invited the Commission on 14 June 1962 to make proposals on this subject.

The Commission submitted a formal opinion on 16 July 1962, followed by a draft regulation on 20 September 1962, which was adopted by the Council as Regulation No. 141 on the non-application of Regulation No. 17 to the transport sector <sup>(2)</sup>.

*Aids to transport firms*

182. In the course of 1962 the Commission received replies from the Member States to the questionnaire on aids to transport by rail, road and

<sup>(1)</sup> See official gazette of the European Communities, No. 3, 15 January 1962.

<sup>(2)</sup> This question is dealt with more fully in sec. 45.

inland waterway. This survey of aids is provided for in Article 93(1) of the Treaty; so far as transport is concerned it has to be made in the light of Article 77 according to which, in view of the special aspects of transport, aids which are required for the co-ordination of transport or which are a counterpart to certain obligations inherent in the concept of a public service are deemed compatible with the Treaty.

The Commission's action programme in the field of transport provides for an examination of existing aids from this standpoint, beginning in 1963.

#### *FUTURE DEVELOPMENTS*

183. As stated at the beginning of this chapter, the Commission will lay before the Council by the end of May 1963 a set of proposals to give effect to the action programme in transport matters.

These proposals will cover the three fundamental aspects of the common policy: organization of the market, integration at Community level, and harmonization of competitive conditions.

As to the organization of the market, the Commission will propose a system of rate brackets applicable to goods transport by rail, road and inland waterway. Transport enterprises can then fix their rates freely within the lower and upper limits of the brackets previously approved by the Governments; these limits will serve to prevent cut-throat competition and also the improper exploitation of dominant positions.

A proposal will be submitted for integration at the Community level and the relaxation of quantitative restrictions; the present bilateral quotas for goods transport by road are to be replaced by a quota accessible to all carriers in the Community. At the same time, the proposal to liberalize goods transport by road on own account will be taken up again.

A further proposal will concern a programme for the harmonization of taxes, social charges and technical specifications. The Commission has already presented a draft directive on the weights and dimensions of road vehicles, to which it intends to make additions shortly. At the same time the Commission will put forward proposals for the co-ordination of investment and the determination of infrastructure costs.

The Commission believes that this series of proposals can serve as a basis for the implementation of the common transport policy.

## Social policy

### GENERAL ASPECTS

184. During the period under review the Commission has continued its work with a view to implementing the few mandatory provisions of the Treaty which relate to social matters and, so far as its limited powers allow, to improving the manner of their application. In this it received the active and vigilant support of the European Parliament, and more especially its Social Committee.

Thanks to the stimulus provided by the Parliament and to the co-operation of the Economic and Social Committee, the Commission was able to take steps to endow the Community with its own social policy. A dynamic social policy, not subordinate to other considerations of Community policy, is needed, not only to gain the support of all workers in the building of Europe, but also to achieve the main object of that process which, in the terms of the Preamble to the Treaty, is constantly to improve the living and working conditions of the peoples of the six countries.

As the Commission observes in its Action Programme, this policy must first be applied in fields in which the Treaty contains precise provisions and practical measures have already been taken. These are in particular the free movement of workers<sup>(1)</sup>, social security of migrant workers and the European Social Fund. The next step will be to promote, in co-operation with Member States, a policy on employment and vocational training and an upward levelling of living and working conditions. An account will be found below of the activity of the Commission in these fields.

The adoption by the Council of the broad principles of a joint vocational training policy (Art. 128), and the holding of an important European conference on social security have opened the path for new Community action in these two vital matters.

<sup>(1)</sup> See Chap. II, secs. 26 to 28.

*IMPROVEMENTS TO COMMUNITY REGULATIONS**Social security of migrant workers*

185. Acting in conjunction with the Administrative Committee for the Social Security of Migrant Workers, the Commission continued to improve the protection afforded to this category of workers by remedying inadequacies in Regulations Nos. 3 and 4. A draft regulation on industrial diseases making eligible for benefit workers who have contracted sclerogenic pneumoconiosis in the course of employment in more than one Community country was submitted to the Council on 6 November 1962 and adopted on 21 February 1963.

The Commission also submitted, in December 1962, a draft regulation on family allowances which the Council in due course adopted. It concerns the payment of allowances for children of workers temporarily sent by their employers to work in another Community country. Measures to simplify the system of family allowances for orphans and children of pensioners not residing in the country where the head of the family was insured are in course of preparation.

A review of special provisions applicable to mine workers is now being conducted in the same spirit.

Furthermore, by agreement between Government representatives on the Administrative Committee, all wage-earners and persons treated as such on holiday in a Community country other than their own are entitled with their dependents to health-insurance benefits.

The Auditing Committee attached to the Administrative Committee proceeded with its study of financial problems arising from the application of Regulations Nos. 3 and 4. Bilateral agreements were concluded between Member States with a view to direct settlement following the payment of benefits by national insurance offices in one country on behalf of those in another. Other provisions are under study to simplify the formalities with which insured persons have to comply in order to obtain benefit. The Auditing Committee also envisages the possibility of granting certain benefits on the strength of presumed rights instead of requiring formal proof.

Finally, the Council having rejected a proposed arrangement for representatives of European associations of employers and workers to sit on the Administrative Committee in an advisory capacity, the Commission is thinking of holding periodical meetings between members of the Administrative Committee and representatives of the said bodies.

The draft regulation on social security for frontier workers, which had been submitted to the Council in December 1961 and had been approved by the European Parliament on 17 March 1962 and by the Economic and Social Committee on 29 March 1962, was adopted by the Council on 21 February 1963 after being amended to embody suggestions put forward by the Parliament aiming at greater flexibility in the grant of certain benefits. By this regulation frontier workers and their dependents will receive insurance benefits (for sickness, maternity, occupational disease or injury, unemployment) and family allowances in the countries where they reside but where they are not employed and not covered by the social security scheme.

A similar draft regulation on social security for seasonal workers and similar categories is being examined by the Council. This proposal, as was noted by the Parliament in March 1963, provides for improvements in the benefit scheme and a widening of its scope in accordance with the formal opinion rendered on 27 March 1962.

#### *Housing of migrant workers and social services*

186. The Commission continued its quest for ways and means of improving financial co-operation among Member States with a view to better housing facilities for displaced workers inside the Community.

The need for practical action in this field was one of the conclusions reached by the inquiry into the housing conditions of migrant workers.

As had been suggested by the European Parliament and by the Economic and Social Council, the Commission converted into a recommendation to Member States the formal opinion it had expressed on social services for

workers moving from one part of the Community to another (1). This recommendation, addressed to Member States on 1 August 1962, urges the governments concerned to promote the development and, if need be, the institution of social services with adequate means and staff at their disposal.

With the same considerations in mind the Commission offered fifteen scholarships enabling social workers to spend a two months' training period in Community countries other than their own with welfare services responsible for migrant workers.

#### *The European Social Fund*

187. The purpose of the European Social Fund (Art. 123) is to increase the possibilities of employment in the Community and to promote the geographical and occupational mobility of workers. It is thus called upon to play an important part in the Community employment policy, in view of certain difficulties experienced by Member States owing to changing structures and economic trends. It began effective operations in 1961, and during the past financial year made its first reimbursements of sums expended on vocational retraining and resettlement schemes in 1958 and 1959.

At 31 December 1962, the total reimbursements decided upon by the Commission in the course of the year with the approval of the Fund Committee stood at 12 291 798 units of account (1), distributed among five countries (Luxembourg made no application).

The schemes carried out enabled some 183 000 redundant workers to find alternative employment.

The amounts refunded and the number of workers affected were as follows :

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(1) See official gazette of the European Communities, No. 77, 16 August 1962.

TABLE 6

*Activities of the European Social Fund*

Country	Amounts refunded (in u.a.)	Number of workers retrained      resettled (in 1958 and 1959)	
Germany (F.R.)	1 999 912	19 700	—
Belgium	461 421	1 400	—
France	4 624 641	9 700	—
Italy	3 733 198	69 000	79 200
Luxembourg	—	—	—
Netherlands	1 472 626	3 500	—

Of the workers resettled, who all came from Italy, 48 000 found employment in France, 27 000 in Germany and 4 000 in the Benelux countries, particularly in Luxembourg.

The Fund's balance sheet at 31 December 1962 showed movements of 2 578 305 u.a. from Germany, Belgium and Luxembourg to Italy, France and the Netherlands.

The number of applications on which decisions were pending represented a total of about 20 million u.a. comprising 16.2 million u.a. for retraining schemes and 3.4 million u.a. for resettlement. The breakdown by countries was: Italy (7.7 million u.a.), France (5.2 million u.a.), Germany (4.2 million u.a.), the Netherlands (1.8 million u.a.) and Belgium (0.7 million u.a.).

Estimated expenditure for 1963 totals 17 818 000 u.a., including 11 640 000 u.a. for vocational retraining, 5 950 000 u.a. for resettlement and 228 000 u.a. for conversion of industry.

On 13 December 1961, the Commission drew up an initial list of statutory bodies entitled under certain circumstances to reimbursements from the Fund.

The Committee of the Social Fund held four meetings in 1962. Apart from advising on applications for refunds, it approved the draft budget for 1963, requests for inclusion in the list of statutory bodies and a draft regulation amending Regulation No. 9, which is the statute of the Social Fund. Finally, the Committee determined, in collaboration with Commission staff, the standards by which the Fund should assess under-employment situations in examining applications for assistance. By these standards the Fund will be able to extend appreciably, in accordance with the desire of the European Parliament, its operations on behalf of workers in sectors where the numbers employed are declining, particularly agriculture.

Regulation No. 9 contains a clause providing for review after two years, if deemed desirable, but the Commission felt that the experience gained was too limited to warrant radical changes and proposed only an amending regulation making certain technical adjustments.

Even so, a broader revision of the Regulation has been urged by the European Parliament, which debated Mme Elsner's introductory report on this subject on 17 February 1963 and summed up the views expressed in a resolution calling for a considerable extension of the Fund's sphere of competence. The Parliament would like to see the Fund able to act promptly in furthering a common vocational training policy, in particular the retraining of under-employed persons who wish to continue working on their own account, and retraining to forestall loss of employment among workers in declining trades.

These preoccupations coincide with those expressed by the Commission in its Action Programme. The Commission suggests that the Fund should go further than reimbursing governments for expenditure on vocational retraining; it should also take the initiative and promote pilot schemes in member countries. In the course of the above-mentioned debate, it was recalled that the Commission intends to make practical proposals to the Council in this matter during the second stage.

*EMPLOYMENT AND VOCATIONAL TRAINING**Employment policy*

188. The Commission drew up and presented to the Council its third annual report on manpower problems. This report noted the growing shortage of manpower in a large area of the Community, especially in Federal Germany and the Netherlands, and the opposite trend in countries where labour surpluses give rise to increasing difficulties mainly because applicants for employment are all too often unskilled. The Commission therefore recommended in its report that efforts be made to further policies likely to ensure a better balance between the national and Community labour markets. It advocated closer collaboration between Member States in the field of employment, and in particular a more precise survey of the situation and prospects in each area and in each branch of industry as regards the trades and degrees of skill required.

On 21 February 1963, the Council requested the Commission to put forward proposals to the Member States, in accordance with the conclusions of the above-mentioned report, with a view to such measures and programmes as were likely to meet the situations described.

At the same time the Commission proceeded with its study of the employment situation in various branches of industry. A special chapter was devoted to employment problems in a survey of the building industry, but the manpower situation in that industry will require further careful study. The Commission is also considering the findings of expert surveys on under-employment in Belgium and Italy.

Studies were made of the organization and functioning of central employment services in the six countries; a general report is in preparation.

Studies are also in progress on vocational guidance in the member countries; pending their completion, the Community convened on 17 December 1962 a meeting of government experts in Brussels, at which the need was recognized for close co-operation at inter-governmental level to remedy the inadequacies in vocational guidance services.

As a sequel to the conference on "Technical Progress and the Common Market" in December 1961, the Commission organized a seminar on

automation in the administrative sector with the other two Communities early in 1963. Representatives of governments and professional bodies took part in this meeting with independent experts. They agreed upon the broad lines of future action in the fields of employment, vocational guidance and training.

*Common vocational training policy*

189. On 2 April 1963 the Council adopted in accordance with Article 128 of the Treaty, on a proposal of the Commission, the general principles of a common vocational training policy.

The Member States will take concerted action in this field in a coherent and progressive manner, preparing schemes and carrying them out in accordance with the general principles.

The policy applies to the training of young persons and adults seeking employment, or already employed, in jobs up to the medium-supervisory grades. Its twofold purpose is to create conditions under which everyone will have opportunities for adequate vocational training and to supply the various branches of economic activity with the labour force they require.

To this end the Commission, acting under the terms of the Treaty and assisted by a tripartite advisory committee, is empowered to propose appropriate measures to the Council and to the Member States; arrangements will be made to collect, distribute and exchange among Member States and with their assistance all useful data and documentation on estimated labour requirements as regards both numbers and skills. The Commission and Member States may jointly plan suitable training schemes. The possibility of Community financing for such schemes has been provided for.

Emphasis is laid on the importance of estimating labour requirements and on the training of teachers and instructors in greater numbers and possessing the requisite technical knowledge and teaching ability. Finally, the common policy should be aimed at a gradual narrowing of differences in training levels, and attention must be paid to problems affecting particular categories of workers and trades. It will be for the Member States and the competent Community authorities to carry out these tasks, to which others may be added later.

This is a highly important decision on the part of the Council. As the Commission had already hinted in its Action Programme, it paves the way for Community action to stimulate and co-ordinate progress in a field of the first importance for long-term economic expansion and social advancement. Moreover, the debate in the Council on the general principles revealed that Member States were alive to the benefits to be derived from their own individual action in this field being followed up by the Commission.

The European Parliament, to which the Commission had referred these proposals, approved them on 1 March 1962. A favourable view was likewise expressed on 30 March by the Economic and Social Committee.

Several basic studies for the purpose of furthering the initiative of the Commission and co-operation among Member States in the field of vocational training (Art. 118), were begun or continued during the past year. They concern in-service training for young people in industrial, craft or commercial undertakings in EEC countries, the preparation of a glossary on vocational training and the use of modern teaching methods.

The Commission also took part in work undertaken by the International Vocational Training Research and Information Centre at the ILO at Geneva.

The Liaison and Action Committee of the Italian Sulphur Industry, set up in September 1962, began the study of problems arising in the redeployment of Sicilian mine-workers (see sec. 106).

190. A Community scheme for exchanges of young workers (Art. 50 of the Treaty) was the subject of a draft decision submitted to the Council by the Commission. Following a discussion in the Council, the Commission submitted two new drafts to the Council amplifying its proposals, namely: a first common programme to further the exchange of young workers, and a multilateral European convention to consolidate existing provisions under bilateral agreements and arrangements now in force between Member States in the matter of trainee exchanges.

When the first common programme has been adopted, detailed proposals for its execution will be submitted to the Council.

*PLANS TO HARMONIZE SOCIAL LEGISLATION*

191. The Commission, acting in liaison with the governments and both sides of industry, pursued its work on the harmonization of social legislation, mainly in the fields described below.

*Wages and working conditions*

192. Working parties, drawn from employers' and workers' organizations, some of them assisted by government experts, met on several occasions during the past year.

The joint working party on labour relations made a comparative study of law and practice in collective bargaining and later took up other special aspects of labour relations. The Commission, desirous of providing Member States with a standing source of information on collective-bargaining developments, considered early in 1963 in conjunction with government services and both sides of industry plans to study collective wage agreements by up-to-date methods. A three-party group has dealt with the protection of young people and women at work while joint groups have looked into working hours and wages.

A fuller knowledge of wage costs has been acquired during the past few years thanks to two surveys, one for 1959 concerning fourteen branches of industry, the second for 1960 concerning eight other branches. The results of the latter survey are about to be published. Further progress in this field, to which the European Parliament attaches special importance, will shortly be made. A third survey of thirteen other branches is in progress covering the year 1961. It will be followed, between 1963 and 1965, by a second review of the same branches of industry which will enable developments to be gauged with accuracy.

At the invitation and with the help of the Commission, employers' and workers' organizations are now studying certain findings of these surveys, in particular the discrepancies which occur in some branches as regards the structure and average level of labour costs.

193. The Commission pursued its work on the subject of working hours. Apart from the above-mentioned wage surveys with the pointers they afford

to the annual total of hours worked, and a special survey of employment which provided data on the working week, the Commission has appointed two joint study groups to examine respectively the working day and week and the working year. Its purpose in so doing is to arrive at common concepts that will enable developments in working hours to be followed more closely, with special reference to collective bargaining, and to lay the foundations for harmonization in this matter of topical interest to workers. These studies, in which the relevant government departments will assist, will be followed by more detailed inquiries in certain branches.

#### *Equal pay for men and women*

194. The Commission continued during the past year its efforts to secure the gradual equalization of wages for men and women (Art. 119 of the Treaty). It took steps to ensure strict compliance with the resolution providing for the introduction of equal pay by stages, adopted by the Member States on 30 December 1961. By the first time-limit — 30 June 1962 — any difference in wages was to be reduced to 15%.

In a report on the progress made at that date, submitted to the Council on 19 December 1962, the Commission drew the attention of the Conference of Representatives of Member States to the failure or delay on the part of some countries — though good progress had been made in certain cases — in observing the time-table and other provisions adopted by that Conference on 30 December 1961.

The Commission had, by agreement with the Conference, studied the situation in conjunction with Governments and employers' and workers' organizations. It found that certain countries had long-standing or even recent collective agreements whereby women workers were placed in the lowest-paid groups. In other instances, women wage-earners in categories that were not covered by collective agreements, or in which wages were higher than those stipulated by such agreements, had no satisfactory assurance that the principle of wage equality would be fully observed. Moreover, the Governments, employers' associations and trade unions themselves had in some cases done very little in this matter.

The Commission requested that Member States be reminded that the commitments they had entered into were binding and that they be urged to take the necessary steps without delay. The Conference of the Representatives of Member States had certain comments to make on this report but agreed that it be passed on to the European Parliament together with those comments.

In a resolution of 26 June 1962, the Parliament had already urged the Commission to see that the terms of the resolution of the Conference held on 30 December 1961 were strictly observed and to ask that body to oppose restrictive interpretations on the part of Member States whereby equal pay applies only to jobs in which both sexes are employed.

195. Meanwhile the Commission is proceeding with its surveys and inquiries in this field. Experts have been commissioned to make on-the-spot inquiries by the sampling method in the Benelux countries, as had already been done in the other Member States. These inquiries are now complete or nearing completion. A general survey and a practical inquiry, one of which has been finished already and the other is still under way, seek to ascertain how far the systems of job-classification employed in the various countries make for discrimination in the payment of workers according to sex.

Finally, the Statistical Office of the European Communities is preparing a survey of wages paid to men and women. (1)

#### *Industrial health and safety*

196. With a view to strengthening and expediting current measures to harmonize industrial safety arrangements and in response to the reiterated wishes of the Health Protection Committee of the European Parliament, the Commission set up in 1962 an Industrial Health and Safety Division in the Manpower Directorate of the Directorate General of Social Affairs. The first task of this new department consisted in making an inventory, from information supplied by governments and industrial circles, of the dangerous situations arising in the use of machinery, appliances, installations and

(1) See Chap. "Statistical Office of the European Communities", sec. 368.

products of every description. Questions having a Community aspect were discussed with officials concerned in Member States with a view to drawing up a common working programme.

The European Parliament expressed the hope that matters of industrial safety would be settled by mandatory provisions enacted in pursuance of Article 235 of the Treaty or by means of a convention between the six Member States on the lines of that drawn up on industrial property rights. Government officials have also examined from the same angle the findings of the Commission's surveys, notably on safety in building, public works and agriculture.

In the matter of industrial health, the Commission has concerned itself from the outset mainly with prevention, and after a favourable opinion from the European Parliament on 11 May 1962 and from the Economic and Social Committee, it addressed two recommendations on the subject to the member Governments in August 1962.

197. The first concerns industrial medicine <sup>(1)</sup>. It is based on ILO Recommendation No. 12 but proposes higher and more exacting standards. It aims in the first place to make the provision of industrial medical services compulsory in Member States in all branches of industry beginning with those employing a large labour force and those in which the frequency of risk is highest. It advocates at the same time the early introduction of industrial health services in other spheres of activity. The recommendation also deals with the university training and status of doctors in industrial medicine. The Commission paid due regard to the concern of the European Parliament, as expressed in its formal opinion, that the independence of doctors in industrial medicine should be ensured with respect to both employers and workers, and that medical services be set up as soon as possible in all firms employing over fifty workers.

198. The second recommendation concerns the adoption of a European list of occupational diseases <sup>(1)</sup>.

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<sup>(1)</sup> See official gazette of the European Communities, No. 80, 31 August 1962.

While this recommendation deals first and foremost with compensation under social security arrangements (see sec. 202), it is likewise of interest from the standpoint of prevention. Legal recognition that a disease is due to an occupational risk inevitably causes attention to be paid to that risk; it entails compulsory preventive measures and gives rise to stricter supervision than would be the case with dangers not specified as jeopardizing the health of workers.

The first intimations of the effect that the governments intend to give to these recommendations are now being received by the Commission.

#### *Housing policy and family questions*

199. Housing is among the problems to which the Commission attaches special importance in its Action Programme and this has led to its convening a seminar on housing requirements for the end of 1963.

Pending this opportunity to compare notes and opinions, experts from the government departments concerned and from employers' and workers' associations have held further meetings, at the Commission's initiative, to exchange views on housing policy in general and on rural dwellings in particular. A comparative survey of the financing of housing schemes is about to be addressed to Member States.

200. The Commission proceeded with its study of developments in family welfare policy in each of the Member States, notably at a meeting of representatives from the competent ministries and family, employers' and workers' organizations.

The Commission took part in the seminars and congresses of the European Action Committee and the International Union of Family Organizations. The impact of the progressive establishment of the Common Market on family standards of living and on the European training of the young was discussed at these congresses, one of which was attended by the responsible ministers of five Community countries.

The Commission undertook a comparative survey of income tax reliefs in respect of dependents. Finally, family and workers' and employers'

associations were consulted on preparations for the inquiry into family budgets conducted by the Statistical Office of the European Communities in 1962-63 and involving 40 000 households.

### *Social security*

201. The Commission has completed extensive basic documentation on the social security schemes of Member States. A European Conference on Social Security, organized on its initiative by the executives of the three Communities enabled it in addition to inform itself of the main trends appearing in circles concerned with the harmonizing of these schemes.

This conference, held in Brussels from 10 to 15 December 1962, was attended by representatives of employers' and workers' organizations, together with observers from the European Parliament and delegates from the Economic and Social Committee and the member Governments. Also present were representatives of social security institutions, observers from competent circles (doctors, pharmaceutical chemists, experts from family welfare organizations, mutual benefit societies, private insurance bodies, etc.) and international bodies active in the social sphere.

The discussions, which were both lively and fruitful, were conducted in three committees on the basis of reports dealing with the main topics, namely: extension of the scope of social security, financing, benefits. Special working parties also examined problems peculiar to certain sectors (mining, transport, agriculture, nuclear energy).

From these discussions the Commission and government observers learnt of the sometimes divergent attitudes of employers and workers as to the need for and feasibility of harmonization. Having thus been informed of the main trends prevailing in the six countries among circles primarily concerned in social security developments, the Commission now has in its possession the necessary material for drawing up an initial action programme in co-operation with the governments of Member States and the Community institutions. Furthermore, numerous social security experts from each country have had the opportunity to acquaint themselves with the schemes in force in the other Community countries.

In the course of the past year, the Commission proceeded with the publication of comparative surveys of certain special social security schemes (agriculture), of financing and the actual value of benefits, and of more detailed statistical data.

The Commission also put in hand an expert study of relations between social security and welfare work in the Community countries.

202. The recommendation of the Commission concerning the adoption of a European list of occupational diseases marked the culmination of work on a specific point of social security legislation in which harmonization was urgently needed, since the national lists, for no good reason, presented discrepancies.

The Parliament had rendered on 11 May 1962 a formal opinion in favour of the draft submitted. The European list, comprising 44 occupational diseases or sources of such, is accompanied by a list of diseases which must be notified so that their causes may be thoroughly investigated and a decision taken as to their inclusion in the European list. This appended list comprises 21 headings.

## CHAPTER IV

### THE COMMUNITY AND THE DEVELOPING COUNTRIES

203. The special responsibilities which the Community assumed in the Treaty of Rome with regard to States which have since become independent of the Member States, and to countries and territories which have remained dependent, have increased and have, moreover taken on a different character in the case of the independent States. These changes are reflected in the Convention of Association initialled between the Community and the 17 associated African States and Madagascar, with which official contacts and day-to-day relations have grown steadily closer, owing to visits by African heads of State or Prime Ministers, and also because the associated States (Mali excepted) have now established direct missions to the Community. Since the signature of the Convention has been postponed, the Commission has proposed to the Council that temporary arrangements be made to mitigate the disadvantages to the associated States of this delay.

The Commission, however, considers and has stated in its Action Programme, that as the Community expands its position in world trade, it will have to give increasing consideration to the additional responsibilities it has undertaken towards the other developing countries. The Commission has therefore suggested certain lines for steering Community action in this field, while continuing to foster development under its own initiative or jointly with other international authorities, as the second part of this chapter shows.

The States of Rwanda and Burundi attained independence on 1 July 1962 and the Commission was represented at the celebrations organized for the occasion by each of these countries. Their Governments at once confirmed their ties of association with the Community and established direct relations with it.

#### **Renewal of the system of association with the African States and Madagascar**

204. After a whole year of endeavours by the Community and the eighteen associated States to renew the system of association which was due to expire

on 31 December 1962, the Community, the associated States and the Member States, on 20 December 1962, initialled the convention which will govern the association of the eighteen States with the Community for another five-year period. <sup>(1)</sup>

As early as 1961 the Commission took an active part in studying and solving the problems involved in operating an association in which the partners would in future be equal before the law. In this context the Commission on 13 July 1961 addressed a communication to the Council on the future system for associating the overseas States with the Community. <sup>(2)</sup>

In May 1962 it crystallized its ideas, submitting to the Council a preliminary draft convention to which the representatives or experts of Member States often had occasion to refer in the course of their work. The decisions finally adopted are frequently very close to the proposals in the Commission's preliminary draft convention, or to the compromise formulas which its representatives put forward in the negotiations. The Commission also made several progress reports to the European Parliament (see sec. 214). In the negotiations with the representatives of the associated States, the Commission spoke on behalf of the Community at working party level.

The Convention consists of a preamble and five titles: Trade (Title I), Financial and technical co-operation (Title II), Right of establishment, services, payments and capital (Title III), Institutions of the Association (Title IV) and General and final provisions (Title V). Seven protocols and a series of declarations annexed to the Convention deal with its implementation.

### *Trade*

205. The new provisions adapt and supplement these on customs and quotas in Part IV of the Treaty. They retain, within the same limits, the

<sup>1)</sup> The eighteen associated African and Malagasy States are: The Kingdom of Burundi, The Federal Republic of Cameroon, the Central African Republic, the Republic of Chad, the Republic of Congo (Brazzaville), the Republic of Congo (Leopoldville), the Republic of Dahomey, the Republic of Gabon, the Republic of the Ivory Coast, the Republic of Madagascar, the Republic of Mali, the Islamic Republic of Mauritania, the Republic of Niger, the Republic of Rwanda, the Republic of Senegal, the Republic of Somalia, the Republic of Togo and the Republic of Upper Volta.

<sup>(2)</sup> See Fifth General Report, sec. 160.

principle of reciprocity between associated and Member States in this field.

Exports from the associated States to the Member States will benefit from the same gradual abolition of duties and expansion of quotas as the Member States apply amongst themselves .

Moreover, as soon as the Convention comes into force, the following goods will enter the Member States duty free : pineapples, coconuts, coffee, tea, pepper, vanilla, cloves, nutmeg and cocoa. At the same time the common external tariff will come into operation at reduced rates for these products. Furthermore, the Community undertakes to pay due regard, when drawing up its common agricultural policy, to the associated States' interests with respect to those of their products which are similar to and competitive with European products such as oilseeds, rice and sugar.

On the other hand, the associated States will grant the same tariff treatment to goods originating in any of the Member States and will gradually abolish quantitative restrictions and measures with equivalent effect on imports of such goods. But the provision still stands by which the associated States may retain or introduce customs duties or charges with equivalent effect on goods imported from Member States when such duties and charges correspond to the requirements of their development or industrialization or are imposed for revenue purposes.

Moreover, under certain conditions they may retain or introduce quantitative restrictions.

The contracting parties are free to frame their own trade policies, but will inform and consult each other on trade arrangements with third countries wherever these are likely to harm the interests of one or more contracting parties. Customs unions or free trade areas may be continued or established between one or more associated States and one or more third countries provided they do not conflict with the principles and provisions of the Convention of Association. However, the treatment that the associated States apply to goods originating in Member States may not be less favourable than that applied to goods originating in the most-favoured non-Community country.

It is also laid down that within five years at the latest tropical products which enjoy special advantages will have to be marketed at

competitive prices. The Community will help gradually to adapt these products to the conditions of the market by contributing financial aid to production and to diversification.

*Financial and technical co-operation*

206. The aim is to foster the economic and social development of the associated African States and Madagascar. The main instrument is still the European Development Fund, which will be assisted by the European Investment Bank whose activity was hitherto confined to the Community States (and Greece since that country became associated with the Community).

The new association system is distinguished by four features: (a) the total amount of aids is increased, (b) it may take a wider variety of forms, (c) it may be applied in a wider range of sectors, and (d) the accent is on technical co-operation. With this system the Community is fully and uniquely equipped to carry out its policy of assistance to developing countries.

In the first period of the association, the total amount of aid was 581 million u.a. In the second period it will amount to 800 million u.a., 730 million for the African and Malagasy States which have initialled the new association agreements and 70 million for the Overseas Countries and Territories <sup>(1)</sup> and the four French Overseas Departments <sup>(2)</sup>.

Thus from one period to the next the total amount of aid has increased by 38%.

207. Whereas hitherto the Community was able to make only outright grants, it will now have a far wider range of financial methods at its disposal. The total of 730 million allocated to the associated States will be distributed as follows:

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<sup>(1)</sup> i.e. all the associated countries and territories which have not acquired the status of independent States: Surinam, Netherlands Antilles, French Polynesia, New Caledonia, Wallis and Futuna, Comoro Islands, French Somaliland, Saint Pierre and Miquelon, the Southern and Antarctic territories.

<sup>(2)</sup> Guiana, Martinique, Guadeloupe and Réunion.

- i) Outright grants by the EDF : 620 million;
- ii) EDF loans on special terms : 46 million (very long amortization period, period of grace, low rate of interest);
- iii) EIB loans on ordinary terms : 64 million;
- iv) Interest rebates ranging up to 3%, to be deducted from the outright grants appropriation, thus enabling the EDF to bring the interest on ordinary EIB loans down to 3%;
- v) Short-term advances to stabilize commodity prices, up to a ceiling of 50 million from the cash holdings of the Fund (this is not additional to the preceding figures).

208. As regards the sectors eligible for aid, hitherto the Community could finance only capital investment and, on occasion, certain technical assistance schemes. Henceforth it will have a far wider field :

- i) Traditional type of capital investment : 500 million;
- ii) Aids to production : 230 million, including special bonuses so that products can gradually be marketed at competitive prices, structural aids to production, and aids to diversification to remedy weaknesses in single-crop economies;
- iii) Stabilization measures to mitigate fluctuations in prices for agricultural products;
- iv) Technical assistance (the financing of which is included in the 500 million earmarked for investment).

209. The emphasis on technical co-operation is an important innovation, since during the first period of association neither the Treaty nor the Implementing Convention formally authorized the Commission to intervene in this field. Experience with the first EDF having shown that this was imperative, the Commission will be empowered to finance, through the EDF, schemes for general technical co-operation <sup>(1)</sup> as well as technical

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(1) Dispatch of experts, technicians and instructors, development surveys, general and vocational training by means of grants and training schemes, general information and documentation.

co-operation schemes in conjunction with investments, i.e. leading up to, accompanying, and following up the investment. Backed by credits from the Commission's ordinary budget, interesting experiments have been carried out in all these sectors in recent years; financing by the EDF should give them the range and stability consonant with the aims pursued.

The texts finally adopted were worked out on the basis of the Commission's proposals.

*Right of establishment, services, payments and capital*

210. The provisions on the right of establishment and supply of services are based on the principle of progressively placing Member States' nationals and companies on an equal footing in the associated African States and Madagascar. However, nationals and companies of a Member State can only benefit by this system of equality for a given activity in an associated State when their own State accords advantages of the same kind to the nationals and companies of the associated State in question. At the same time the signatory States undertake to free payments and capital movements in the fields liberalized by the application of the Convention.

European nationals and companies in Africa must be placed on an equal footing within three years. If special difficulties arise, an associated State may be permitted on request to suspend for a given period the application of this principle to a given activity.

*The institutions*

211. The Convention endows the association with institutions in which the Community and the associated States are equally represented.

These institutions are :

- a) The Council of Association, assisted by the Association Committee;
- b) The Parliamentary Conference of the Association;
- c) The Court of Arbitration of the Association.

The Council of Association is composed, on the one hand, of the members of the EEC Council and members of the Commission and, on the other, of one member of the Government of each associated State. The Council meets at least once a year and arrives at its decisions, resolutions, recommendations or opinions by agreement between the Community and the associated States.

The Association Committee is composed of one representative of each Member State, one representative of the Commission and one representative of each associated State. The chairman is provided by the State presiding over the Council of Association. The duties and powers of this Committee will be determined by the Council of Association, with the object of ensuring the continued co-operation essential to the satisfactory working of the Association. The Commission had proposed that it should itself provide the chairman for this Committee.

The Parliamentary Conference of the Association is composed of an equal number of members of the European Parliament and of the Parliaments of the associated States. It meets once a year and passes resolutions on matters concerning the Association. Each year the Council of Association submits a report on its activities to the Conference.

The Court of Arbitration of the Association issues decisions on disputes concerning association which the parties have been unable to settle out of court in the Association Council. It is composed of five members: a President and four judges appointed by the Council of Association, two of the judges being proposed for appointment by the EEC Council and the other two by the associated States. The Court acts by majority vote and its decisions are binding on the parties. The creation of this Court was not suggested by the Commission but was decided on by the States.

#### *Final and general provisions*

212. The open nature of the Association can be seen from the provisions of Article 58 of the Convention, which lay down that there shall be consultations within the Association Council on any request for association with the Community made by a State which has an economic structure and production comparable to those of the associated States, if the Community, after examining the said request, has laid it before the Association Council.

The agreement on association between the Community and such a State may provide for the accession of that State to the present Convention. It will then enjoy the same rights and be subject to the same obligations as the associated States, with the proviso that the agreement which associates it with the Community may determine the date on which certain of these rights and obligations become applicable to it. Such accession may not adversely affect the advantages accruing to the associated States which are signatories to the Convention from the provisions on financial and technical co-operation.

The Convention comes into force on the first day of the month following the date on which the instruments of ratification by the Member States and by at least fifteen of the associated States, and the instrument notifying the conclusion of the Convention by the Community, have been deposited; on the Community's side, the Convention is validly concluded by a decision of the Council of the Community adopted in accordance with the provisions of the Treaty and notified to the contracting parties.

#### PARLIAMENTARY ACTION

213. The European Parliament, ever watchful of the development of relations with the overseas countries, had occasion to put forward or recall various suggestions, notably in its resolutions of 28 June and 19 October 1962; a chapter-by-chapter study of the Convention shows that most of them are incorporated in the text. The Commission had followed these suggestions as closely as possible.

As regards trade, however, the proposal to abolish consumer taxes on given tropical products in certain Community States was not adopted. In the field of cultural and technical co-operation, the proposal to create a common development institute has so far not been adopted; on the other hand, the methods of financial and technical co-operation have been broadened, as Parliament desired.

From the moment when they first entered into discussions on the institutions, the Parliament and the Commission asked for structures based on equal representation; these have been adopted, though owing to technical requirements the provisions on administering the financial aid do not entirely conform to the general provisions.

214. All the problems raised during the negotiation of the Convention were again dealt with at fresh meetings held at Strasbourg (15 May 1962) and at Tananarive (5 October 1962) by the Joint Standing Committee for liaison between European and African Members of Parliament. At its meeting of 15 May the Joint Committee, in a recommendation which the European Parliament adopted as a resolution, stressed the need to increase and diversify Community aid. The text adopted by the negotiators of the Convention for the article by which an institution is set up to govern relations, within the Convention, between the European Parliament and the Parliaments of the associated States was directly inspired by another recommendation agreed by the Joint Committee on the same date.

#### *SIGNING THE CONVENTION*

215. The Convention of Association will be signed at Yaoundé in Africa, and will then be ratified by the Member States and the associated States in conformity with their respective constitutional requirements.

The date of signature has not yet been fixed. Consequently, in a memorandum which the Prime Minister of the Republic of Congo (Leopoldville) presented in their name to the President of the Council on 25 February 1963, the 18 associated States deplored the delay in signing the Convention, which could entail a corresponding delay in its implementation, and requested that signature should not be deferred beyond March.

At that time, faced with the objections of two of its members, the Council did not feel able to fix an exact date for signature. Nevertheless it did give an assurance that it was prepared to consider transitional arrangements to prevent any break between the expiry of the first association scheme and the entry into force of the Convention. Provision had in any case been made for such arrangements when it was expected that the Convention would be signed within the normal time-limit. Parliament had asked for such measures in its resolution of 19 October 1962 and they had been the subject of a declaration adopted on 19 December 1962 by the representatives of the Governments of the Member States and the representatives of the associated States.

The delay in signing was considerably protracted and it became necessary to adjust the transitional arrangements accordingly. The European Parliamentary Committee for co-operation with developing countries considered this question during its February and March sessions and the Parliament, in its resolution of 25 March 1963, defined the measures to be taken, which included the following :

- a) The reserve of 15% on the provisional amounts for authorized projects, set aside by the Commission, to be appropriated for new investments;
- b) The Commission to be assigned further means to enable technical assistance to continue after 1 July 1963;
- c) Certain tropical products to be admitted duty-free.

In addition the European Parliament, while deploring the delay in signing, as it had done in its resolution of 8 February, invited the Council to fix a definite date for the signature of the Convention at its next meeting.

It became clear at the Council meeting on 1 and 2 April 1963 that the obstacles to signature were being overcome and that it would be possible to fix the date at a forthcoming meeting.

### Activities under the first Association system

#### THE ASSOCIATION OF SURINAM AND THE NETHERLANDS ANTILLES

216. *Surinam* : The association of Surinam with the Community, on the basis of Part IV of the Treaty of Rome and the Implementing Convention, came into force on 1 September 1962. Surinam was thus able to benefit from EDF aid within the limits of the amount available from the quota allocated for countries and territories enjoying special relations with the Netherlands. At the invitation of the Surinam Government the Commission sent out a mission to assist in the arrangements.

217. *Netherlands Antilles* : The Community has agreed to apply the rules of association set out in Part IV of the Treaty to the Netherlands Antilles. However, the terms are to a certain extent varied by a protocol on Community

imports of petroleum products refined in the Netherlands Antilles. The regulations as adapted aim at reconciling the interests of those territories and the requirements of the common energy policy (see sec. 122).

The agreement providing for a revision of the Treaty under the terms of Article 236 (here applied for the first time) and the above-mentioned protocol were adopted on 13 November 1962 by the conference of representatives of the Governments of Member States.

The Commission took an active part in formulating these texts. They were adopted on a proposal by the Government of the Netherlands after consultation with Parliament, which voted a resolution in favour of adopting this proposal on 19 October 1962, but expressed the wish that the ordinary safeguard rules of the Treaty be applied to imports of petroleum products instead of the special regulations set out in these texts.

The agreement and protocol will come into force after ratification by all the Member States in accordance with their respective constitutional requirements. They are accompanied by a declaration on trade between the Netherlands Antilles and the associated overseas States and declarations on the interpretation and implementation of the provisions adopted.

The terms agreed establish a relationship of association between these two countries and the Community, on the same basis as the countries and territories listed in Annex IV to the Treaty.

#### *RELATIONS BETWEEN THE COMMUNITY AND NEW GUINEA*

218. On 15 August 1962 a Netherlands-Indonesian agreement was concluded which provided for the gradual transfer to Indonesia of sovereignty over New Guinea, hitherto exercised by the Netherlands. This transfer was completed on 1 May 1963.

It was clear that under these conditions no new investment scheme in this territory was eligible for consideration by the EDF, which can only finance schemes put forward by States associated with the Community or by Member States on behalf of their overseas departments or territories (Annex IV to the Treaty).

The Commission was faced instead with the question, whether or not to continue financing the four projects already started (totalling 8 700 000 u.a.) and others under consideration. The Commission decided to finish one project, an agricultural establishment, which was nearly completed. Two demographic and geological research schemes were called off locally but the statistical work on them is continuing in Europe. A scheme for a medical centre was suspended.

#### *RELATIONS BETWEEN THE COMMUNITY AND ALGERIA*

219. Until Algeria attained independence, relations between that country and the Community were governed by Article 227 of the Treaty and Article 16 of the Overseas Countries Implementing Convention. In December 1962 the Algerian Government requested the Community that it be allowed to continue to benefit under the Convention for the time being; new relations between the Community and Algeria would be determined later. The Community assented to this and agreed that the former commitments would be respected, principally in matters of finance.

#### *TRAINING AND STUDIES : CO-OPERATION WITH THE ASSOCIATED STATES AND TERRITORIES*

220. *Scholarships programme* : The Commission has continued with its programme on the basis of the principles which governed the earlier ones : the Governments of the overseas territories and States submit candidatures for examination by the Commission; annual, renewable scholarships are awarded for vocational training or further training in economics, finance, agriculture or techniques (at the trade, medium or higher level). Training is either by studies in colleges or by periods on farms or in factories in the Community countries. In the light of experience the Commission granted some of the 1962-63 scholarships, especially those for the training of officials for statistical services, for study at establishments actually situated in the associated countries. It also admitted a number of women candidates.

The Commission renewed a considerable number of scholarships (360) granted in the previous year and, with a great many new applications before

it, awarded 450 scholarships and grants (renewals included) under the budget allocated for this purpose. When the Convention of Association comes into force it will be possible to award an even higher number of scholarships.

With the wider programme in prospect, the Commission is working out methods of selecting candidates by competitive examinations and intelligence tests and special training programmes to meet the chief requirements of the developing countries. At the same time it is taking stock of the training opportunities available in the associated overseas territories and States.

Scholarships have also been awarded to 34 pupils admitted to the European Centre for training economist-statisticians from developing countries, which was opened in Paris on 5 November 1962. The purpose of this Centre is to turn out statisticians with a good grounding in economics, trained to collect statistical material, to investigate, prepare and analyse the various elements of economic accounts and development programmes.

221. *Short training courses and lectures*: in 1962, 32 training courses of an average length of four days were organized in Brussels and other cities in the Community countries. They were attended by 1 800 people, mainly nationals of the associated countries and territories, joined on occasion by nationals of the English-speaking African countries and by young Europeans.

The programme included lectures on the general problems of association between the overseas countries and the Community and talks on specific aspects varying according to the nature of the audience.

These talks and lectures were followed by discussions, while visits were organized to agricultural or industrial undertakings and meetings arranged with social bodies.

There were also many conferences on co-operation between the overseas countries and the Community at the study courses organized by trade-union, economic, cultural and educational groups. One of these, the Marseilles Chamber of Commerce and Industry, organized an African and Malagasy economic conference on the subject of planning in the development of the African States and Madagascar. A member of the Commission took the chair at this conference, which lasted from 18 to 21 October 1962.

222. *Training courses programme*: The suggestions and experience of the African representatives accredited to the Commission were borne in mind when the programme for nationals of the associated countries was arranged.

These courses are of two kinds, (a) long courses (4 to 9 months), and (b) short courses reserved for senior African civil servants who have less time at their disposal. While they are in Brussels, the trainees (11 in March 1963) are attached to the Director General's office in the Directorate for Overseas Development, and are afterwards sent on to the sectors which particularly interest them. They are also able to look at the structure and general working of the Commission and study the contents of the Convention of Association more fully. The Commission introduces them to various circles in the Member States interested in the problems of the associated countries, and the usual excursions in Community countries are organized.

Of the 32 officials from associated States who have followed courses in Commission departments in recent years, eight are at present attached to their countries' Missions to the Community.

223. *Study of problems of the associated States*: In 1962-63 studies of problems affecting the associated States increased in number, rising in January to over 150 actually begun.

The object of some of these studies is to evaluate and finalize investment schemes. The others deal with development programming on a regional or national scale, the listing of natural and human resources, and problems common to the associated countries — the persistence of the cattle plague virus, erosion danger in certain areas, the structure of family consumption in the associated States, the consumption of certain tropical products (coffee, cocoa, bananas) in the Community countries, etc.

#### TRADE DEVELOPMENT POLICY

224. The gradual introduction of common market organizations for certain Community agricultural products has led the Commission to contemplate taking special measures in favour of similar products exported by the associated States. Transitional measures have already been taken under the Cereals Regulation to give exports of manioc flour and meal from associated States easier access to the Community market.

The Community States and the associated countries have also continued to apply the tariff and quota measures laid down by the Treaty and the Implementing Convention.

225. *Measures taken by the Member States.* As regards tariffs, imports into Member States of products originating in associated overseas countries have been granted the further internal reduction introduced on 1 July 1962 under the second acceleration decision.

This is 10% for manufactured products and 5% for certain products listed in Annex II to the Treaty, of which coffee, cocoa, tea, spices and fish preparations concern the associated States.

If this reduction is included, tariffs on Community imports of products from the associated countries have been lowered since the Treaty of Rome and the first association system came into force by 50% for manufactured products, 30% for most of the liberalized agricultural products and 35% for the remaining agricultural products.

Furthermore, before granting certain Member States tariff quotas under Article 25 of the Treaty, the Commission consulted the associated countries on the products which they export — tropical woods, bananas, tea and tunny-fish.

226. The quota position described in the Fifth General Report still holds good. Pending the extension of the common agricultural policy, the Community States still apply quotas under their national market systems to imports of most goods from the overseas States where these are similar to or compete with their own products (oilseeds, sugar, rice).

France also maintains quotas for other products, such as bananas and coffee. In Italy, too, banana imports are restricted under a monopoly. Following the Commission's recommendation to the Italian Government in February 1962, Italy increased her 1962 purchases from the associated States and in fact went beyond the minimum recommended by the Commission. The Commission is keeping a watch on the course of this liberalizing process.

227. *Measures taken by the associated countries.* There has been no new step towards dismantling tariffs since 1 January 1962, when the associated

States again lowered their tariffs against imports from Member States and other associated States by 10%, making a total reduction of 30%. None of these countries has availed itself of the provisions of Article 133(3) to retain or increase customs duties against the Community.

The States of the Equatorial Customs Union — Cameroon, Central African Republic, Chad, Congo (Brazzaville), Gabon — have been applying a common external tariff since 1 July 1962. This tariff does not apply to member States of the Afro-Malagasy Organization for Economic Co-operation (OAMCE) nor to France. It is suspended in respect of the other Community countries pending implementation of the Convention of Association.

As regards quantitative restrictions, the associated countries took steps in 1962 to expand their global quotas in accordance with the rules laid down in Article 11 of the Convention, the result being a fourth increase in the global quotas opened for the Community countries.

There was no new quota expansion on 1 January 1963. Pursuant to the provisions of Article 14 of the Implementing Convention, which the associated States and the Community confirmed in a joint declaration on the transitional provisions, import quotas will be kept at the level reached in 1962 until the new Convention comes into force.

228. *Effect on trade.* Any evaluation of the effect on trade of the measures taken under the policy of association between the Community and overseas countries must take into account the general weakness of commodity markets and events in the Congo.

The general deterioration of tropical markets is borne out by the fact that whereas the overseas countries increased their exports from 7 792 000 tons in 1959 to 9 383 000 tons in 1961 (i.e. over 20%) their receipts remained practically stationary (1 172 million u.a. in 1959, 1 182 million in 1961). This situation means that the unit value of the products exported fell by approximately 18%.

Furthermore, while the Republic of Congo (Leopoldville), Rwanda and Burundi had managed, in spite of the state of their economy, to keep up a high level of exports to the Community until 1961, they suffered a

marked regression (slightly milder in Rwanda and Burundi) in 1962 owing to political events which greatly diminished productive capacity.

Exports from the associated overseas countries to the Community, however, showed substantial progress in 1962, in contrast to the rather poor growth rate previously achieved. Sales from these countries developed slightly better than from Africa as a whole, though they fell short of Latin-American sales for 1962. Also in the early months of 1962 sales from the associated overseas countries to the Community countries which traditionally buy from non-member countries (especially the Netherlands, Germany and Italy) made conspicuous progress by comparison with the corresponding period of 1961.

However, these markets still account for only about 20% of exports from the associated overseas States.

From 1959 to 1961 the Community's share in overall imports into the associated overseas countries remained around 62%. If the Republic of Congo (Leopoldville), Rwanda and Burundi are left out of this estimate — their imports dropped by 30% between 1959 and 1961 — then the Community slightly bettered its position, its share standing today at about 70%. During the same period, the overseas countries increased their purchases from the Community by 18%, taking into account the 44% decrease in purchases by the Congo (Leopoldville), Rwanda and Burundi. For the first eleven months of 1962 the volume of purchases showed no change on the whole from 1961; purchases fell off in the overseas countries of the franc area, but rose again in the Republic of Congo (Leopoldville). Sales by Germany and the Netherlands to these countries declined somewhat in 1962.

This slacker demand can probably be explained by the deterioration in the terms of trade of the associated countries and by their consequent desire to restore their balance of trade. There is not yet enough information available to analyse the situation in greater detail.

This trend, which is more satisfactory than in the early years of the association, may be considered to result in great part from the policy of association and the establishment of ever closer relations between business circles in the Community and in the associated overseas countries.

## THE EUROPEAN DEVELOPMENT FUND

229. Overall situation on 31 December 1962. The following table summarizes the position of projects already laid before the Fund, as they stood when the Implementing Convention expired on 31 December 1962 :

TABLE 7

## Overall situation of the European Development Fund

(amounts in thousand u.a.)

Year	Projects submitted		Projects financed (provisional commitments)		Projects in course of execution	
	Number	Amount requested	Number	Amount of commitments	Number	Amount spent
1958	36	37 473	—	—	—	—
1959	196	146 987	60	40 137	4	87
1960	191	486 108	61	72 966	16	3 276
1961	169	213 575	100	137 283	77	15 751
1962	207	447 188	95 <sup>(1)</sup>	189 347 <sup>(1)</sup>	199	53 086 <sup>(2)</sup>
Total	799	1 331 331	316 <sup>(1)</sup>	439 733 <sup>(1)</sup>	286	72 200 <sup>(2)</sup>

<sup>(1)</sup> including 12 projects (70 273 000 u.a.) which were being considered for approval at 31 December 1962.

<sup>(2)</sup> rough estimate.

The following table shows the Fund's commitments at the same date, in each of the areas concerned, taking into account the accessory expenses and average increases which in practice always attach to initial cost estimates (about 15% of the provisional commitments).

TABLE 8

*Commitments of the European Development Fund**(in thousand u.a.)*

Areas <sup>(1)</sup>	Annex B allocations (for the 5 years)	Commitments, firm or under negotiation on 31.12.62 (including reserve, planning costs and miscellaneous expenses)	Available balance
I	30 000	25 300	4 700
II	511 250	464 400	47 150
III	5 000	4 860	140
IV	35 000	17 800	17 200
Total	581 250	512 360	69 190

(<sup>1</sup>) When allowance is made for the accession to independence of numerous associated countries, the classification by areas laid down in Annex B of the Implementing Convention works out as follows:

- I. Congo (Leopoldville), Rwanda, Burundi.
- II. Algeria, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Senegal, Togo, Upper Volta... French overseas territories and Departments.
- III. Republic of Somalia.
- IV. Surinam, Netherlands Antilles.

Thus, although there was a delay of over a year before the Fund got under way, 88% of the total amount appropriated had been actually allocated when the Implementing Convention expired.

The Commission also had to face the problems raised by political changes in certain countries in 1962 (independence of Rwanda and Burundi, New Guinea's changed status, association of Surinam with the Community). These changes partly influenced the tempo of the Fund's operations in the countries concerned. The Commission has kept a credit balance which will help to avert too serious a break in the tempo of commitments during the period before the Convention of Association comes into force. However, provision has already been made for available credits to be utilized, and the schemes eligible for financing from them are now under consideration.

Thus, when allocating the Fund's resources, the Commission has respected the obligations laid down by the Implementing Convention in the best interests of the recipient countries and without any delay harmful to them.

As regards the financing decisions drawn up by the Commission and adopted by the Council, it may be noted that by 31 December 1962 the overseas countries and territories had received satisfaction in respect of 39% of the projects they submitted and 33% of their total requests for funds, whilst the Commission was able to choose from a great many projects and give priority to those it considered most useful for the economic and social development of the peoples concerned. Some schemes of undoubted interest for which financing had to be deferred will be eligible under the Convention of Association if they remain before the Commission.

Altogether, 63.1% of the financing authorized was for economic investments and 36.9% for social schemes. These percentages are close to the proportions laid down by the Council for guidance in allocating resources (70% for the former, 30% for the latter).

Regarding performance, 282 projects (representing 380 million u.a.) have been handled in 163 financing agreements. By the end of 1962, 17 projects (5.1 million u.a.) were ready for immediate action, 100 were fully under way and 60 partially so.

230. *The Fund in operation.* Briefly, the Fund was able in 1962 to operate under normal conditions. It was aided by the fact that the Council, on a Commission proposal, put at its disposal a credit of 3 million u.a. earmarked for planning studies. With this credit it was possible to complete the files on pending projects and to press ahead with investigating and carrying out others that had been passed as sound and deserving of priority.

Meanwhile, the Fund's administrative establishment remains unchanged, although it has to supervise the carrying out of some 2 000 tenders and contracts (as against 440 signed at present because most of the projects financed are still only partly under way). What is more, this personnel will in the coming five years have to cope with further tasks arising out of the new Convention of Association. Thus the Commission's responsibilities will grow constantly heavier, and it must be given adequate means to fulfil them.

### General action to foster development

231. In its Action Programme the Commission hoped that there would emerge at Community level a co-ordinated and, indeed, a common policy of long-term aid to all developing countries and not merely to the eighteen associated States. Such a policy, which could only take shape in an atmosphere of confidence with the proposed recipient countries, would have to be based mainly and not merely to a limited extent, on the organization of the great world markets and the co-ordination of investment programmes and credits and of technical co-operation.

As it stated in its resolution of 29 March 1963, the European Parliament also considers that the Community would fall short in its task if its commercial policy did not aim at effectively promoting the progress of countries with which it is not associated, in Africa, Asia and Latin America. In the Parliament's view this policy ought to include stabilizing commodity markets, lowering duties — without increasing consumer taxes correspondingly — on coffee, tea, cocoa, tobacco and sugar in particular — expanding the quotas in Community countries for goods from developing countries, and broadening the terms under which import credit and export financing may be granted.

Until such time as these ideas bear fruit in the Member States, the Commission is continuing its own work on co-ordinating credit insurance

policies (which Parliament also wishes to see expanded) and is taking an active part in international efforts to deal with development problems, especially with the very difficult question of commodity trade.

#### *CO-ORDINATION OF CREDIT INSURANCE POLICIES*

232. So far as the developing countries are directly concerned, the Group for the co-ordination of policy on credit insurance, whose general activity is described in the chapter on foreign relations, has been chiefly occupied in setting up a consultation procedure of the grant of credits longer than five years for purchases of equipment.

In close co-operation with the Community Banking Federation, the Group has also been considering suitable means by which private financial institutions could take a greater part in financing medium-term and long-term credits for less developed countries. It made a detailed analysis of the procedures and techniques that each Member State employs in granting and guaranteeing financial credit. This analysis clarified the problems raised by these recent techniques. The possibility of mobilizing in the Common Market countries bills representing medium and long-term export credits was thoroughly investigated, and this may lead to firm proposals.

The possibility of collaboration between private financial institutions in the Community and the European Investment Bank was also considered, and an agreement reached under which the Bank can assist in financing certain export operations.

The Group finally studied methods by which the Community countries could co-operate financially with the Inter-American Development Bank.

#### *THE COMMUNITY'S CONTRIBUTION TO SOLVING PROBLEMS OF COMMODITY TRADE*

233. The Commission contributes to world-wide studies and activities aimed at organizing trade in certain tropical products the export of which is vital to the economy of many developing countries.

During the negotiation of the new terms of association the Commission put forward proposals on the gradual abolition of obstacles to international

trade in commodities, which were accepted and will take the form (see sec. 205) of substantial reductions in the common external tariff for several tropical products which are of major importance in trade between the Community and the developing countries.

The Commission has contributed to efforts in various international circles to solve the problem of stabilizing prices of tropical products at satisfactory levels.

As regards suitable methods to promote increased consumption of tropical products in Community countries, the Commission, followed by the European Parliament, long ago proposed that internal consumer taxes on these products should gradually be abolished. That the proposal was well-grounded has now been confirmed by the survey mentioned earlier of the coffee, cocoa and banana market in the Community countries. The conclusions of this survey have been brought to the knowledge of the Governments of the Community countries and the associated States and of the private bodies concerned.

#### *PARTICIPATION IN OECD MEETINGS*

234. The Commission took part in the work of the following OECD bodies :

##### *Development Aid Committee (DAC)*

235. The Commission participated regularly in this committee's work and supplied it with the records made out for each "specific financial transaction" financed by the EDF or by the ordinary budget.

It submitted a report to the committee as part of the annual review of aid on all the Community's activities on behalf of the associated overseas countries in 1962.

Besides the annual review of aid, DAC's new work schedule includes meetings between its member countries for co-ordination and consultation on questions of aid to certain countries or areas, and more detailed examination of some critical points in the aid policy, such as the effect of tied aid on

the economies of donor, recipient and third countries and the organization of a multilateral system of guarantees for private investments in less developed countries.

*DAC working party on technical co-operation*

236. In 1962-63 the working party framed various directives advocating a regular annual review of technical co-operation aid. The Commission submitted a report on its work in this connection in 1961; the 1962 report is in course of preparation.

*OECD Technical Co-operation Committee*

237. This committee is responsible for the Organization's technical co-operation policy and in particular for the programmes of technical assistance to member countries regarded as less developed — Greece, Iceland, Yugoslavia, Portugal, Spain and Turkey. Although the matters dealt with by this committee do not directly concern the Commission, which is represented as an observer only, they are very similar to the problems of technical co-operation with countries associated with the Community. Hence the Commission finds it valuable to keep up permanent contact with this body.

## CHAPTER V

### EXTERNAL RELATIONS

#### Association of Greece with the Community

238. The Association Agreement signed between Greece and the Community on 9 July 1961 was ratified by the national Parliaments during the second half of 1962. The instruments of ratification were exchanged on 24 August and, in accordance with Article 76 of the Agreement, the Association entered into force on the first day of the third month following the date of the exchange of the instruments of ratification, that is to say on 1 November 1962.

In order to permit the national administrations to apply the system for the movement of goods, for which provision is made in the Agreement — and particularly by Articles 7 and 8 thereof — on this date, an Administrative Convention was signed in Brussels on 26 September 1962, specifying the practical conditions to be satisfied by these goods in order to benefit from the tariff and quota preferences under the Agreement. This Convention introduces customs regulations for trade within the Association.

The Association Council, set up under Article 65 of the Agreement, held its first meeting on 12 November 1962 at ministerial level. It adopted its rules of procedure, which in particular provide for meetings at least once every six months. It also took two decisions relating to the movement of goods in processing traffic (Art. 8) :

- i) Fixing procedure for collecting the levy payable in accordance with Article 8(1) of the Agreement;
- ii) Fixing the rate of the common external tariff duties to be taken into consideration for determining this levy.

The Association Council heard a statement by a representative of the Community on the main provisions relating to the implementation of the common agricultural policy in the cereals, pigmeat, eggs, poultrymeat and fruit and vegetable sectors. With regard to these five sectors the leader

of the Greek delegation replied that this government was ready to harmonize his country's agricultural policy with that of the Community. A survey of the practical conditions for this harmonization has already been initiated.

The Council set up an Association Committee "charged with assisting the Council in its tasks, with preparing its decisions, with examining all questions referred to it". This Committee has met three times, on 13-14 December 1962, 1 February 1963 and 11 March 1963; during this last meeting it examined the first restrictions on the export of commodities introduced by the Greek Government (olive oil and bauxite). Article 28 of the Agreement in fact provides that the Association Council must be consulted on such decisions.

Up to the present time the Association Agreement has worked satisfactorily and relations between the Community and the Greek Government have been cordial and imbued with mutual confidence. The European Parliament has contributed to the development of these good relations. For example, a delegation of the Parliament headed by M. Duvieusart has carried out a study and information mission in Greece, and at the close of the debate during which the mission's report was presented, on 19 October 1962, the European Parliament voted a resolution proposing the creation of a Parliamentary Committee for the Association with Greece. This Committee, consisting of 14 members of the Greek Parliament and 14 members of the European Parliament, would debate any problem concerning the implementation of the Athens Agreement on the basis of an annual report submitted to it by the Association Council.

## The Community and other European countries

### *THE NEGOTIATIONS FOR THE ACCESSION OF THE UNITED KINGDOM*

239. The Fifth General Report contained an account of the preparatory stage of the negotiations for Britain's entry into the Community, which was devoted to exploring the problems which would have to be solved during the negotiations proper.

During the second stage, which ended in July 1962, the Conference began discussing the problems raised by the leader of the British delegation,

particularly those relating to the Commonwealth. Mr Heath reserved the right to raise other subjects connected with various Articles of the Treaty and the implementing texts adopted since its entry into force.

The third stage of the negotiations began in the autumn of 1962 and ended in January 1963. It was devoted mainly to examining how British agriculture might be adapted to the common agricultural policy.

During these sixteen months, therefore, the negotiations bore mainly on the major problems peculiar to Great Britain. They were conducted with a desire to find solutions in conformity with British interests, but also in conformity with the spirit of the Treaty and compatible with its continued smooth operation.

*The general level of the common external tariff*

240. The British delegation had stated that they were prepared to accept the structure of the common external tariff as the basis of the common tariff of the enlarged Community, taking into account a linear cut of about 20% in the common tariff. Nevertheless, some uncertainty persisted as to what the British delegation had in mind.

In the Community's view the common external tariff could only mean the tariff as established by the Council's decisions of 13 February, 20 July and 29 December 1960 and by that of 2 March 1960 for products in List G annexed to the Treaty.

It had emerged from the opening talks with the British delegation that the latter "accepted in principle for the enlarged Community — subject to the requests concerning agricultural and tropical products — the common external tariff resulting from the "Dillon negotiations"; the delegation had reserved the right, however, "to request, at the end of these negotiations, that they might examine together with the Six whether the resulting tariff level was appropriate for the enlarged Community or whether it still needed to be adjusted by further reductions, which would not exceed the 20% envisaged in these negotiations".

The British Government did not propose to ask for upward adjustments of any duties.

Thus the question of the general level of the common external tariff was still open when the negotiations were suspended.

For its part, the Community was ready to consider changes within the limits contemplated by the British delegation, provided always that the principle of reciprocity which had been one of the factors in the decisions of 12 May 1960 was formally accepted by Great Britain.

#### *British requests for zero duties in the industrial sector*

241. The British delegation had presented a list of 24 industrial products or classes of products (to which others were added later) for which they requested a zero duty in the common customs tariff.

The British requests were in most cases prompted by the fact that a large proportion of British imports of the products in question came from Commonwealth countries and were, therefore, admitted duty-free or given preferential treatment under the British customs tariff. The list represented about 16% of the United Kingdom's industrial imports, some of them of considerable economic importance.

When the negotiations were suspended a solution had been found for 10 products. There remained 16 products (four of which were important) in the final list of industrial products for which Great Britain had requested a zero duty and on which no agreement had yet been reached. Nevertheless, the Six had submitted during the sixteenth Ministerial Meeting a joint proposal to the British Government regarding newsprint. However, in view of the date on which this document was submitted, the British delegation had not been able to express an opinion. When the negotiations were suspended the Six had not yet reached any agreement on the Commission's proposals for the other main products.

#### *Commonwealth problems*

242. In its opening statement, the United Kingdom Government had said that Commonwealth problems could be solved by means of the Treaty itself, or by protocols to it; this by analogy with the solutions which had

been adopted for relations between the Community and those countries with which one of the Member States of the Community had special links. Two types of solution were mentioned in this connection. One followed the precedent of the protocol to the Treaty applicable mainly to Morocco and Tunisia; this protocol allowed the countries benefiting therefrom to maintain their exports to the country with which they had special links without any modification of customs arrangements. The second was on the lines of the Association of overseas countries and territories to which the Community grants special treatment.

The problems relating to the Commonwealth were, however, so complex that the Six could not envisage an analogy of such general scope, and they proposed, through the Commission, that the Commonwealth countries should be classified according to the essential features of their export trade and the type of problem raised by these countries in relation to the provisions of the Rome Treaty.

Discussions were begun on the basis of this classification, and various types of solution were envisaged.

#### *Canada, Australia and New Zealand*

243. *Manufactured products.* In the opinion of the Six, indefinite continuation of duty-free entry into the United Kingdom for a range of manufactured products from these countries, representing some 11% of United Kingdom imports in this sector, would have raised insoluble problems in connection with the competitive position of British processing industries and with the free movement of goods (deflections of trade).

The British Government had moreover agreed that indefinite continuation of duty-free entry for unlimited quantities of these products could not be regarded as compatible with the development of the Common Market.

In order to cushion the effect that any abrupt change in the preferential situation on the British market might have for the exporting industries of these countries, the Conference adopted a solution proposed by the Commission and based on a device known as "décalage". As far as the exports

in question were concerned this system consisted in slowing down the alignment of the preferential British duties with the common external tariff as compared with the normal tempo provided for in Article 23 of the Treaty.

The agreement arrived at during the seventh Ministerial Meeting on 29 and 30 May 1962 provided that, for the manufactured products from Canada, Australia and New Zealand in respect of which Great Britain had submitted a special request, she would align her preferential tariff with the common external tariff according to the following time-table :

First alignment of 30% on accession;

Second alignment of 30% on 1 January 1967;

Final alignment on 1 January 1970.

Moreover, the Conference recalled the Council's statement of 5 and 6 February 1962 concerning the Community's position in regard to multi-lateral negotiations aimed at reducing customs duties on manufactured products on a reciprocal basis.

Finally, the Community declared its readiness to examine in 1966 and 1969, together with Canada, Australia and New Zealand, the development of its trade with these countries and to take the appropriate measures in the light of all the circumstances and in accordance with the terms of the Treaty.

244. *Processed agricultural products.* In October 1962 an agreement was reached at Deputy level between the Six and the British delegation on about 40 processed agricultural products. This agreement provided for a standard "décalage" and an examination in 1966 and 1969 by the enlarged Community, together with Canada, Australia and New Zealand, of the way trade with these countries was developing.

Later the Six proposed to the United Kingdom a general solution consisting of a "soft" décalage, that is to say a further deceleration of the initial steps for alignment with the common external tariff for all the products for which no solution had yet been found.

During the last Ministerial Meeting the British delegation stated that they were willing to consider the Six's proposal if special arrangements could be made for certain products, in particular canned fruit and canned salmon.

The negotiations were suspended before a definite solution for these products could be adopted.

*India, Pakistan, Ceylon and Hong-Kong*

245. The principal Asiatic countries of the Commonwealth had been classified as countries whose problems were mainly linked with the application of the common external tariff and with the common commercial policy.

India, Pakistan and Hong Kong, and in an indirect way Ceylon, had special economic features which were sufficient to make their incorporation into the complex of associated countries and territories a difficult matter. In particular, all these countries had powerful manufacturing industries whose prices reflected the low wages they paid, and this situation would have made association under Part IV of the Treaty of Rome difficult.

The negotiations therefore moved towards a quite original type of solution, unforeseen at the beginning. The basis of the solution suggested for India and Pakistan at the tenth Ministerial Meeting consisted of arrangements relating to the application of the common external tariff to British imports from the countries in question. The full tariff would have been reached in 1970 after a *décalage* in the alignment of the British preferential tariff on the Community tariff, and it would be applied in the context of a common policy going beyond the purely commercial sector and designed to maintain and even develop the export outlets of the countries in question while safeguarding Community interests.

In the preamble to the Agreement, the enlarged Community declared its readiness, in framing its commercial policy, to take into account the need for these countries to increase and diversify their domestic production in order to improve the standard of living of their peoples. To this end, the enlarged Community stated that it was prepared to undertake negotiations three months after Great Britain's accession with a view to concluding comprehensive trade agreements with Pakistan and India.

In addition, a number of transitional measures were envisaged and special arrangements were agreed to for cotton and jute goods, which would follow a different timing for the alignment of the British preferential tariff

on the common external tariff. It was also understood that the United Kingdom would apply Articles 14 and 31 of the Treaty of Rome to the liberalized products, taking into account the acceleration decisions, and to open for the other products a quota of 3 000 tons, increasing annually by 700 tons. All quantitative restrictions were to be abolished by 1 January 1970.

The Conference agreed that Ceylon should benefit from most of the measures for tariff reduction and décalage envisaged for India and Pakistan. The negotiators also agreed in principle to a declaration on the part of the enlarged Community that it was prepared to conclude with Ceylon a comprehensive trade agreement of the type envisaged for India and Pakistan. Moreover the adoption of a zero duty on tea in the common external tariff would have represented a substantial advantage for that country.

When negotiations were suspended the problems of Hong-Kong were still awaiting a final solution.

#### *Association*

246. The British Government was desirous that the less developed members of the Commonwealth and the dependent territories of the United Kingdom should have the opportunity of association with the Community on terms analogous to those available to the present associated countries and territories. The British delegation accordingly furnished a list of Commonwealth countries to whom they suggested association should be offered.

For its part the Community was prepared to give favourable consideration to applications from independent Commonwealth countries in Africa and the Caribbean having characteristics similar to those of the present associates. Similarly the Six were prepared to grant association status to United Kingdom dependent territories whatever their geographical position. The association of these territories would naturally have come under the terms of the new Convention of Association and would have had to conform with the accession clause which provides for prior consultation of the associates without right of veto.

The British Government had been kept informed of the progress of the negotiations on the Convention with the Associated African States and Madagascar. At the time when the negotiations were suspended it had

received the initialled text of the Convention, but had not been able to give its final assent. On several occasions during the negotiations, however, the British Government had expressed agreement with the main lines of the renewed Convention. Nevertheless, the financial aspects still remained to be discussed. Moreover, the British delegation had not been able to undertake all the necessary consultations with the dependent African territories.

After the Commonwealth Prime Ministers' Conference most of the independent countries declared association with the Community to be unacceptable. The Conference then adopted an alternative solution for those countries to which an offer of association had been made. This consisted in leaving open the possibility for these countries to become associated at a later date under the procedure laid down in Article 58 of the new Convention of Association.

In the meantime imports from these countries into the United Kingdom would have benefited from the system of soft *décalage* in the alignment of the British tariff on the common external tariff. In addition, provision was made for the conclusion of trade agreements between the enlarged Community and these countries; nevertheless, such agreements would not confer the same advantages as association.

#### *Other Commonwealth countries*

247. Certain other Commonwealth countries presented special problems.

For example the British High Commission Territories (Basutoland, Béchuanaland, Swaziland) formed part of the South African Customs Union and presented a number of problems both in connection with the origin of goods and with the obligations arising from Articles 132 and 133 of the Treaty of Rome. It was agreed to apply to these territories a system similar to that in the Protocol to the Treaty and relating to goods originating in and coming from certain countries and enjoying special treatment on importation into one of the Member States.

Aden's geographical position and special situation with regard to oil led the Conference to consider association for this territory, subject to an *ad hoc* protocol on the export of petroleum products to the Community.

As far as the Federation of Malaysia was concerned, it appeared that the problems raised by the accession of Great Britain were less pressing, as the Federation was a large exporter of products which already benefited from a zero duty in the common external tariff. Nevertheless, as the Federation of Malaysia was not among the territories to which the Community had made an offer of association, it was agreed that if the Malaysian Government should so request, and if it appeared to be necessary for the maintenance and development of reciprocal trade, the enlarged Community would declare its willingness to open negotiations for a trade agreement. During the transition period, exports from the Federation of Malaysia to Great Britain would benefit from the soft *décalage*.

Although Malta enjoys a considerable measure of autonomy, Great Britain nevertheless has certain powers in matters of foreign policy. The British Government had stated that they were prepared to give Malta a mandate to negotiate and implement an association agreement with the Community under Article 238 of the Treaty. However, the Six considered that a special protocol would better meet the requirements of Malta's political and economic situation. A protocol of this type would have made provision for the possibility of association at a later date, and could also have included the elements of a customs union.

The Government of Cyprus had addressed to the President of the Council a letter dated 10 December 1962 requesting the opening of negotiations for association with the Community in accordance with Article 238 of the Treaty of Rome. At its ordinary meeting on 24 January 1963 the Council had agreed to initiate the appropriate procedure in respect of Cyprus.

The Conference had not however examined the case of Gibraltar, for which the British delegation felt that Article 227 offered the most appropriate solution.

Neither had it been possible to consider in any detail the case of the Federation of Rhodesia and Nyasaland which was in a rather special constitutional situation at the time of the negotiations.

#### *Commonwealth agricultural exports*

248. One of the biggest problems to be solved in the negotiations was that of British imports of temperate products from the Commonwealth.

The United Kingdom had to reconcile its obligations to the Commonwealth with participation in the common agricultural policy. It had proposed special arrangements to give the Commonwealth countries comparable outlets to those they enjoyed at the time of Great Britain's application for membership of the Community.

For their part, the Six were convinced that no permanent solution for Commonwealth problems could be found in special measures in favour of these countries alone. In their opinion such a solution could only be sought in a world context.

If the exporting countries of the Commonwealth had problems of adaptation following Great Britain's accession to the Community, the Six had however expressed their willingness to seek transitional solutions according to the difficulties actually experienced.

On the basis of proposals drawn up by the Commission, a large measure of agreement on a number of important factors was reached at the Ministerial Meeting, which took place from 1 to 5 August 1962. It was understood that the enlarged Community would take the initiative of calling, possibly in 1963, an international conference of the principal importing and exporting countries in order to reach world agreements for cereals, meat, dairy produce and sugar.

Pending the conclusion of these world agreements or, failing this, of agreements of more limited geographical scope, and at most for the transition period laid down in the Treaty of Rome, the principle of transitional measures was adopted in order to cushion the impact on Commonwealth countries of the United Kingdom's progressive implementation of the common agricultural policy for the products mentioned.

Detailed measures were envisaged for the transition period, for cereals in particular. The Community confirmed its intention to fix the standard reductions in such a way as not to cause any abrupt shift in trade patterns and, if necessary, to review the manner of applying these standard reductions after consultation with the Commonwealth countries.

Where a tariff preference existed for certain cereals the United Kingdom would be entitled to allow imports from the Commonwealth countries to benefit from part of the standard reduction applicable between Member States, phasing this out by the end of the transition period.

Nevertheless the British delegation reserved its final agreement on the Community's proposals pending clarification of the Community's price policy for cereals and a decision on the percentage of the standard reduction for Commonwealth products.

In addition the British Government made a number of requests concerning other agricultural products, in particular beef and veal, mutton and lamb, sugar and flour. Most of these requests were directed towards obtaining satisfactory outlets for these products in the enlarged Community, either by maintaining a preferential tariff quota, or by keeping in force a special agreement which Great Britain had made for these products with certain Commonwealth countries.

The British requests had far-reaching implications and many were difficult to accept; furthermore the fact that for certain products the common agricultural policy had not yet been worked out added to the difficulty of finding solutions.

In the course of the discussions at the Ministerial Meeting of 1 to 5 August 1962, the Six recognized the existence and importance of the special problems raised by New Zealand. In his preliminary statement of 10 October 1961, with reference to Commonwealth problems, Mr Heath had said that New Zealand in particular was likely to suffer serious damage if it could not be assured by one means or another of comparable outlets for its products in the future. The Commission agreed that New Zealand's special position could be recognized as regards butter, because of the importance of butter in that country's exports and the particularly difficult situation of this product on the world market.

Nevertheless, discussions between the Six on this subject had not been concluded and the problem had not been closely examined with the British delegation.

### *British agriculture*

249. During the third phase of the negotiations, which started in the autumn of 1962, the problems of British agriculture were extensively discussed. The wide divergencies between the British agricultural system and

the common agricultural policy demanded the Conference's close attention, in particular because of the regulations which the Community had adopted in January 1962 for certain agricultural products.

An initial agreement was reached at the ninth Ministerial Meeting on 20 and 21 July 1962. This agreement provided that the Commission would make an annual review of the situation and the economic prospects of agriculture within the Community. The Commission would transmit the results of this annual review to the Council and would make proposals to restore the level of agricultural incomes if this should be necessary.

In his opening statement, Mr Heath had underlined the special features of the British agricultural system and in particular the existence of direct subsidies and price supports. He had also proposed arrangements including an annual review and the guarantees to be given to farmers, and a gradual introduction of the changes required in the British agricultural system in order to incorporate it in the Common Market.

Following the initial decisions on the common agricultural policy which were taken in January 1962, Mr Heath had stated that although the United Kingdom had not taken part in formulating these decisions, it would accept the common agricultural policy as set out in the regulations, subject to adjustments which would have to be made for the larger Community. These adjustments gave rise to lengthy discussions between the Six and Great Britain. The British Government wanted account to be taken of the radical changes in the supply and demand situation within the Community as a whole which would result from the accession of the United Kingdom and certain other countries. The British Government also wanted adaptations to enable the system in force in the United Kingdom to be harmonized smoothly and gradually with the new system which would have to be established.

To this end, the British delegation submitted a number of requests for modifications or adjustments to the regulations in force.

The Six were not able to accept all these British requests. Being desirous that the British system should be adjusted in a way compatible with the principles and timing of the common agricultural policy, they informed the British delegation that :

- i) The United Kingdom would have to apply the common agricultural policy in its entirety by the end of the transition period;
- ii) The system of deficiency payments granted on the basis of a guaranteed price would have to be abolished from the beginning of the transition period in respect of all products which were subject to Community regulations. The Six showed a certain understanding, however, of the British Government's pledges to Parliament on this issue and declared their readiness to consider appropriate measures within the limits of those pledges;
- iii) A system of degressive subsidies to consumers or — if these involved major difficulties — to producers, would provide a solution to any difficulties, such as a sudden and excessive rise in consumer prices, which might arise in the change-over from one system to the other.

In this way it would have been possible to apply the common agricultural policy to Great Britain and still avoid any serious difficulties for the British economy.

The Six considered that if the British were allowed to maintain their guaranteed prices and deficiency payments, the British system would continue alongside the system established by the other six Member States under the common agricultural policy. This would have constituted a serious flaw in this policy and would have led to discrimination between Community producers, contrary to the Treaty of Rome.

As to the British request for a longer transition period, the Six pointed out that, given the structure of British agriculture, they did not see that adaptation of the British system would involve any particular difficulties justifying an extension. Moreover, the date of 31 December 1969 was fixed by the Treaty itself, and any extension would amount to an alteration of the Treaty and would prevent the common agricultural market from being set up within the time allowed.

The discussions on the integration of British agriculture were of necessity lengthy and arduous for they included extremely technical matters together with more general economic and political aspects which were closely interwoven.

A Committee of Investigation under the chairmanship of M. Mansholt, Vice-President of the Commission, was set up at the fourteenth Ministerial Meeting to examine exactly how the Community's proposals and the British proposals would work out in practice. During the discussions in the Conference after this Committee had presented its report, the Community pointed out once again that certain compromises would be easier to reach if the United Kingdom could accept 31 December 1969 as the date for the end of the transition period. In reply Mr Heath said that if it were established that suitable arrangements could be made for the products dealt with in the Committee's report (and so excluding horticulture) for the transition period, it might then be possible for the United Kingdom to accept the date of 31 December 1969 as the end of the transition period for these products.

The discussions had not got beyond this point at the time the negotiations were suspended.

The problem of the Financial Regulation, adopted in January 1962, was also discussed. However, the discussions took place principally between the Member States of the Community, following statements made by the British delegation which had led certain delegations of the Six to request the immediate and full implementation of the procedure laid down in Article 201 of the Treaty so that "the decision on levies in Regulation No. 25 might become final and irrevocable".

The Commission had submitted detailed proposals to the Six, but it had not been possible to reach agreement on these before the suspension of the negotiations.

It should be noted that certain governments had made their agreement on a final solution for temperate products from the Commonwealth subject to a final solution for the problem of the Financial Regulation.

#### *Economic union*

250. Throughout the negotiations numerous contacts took place between the British delegation and the Commission with a view to clarifying a number of problems relating to economic union which the British delegation

had raised. On most points these discussions served to allay the misgivings of the British delegation on this subject.

These discussions related to : the free movement of goods, commercial policy, transport, economic policy (including anticyclical policy and the articles of the Treaty relating to balance of payments), the right of establishment, services, free movement of capital, rules governing competition (including the harmonization of legislation), equal pay for men and women, free movement of manpower, and social security.

From the outset of the negotiations the Spokesman of the Six and the President of the Commission had emphasized the importance the Community attached to the provisions of the Treaty relating to economic union, as the realization of this was a condition for the success of the customs union itself.

#### *Miscellaneous questions*

251. The Conference agenda included other matters which, when the negotiations were suspended, had not been thoroughly examined; some of them had not even been approached.

In particular there were the problems of the European Free Trade Association (EFTA) and of other European countries interested in the negotiations. At the beginning of the negotiations the British Government had stated that an arrangement satisfying the special interests of the EFTA countries must be considered as one of the conditions for the accession of Great Britain herself. At its meeting in June and July 1961 the EFTA Council had left each member of the Association free to establish direct relations with the Community while at the same time keeping EFTA in being "until satisfactory arrangements had been worked out to meet the various legitimate interests of all members and thus enable them all to participate from the same date in an integrated European market".

In pursuance of this decision by the Council of the Association, the signatories of the Stockholm Convention approached the Community, requesting either membership under Article 237 of the Treaty of Rome or

association under Article 238, and stating in broad outline their position in relation to the political aspects of the Treaty of Rome and to its economic and commercial provisions (see secs 252 - 261).

During the negotiations it was agreed with the British delegation that Article 234 of the Treaty of Rome, which is couched in very general terms and relates essentially to non-preferential commitments such as those under GATT, could not be invoked to postpone to a date after Great Britain's accession the settlement of the problem of Great Britain's preferential relations with EFTA.

EFTA problems were not dealt with in the early stages of the negotiations; there appears to have been fairly general agreement that the time-table should provide for examining the most important specifically British problems first (Commonwealth and agriculture). In addition to practical considerations, this delay was justified by the fact that the requests of other EFTA countries appeared to be made in consequence of the British request itself, or at least to be very closely linked to the success of the latter. Nevertheless negotiation procedure with the EFTA countries was initiated concurrently with the negotiations with the United Kingdom.

The Six intimated to Great Britain, however, that there was a slight possibility of the negotiations with the EFTA countries who had requested membership or association being concluded before Great Britain's accession.

With regard to the three applicants for membership, it was no doubt too early to say what basic solutions would be adopted, but the negotiations, agreed to in principle, did at least have a firm basis, which could not be other than the Treaty of Rome.

For the other applications from EFTA countries, on the other hand, it was much more difficult to make any assumptions on either the timing or the nature of the solutions to be adopted.

Before the suspension of the negotiations the Six were proposing to study a provisional system which, without prejudging basic solutions, would have made it possible to conclude those talks which had reached the most

advanced stage, in particular with the countries applying for membership. Great Britain had maintained the position recalled above.

The Conference had also given initial consideration to institutional questions. This was in fact one adjustment of the Treaty of Rome which would automatically follow the enlargement of the Community. In the first place this problem was considered from the aspect of the British negotiations alone.

In this connection the British delegation made various suggestions on which the Six were broadly in agreement.

The main questions were the weighting of Great Britain's vote, which was to have been the same as that for other member countries of comparable size, and the maintenance of the definition of a qualified majority as two-thirds of the votes (Art. 148 of the Treaty). The question of British participation in the various Community institutions had also been raised, and there was no reason to believe that Treaty rules or current practices would have raised difficulties in this matter. Nevertheless the problem of harmonizing the institutional arrangements to be made for Great Britain's entry with those to be envisaged for other possible members remained open.

During its sessions of June 1962 and February and March 1963 the European Parliament passed various resolutions on the negotiations for Great Britain's accession to the Community, calling for their rapid conclusion — then, on the suspension of the negotiations, deploring this development and urging the establishment of a "modus vivendi" with the United Kingdom while awaiting the latter's accession. During its debates on 27 and 29 March in particular the Parliament, after hearing an account from the President of the Commission of the state of the negotiations with the United Kingdom, passed two resolutions. In the first it confirmed its desire to see Great Britain and other countries accede to the Community while observing in their entirety the provisions of the Treaty of Rome, but urged that the Community should continue its development in spite of the serious difficulties resulting from the suspension of the negotiations. In the second resolution, passed after examination of the full report which it had requested of the

Commission at its previous session, the Parliament urged that negotiations should be reopened with the United Kingdom and also with Denmark, Ireland and Norway as soon as possible.

In the final observations in the above-mentioned report, the Commission underlined the real difficulties experienced in the negotiations of reconciling British systems and commitments with the letter of the Rome Treaty, or rather with a rapidly developing Community. The United Kingdom's application for membership involved an obligation to accept not only the Treaty but also the substantial progress made under the Treaty since its signature. It was on this progress that discussion was sometimes most difficult, but the fact that in other fields the content of the Treaty of Rome was still being worked out and that, broadly speaking, the implementation of its various aspects was in an intermediate stage, may also be considered to have made matters more difficult for the negotiators. In fact the problem was that of attempting to bring about the necessary adaptation of the British system to the Community system whilst taking into account Great Britain's vital interests on the one hand and, on the other, a Community system which was of necessity based largely on forecasts of future trends.

The Commission endeavoured throughout to work for a solution of Great Britain's specific problems by taking a long view and making use of the time factor. In many cases the right solutions could only be solutions which anticipated the future progress of the Community, for example in procedural matters, and which had at the same time the effect of leading the enlarged Community, probably sooner than originally intended, to start working out common policies.

The negotiations with the United Kingdom, because they brought these problems to the fore and in some cases considerably increased their scale, compelled the Community, then, to come to grips with them sooner than it otherwise would have done. This process brought with it greater awareness of the responsibilities an enlarged Community would bear in the world. Because of the United Kingdom's almost world-wide responsibilities, the questions raised by the United Kingdom delegation also made it vital for the Community to define without delay the main policy lines of such

a large and powerful Common Market with regard to matters which, once Britain was a member, would have had a direct and crucial impact on the overall balance of the free world.

*THE NEGOTIATIONS FOR THE ACCESSION  
OF DENMARK, NORWAY AND IRELAND*

252. *The negotiations with Denmark.* The first stage of the negotiations for Denmark's accession to the Community was conducted concurrently with the negotiations with the United Kingdom. This initial stage was described in the Fifth General Report.

During six Ministerial meetings held with the Danish delegation three main topics were discussed: tariffs, agriculture and social policy.

253. As regards tariffs the Danish delegation requested that the basic duty adopted for aligning their tariff with the common external tariff should be the duty applicable in Denmark on 1 March 1962, as established by the general Danish tariff reform carried out in 1960 and 1962. The Six adopted a very reserved attitude on this request, particularly with regard to the second part of the tariff reform which was effected on 1 March 1962, that is at a date subsequent to the Danish request for membership.

In addition, the Danish delegation requested a short period of adaptation for certain industries, on the ground that the Danish economy was still in process of industrialization.

Though reluctant to create a precedent in such matters, the Six agreed to the possibility of a detailed examination of the products of the industries in question, in order to see if in certain cases a *décalage* could be allowed in aligning the Danish tariff on the common external tariff.

254. In the agricultural sector, the Danish delegation recognized that the objectives of the common agricultural policy and the machinery set up by the agricultural regulations were generally speaking compatible with the requirements of a Community enlarged by the accession of Denmark and the United Kingdom. They nevertheless expressed anxiety that implement-

ation of the agricultural regulations might disturb Danish exports to the Community during the period of the negotiations, in particular in the pigmeat, eggs and poultrymeat sectors.

The Six said that they found it difficult to make special arrangements for a third country simply because that country had requested membership of the Community. They were however prepared to allow the Commission to take certain steps, in accordance with statutory procedure, to meet some of the Danish anxieties. This implied a continuation of the contacts which Denmark had already made with the Commission.

255. The negotiations on social questions were devoted particularly to the problems raised by the existence of a Scandinavian labour market. Studies were made of the free movement of workers in relation to the provisions of the Treaty of Rome and of Regulation No. 15. But further examination of this problem was postponed until the question had been discussed with the British delegation.

During the sixth and last Ministerial Meeting with Denmark held at Brussels on 12 November 1962, the leader of the Danish delegation, M. Haekkerup, recognized that a certain priority should be given to the negotiations with the United Kingdom. He also stressed that the Danish Government had accepted the Treaty of Rome with all its implications, including the political unification of Europe.

At the time when the negotiations with the United Kingdom were suspended, study of the problems raised by the Danish delegation had not gone beyond the technical stage.

256. *The negotiations with Norway.* The Norwegian Government had informed the Council by letter, on 30 April 1962, that they wished to open negotiations with the Community for accession under Article 237 of the Treaty of Rome.

During a preliminary meeting held at Brussels on 4 July 1962 at ministerial level M. Lange, Norwegian Minister of Foreign Affairs, stated that his Government was prepared to accept the objectives and the provisions

of the Treaty of Rome and explained the problems which would arise for his country in the event of accession, particularly in the field of agriculture and the highly important one of fisheries.

The Council replied affirmatively to the Norwegian Government's request for the opening of negotiations.

A single meeting at ministerial level was held with the Norwegian delegation. During this meeting, which was held at Brussels on 12 November 1962, the spokesman for the Six asked the Norwegian delegation for clarification of certain passages in M. Lange's statement of 4 July.

M. Lange undertook to send a written reply to the questions put by the Six.

257. *The negotiations with Ireland.* After a number of preliminary meetings between representatives of the Irish Government and the Six, the Council gave its assent, during its meeting on 22 and 23 October 1962, to the proposal for negotiations made by the Irish Government.

This decision was communicated to the Irish Government on 24 October 1962. The negotiations with the United Kingdom were suspended before negotiations with the Irish Government could be opened.

#### ASSOCIATION OF TURKEY

258. Negotiations with Turkey were actively pursued following the Council's adoption of a directive to this effect at its meeting on 24 and 25 September 1962.

Delegations of the Turkish Government and the Commission met in June and October 1962 and in January and March 1963. Considerable progress was made in defining the structure and the content of the association agreement, and the conclusion of these negotiations may be expected in the near future.

*REQUESTS FOR ASSOCIATION  
BY AUSTRIA, SWEDEN AND SWITZERLAND*

259. On 12 and 15 December 1961 Austria, Sweden and Switzerland addressed to the President of the Council letters in which they made known their desire to participate in an enlarged European market. They wished to conclude an agreement with the Community and expressed the hope that a date might be fixed for the opening of negotiations such that the solutions adopted for all the countries in the European Free Trade Association might come into force simultaneously (in accordance with the statement made on 31 July 1961 by the Council of the Association).

Although couched in different terms; the Austrian, Swedish and Swiss approaches were all directed towards an agreement under Article 238 of the Treaty of Rome. The three Governments considered that on this basis formulas could be found which would safeguard their permanent neutrality — a common factor in their policy — but which would not affect the Community's integrity.

While taking into account in varying degree the economic objectives and the content of the Treaty of Rome, they drew attention to the exceptions which the policy of neutrality that they wished to maintain would mean for them. At a hearing of their representatives before the Council and the Commission on 28 July 1962 (for Austria and Sweden) and 24 September 1962 (for Switzerland), the three Governments expressed the following desiderata :

- i) A certain freedom of action in commercial policy, particularly the right to negotiate trade and tariff agreements with third countries; this would not prevent co-ordination of their commercial policy with that of the Community;
- ii) Means of ensuring certain vital supplies in time of war;
- iii) The right to abstain from taking measures inconsistent with the requirements of neutrality. This might extend to total or partial suspension of the association agreement and even to denunciation of the entire agreement in the event of serious international tension; this could be done by means of a provision which the neutral governments considered might be on the lines of Article 224 of the Treaty.

*PORTUGAL*

260. Following the example of the neutral countries and of Spain, which on 9 February 1962 had requested association with the Community with a view to full membership in due course, Portugal also approached the Community. In a letter addressed to the President of the Council on 18 May 1962 Portugal requested the opening of negotiations to establish the terms for co-operation with the Community.

Acknowledgement of receipt of this letter was sent to the Portuguese Government on 29 June 1962. Acting on a decision taken on 5 December 1962, the Council invited the Portuguese Government to explain its desiderata at a hearing similar to that which had been arranged for the neutral countries. This hearing was fixed for 11 February but did not take place.

*CYPRUS*

261. As indicated in section 247 the Republic of Cyprus asked the Council if negotiations could be opened for association with the Community and the Council agreed to initiate the appropriate procedure.

**Contacts and diplomatic relations**

262. Countries outside the Community, aware of the increasing importance of the latter, are increasing the number of their contacts with the Commission, not only by means of Government missions but also on the diplomatic level by accrediting missions to the Community. Permanent contacts are maintained with the heads of these missions or with diplomatic representatives in an atmosphere of mutual confidence.

Thirty-four countries maintain official relations with the Community (not counting the representatives of the associated African States and Madagascar). In alphabetical order these countries are :  
Argentina, Australia, Austria, Brazil, Canada, Ceylon, Chile, Colombia, Costa Rica, Denmark, Dominican Republic, India, Ireland, Israel, Japan, Lebanon, Morocco, Mexico, Norway, New Zealand, Pakistan, Persia, Peru, Portugal, South Africa, Spain, Sweden, Switzerland, Thailand, Tunisia, United Kingdom, United States of America, Uruguay, Venezuela.

To these countries must be added the first European country to be associated, Greece, which now has a permanent delegation.

The Community has also agreed to the opening of diplomatic relations with Ecuador, El Salvador, Guatemala, Haiti, Iceland, Jamaica, Trinidad and Tobago. The accrediting of heads of missions for some of these countries is expected shortly.

*ACTION PROGRAMME  
FOR A COMMON COMMERCIAL POLICY*

263. On the initiative of the Commission, the Council has, in recent years, taken decisions designed to introduce a common commercial policy which, according to Article 111 of the Treaty, must be applied by the end of the transition period. In 1960, there was the insertion of an "EEC clause" in trade agreements between Member States and non-member countries <sup>(1)</sup>; then, in 1961, the establishment of a procedure for consultation on the trade negotiations of Member States <sup>(2)</sup> and standardization of the term of trade agreements with non-member countries <sup>(2)</sup>. Both these measures were taken on the basis of proposals in the first memorandum on commercial policy drawn up by the Commission.

On 25 September 1962 <sup>(3)</sup> the Council approved a second memorandum which the Commission had submitted to it on 24 March 1962. This new document contains an initial action programme for a common commercial policy, whose objective is to enable the Member States to harmonize their national commercial policies gradually, taking into account the actual problems arising for different products and various geographical areas. In this process due regard must be paid to the objectives of the Treaty itself, i.e. the harmonious development of world trade, the abolition of restrictions and lowering of customs barriers.

The Commission attaches considerable importance to a balanced implementation of this policy. There must in the first place be a balance between the introduction of the common external tariff and the application

<sup>(1)</sup> See Fourth General Report, Chap. IV, sec. 192.

<sup>(2)</sup> See official gazette of the European Communities, No. 71, 9 October 1961.

<sup>(3)</sup> See official gazette of the European Communities, No. 90 5 October 1962.

of other commercial policy measures if serious disturbances are to be avoided. This balance must above all be applied to the development of imports and exports. Likewise, the degree of Community organization already achieved for a large number of agricultural products in the context of the common agricultural policy means that a common commercial policy has been created for these products. Corresponding progress must be achieved for manufactured products since the Community, which is the world's biggest importer of agricultural products, is also one of its principal exporters of manufactured goods.

The action programme lays down more specifically that the Member States should bring into line their import and export policies. Alignment of import policy must in particular relate to the lists of products liberalized in respect of those countries which are members of GATT or other countries having similar economies, to quota policy in trade with countries not belonging to GATT, and to defensive trade measures. Standardization of export arrangements implies harmonization, to the necessary extent, of arrangements for aid to exports to non-member countries, standardization of measures for liberalization of exports and harmonization of efforts directed towards expanding trade in markets outside the Community.

Within the framework of this programme, and with the collaboration of the Member States, the Commission has already made a good start on harmonizing the lists of liberalized products and on adjustments to quota policy, as will be seen below.

#### *DEVELOPMENTS IN IMPORT LIBERALIZATION POLICY*

264. The Member States have considerably increased the number of products whose importation from non-member countries has been liberalized. The efforts already made to liberalize products originating in the dollar area have been continued and the six countries have almost completely liberalized imports of manufactures from the present OECD countries.

Further progress has also been made in relation to other countries, whether or not members of GATT, and especially Japan. France and Italy in particular have adopted measures extending their liberalization of imports

from these countries in order to get as close as possible to the ex-OEEC liberalization (last instalments : Italy, 1 October 1962; France, 4 December 1962).

This process will moreover be continued, in pursuance of the above-mentioned commercial policy provisions of the action programme, particularly those calling for the greatest possible standardization of the lists of liberalized products, in respect of countries belonging to GATT, or non-member countries which regulate their foreign trade on the principles of GATT. Before 1 July 1963 the Commission is to address to the Member States recommendations on the standardization of lists of liberalized products in respect of the ex-OEEC countries and the dollar area.

In accordance with the action programme, the Member States' national quotas and national liberalization lists in respect of the State-trading countries of the Eastern bloc are to be replaced by Community procedures.

265. *The Cotton Textiles Agreement.* In 1962 the Member States and the Commission took part in the work of the Cotton Textiles Committee which led to the conclusion of a long-term (5-year) agreement in this field <sup>(1)</sup>. This agreement, which came into force on 1 October 1962, superseded a provisional agreement which expired on 30 September 1962.

In accordance with the decision taken by the Council on 24 September 1962, the Member States of the Community made a declaration on signing the agreement that "should the obligations flowing from the Treaty establishing the European Economic Community and relating to the progressive introduction of a common commercial policy make this necessary, negotiations will be opened as quickly as possible for the purpose of making appropriate modifications to the present agreement".

#### STANDARDIZATION OF EXPORT ARRANGEMENTS

266. The Member States have acted on the recommendations addressed to them by the Commission early in 1962, on arrangements for exports to non-member countries of raw hides, uncut diamonds, certain types of wood, hemp seed and non-ferrous metal scrap <sup>(2)</sup>.

<sup>(1)</sup> See Fifth General Report, sec. 200.

<sup>(2)</sup> See Fifth General Report, sec. 203.

The application to these products of measures under the common commercial policy appeared to be desirable in order to prevent the Member States experiencing difficulties (deflection of trade) following the implementation of the provisions of Article 34 of the Treaty relating to the abolition of quantitative restrictions on exports between the Member States.

The Member States and the Commission are to take stock of the situation in this sector before the end of 1963.

#### EXPORT AIDS

267. As the systems of aids for exports to non-member countries become better known, the necessity of harmonizing the credit-insurance and export-credit schemes operated by the Member States becomes more apparent; differences between these schemes may distort competition between undertakings.

The Commission has turned its attention to certain situations such as drawback of customs and excise duties in Italy on exports of certain products of the engineering industry (Act 103) and certain textile fibres; though the rates applying to intra-Community trade have been appreciably lowered, they remain unchanged in trade with non-member countries (see sec. 49). The same is true of shipbuilding, particularly in the Federal Republic of Germany, where credit measures have been introduced for the sole benefit of exports (see sec. 48). Generally speaking, and particularly since the beginning of the year, the Commission has been considering to what extent aids which are likely in certain circumstances to be abolished in respect of intra-Community exports (medium-term credit facilities, market-research insurance, commercial risk insurance, exchange guarantees, etc.) can be retained and harmonized in respect of exports to non-member countries.

The "Co-ordinating Group for Credit-Insurance, Guarantees and Financial Credits" set up under the aegis of the Council, which made its first report on 14 May 1962, has, in addition to its activities in connection with aid to developing countries, undertaken a twofold task (see sec. 232) :

i) Establishment of procedure for consultation between the Member States on the granting of guarantees and credits in excess of the "Bern Union" standards;

ii) Harmonization of the terms and conditions of credit insurance with a view to the gradual introduction of a uniform system.

The consultation arrangements proposed by the Co-ordinating Group and approved by the Council came into force at the end of May. The Member States will consult each other whenever one of them — or an official body in that State — is considering granting guarantees for export credits or financial credits linked with the supply of home-produced goods and having a duration exceeding five years. Provision has also been made for the exchange of information concerning credits granted directly by the Member States, credit ceilings and outline agreements. The object of these consultations is to prevent unregulated competition on the markets of non-member countries, and to permit the co-ordination of the Member States' policies vis-à-vis the developing countries in the field of credits linked with the purchase of capital goods. The consultation procedure has functioned satisfactorily and has enabled useful discussions to be held on many topics. On several occasions the examination of specific cases has led to the adoption of a common attitude.

The work on harmonization of the terms and conditions of credit insurance has been continued and has given rise to some important decisions. Thus a convention regulating the liabilities of credit-insurance organizations in respect of joint guarantees has been signed, while reciprocal agreements have been reached for covering sub-contracts originating in another country of the Community. But the main result has been the Co-ordinating Group's adoption in principle of a uniform system of premiums, the ways and means of which are still under study. The agreements reached on these points are important milestones in the elaboration of a model credit-insurance system to which the Member States will gradually approximate their own credit-insurance systems.

As a result of the introduction of common measures concerning export refunds on most of the products in which the market is subject to Community regulations, the Community's common export policy is much more advanced in the agricultural sector. However, for agricultural products which do not fall under Community regulations the position is undecided. The general list of State aids in this sector now in preparation (see sec. 143) will make it possible here also to establish a Community policy.

*EFFECTS OF THE COMMON AGRICULTURAL POLICY  
ON COMMUNITY TRADE*

268. Since the decisions of 14 January 1962 the Member States can no longer apply the conventional machinery of commercial policy — customs duties and quotas — in trade with non-member countries in the products falling under the common organization of markets. As is well known, this machinery has been replaced by a variable levy in principle covering the gap between world prices and the prices fixed for the internal market. Thus, the internal price becomes a factor regulating not only the internal market but also the Community's international agricultural trade.

It would obviously be premature to say what repercussions this new system will have on Member States' trade with non-member countries. The liberalization measures and the abolition of customs duties to which the Member States have agreed are in fact moves towards freer international trade, but the levy system is of too recent date for its effects on that trade to be assessed. In any case, the Commission has always maintained that in this field it will have due regard for the interests of importing or exporting non-member countries, particularly in fixing the prices of the products in question.

In the context of this general policy the Commission has given some thought to the question of how far the liberalization which has taken place should be extended to State-trading countries, and to the possible consequences of such extension. The price manipulation which these countries are able to practise might cause imbalances in their trade with Member States which could not be compensated by the safeguard measures for which provision is made in the regulations. Furthermore the strictly bilateral conditions and the reciprocal granting of quotas which are a feature of trade relations with these countries conflict with the multilateral orientation of the Community's agricultural policy in respect of non-member countries. Consequently the Council, on a proposal of the Commission, authorized the Member States to avail themselves provisionally of the option provided in the agricultural regulations, of waiving the principle of liberalization in respect of the Eastern bloc countries. The arrangement approved by the Council on 24 January 1963 permits the removal of all quantitative restrictions

on imports of the products in question from these countries, but this removal is accompanied by a system of control and suspension in the event of disturbance of the market.

As the problems of trade in agricultural products are world problems it would be advisable to seek co-ordination of world markets for these commodities in order to obtain, on the one hand, a fair distribution of rights and obligations and, on the other hand, a better organization of world trade. The Community has already explained its views in this field in connection with the work of GATT; it has urged that limits be set to market interventions, since they distort both import prices and export prices, and has advocated concerted action to aid famine-stricken countries. In the negotiations with Great Britain, it proposed the negotiation of world agreements to promote the stabilization and expansion of trade in agricultural products (see sec. 248).

#### *THE COMMUNITY'S TARIFF NEGOTIATIONS*

269. At the time of publication of the previous General Report, the fifth tariff conference held at GATT was drawing to a close. Although this Conference, at which the Community was represented by the Commission, was officially concluded on 16 July 1962, some of the Community's negotiations continued until the following November.

The Community's "re-negotiations" under Article XXIV(6) of GATT were described in the last General Report. We need only add that the total number of agreements concluded during these negotiations finally rose to twenty-two, Denmark and Norway having decided towards the end of the Conference to accept the Community's proposals. In addition, a special arrangement was concluded with Brazil under which the Community has bound certain concessions which it had offered during the "re-negotiations"; for her part Brazil decided to maintain the concessions enjoyed by the Member States.

The only concessions by the Member States the withdrawal of which has still to be compensated by concessions in the common tariff relate to manufactured tobacco products and petroleum products, headings for which the duties under the common external tariff were not yet known.

The multilateral negotiations ("Dillon round") had as their object new concessions on a reciprocal basis. A first important agreement was reached on 7 March 1962 between the Community and the United States; this agreement, the cornerstone of the whole structure of tariff agreements resulting from the Conference, has already been described in the Fifth General Report (see sec. 206).

This was closely followed by the conclusion of an agreement with the United Kingdom. The special interest of this agreement lies in the fact that the United Kingdom is the only country which agreed to negotiate on the basis of "across-the-board" reductions proposed by the Community. The agreement reached on this basis provided for a 20% reduction in the respective customs tariffs for a wide range of manufactured products, representing a considerable proportion of the Community's trade with the United Kingdom. The Community has also concluded agreements with Austria, Chile, Haiti, Japan, New Zealand, Peru and Switzerland. The negotiations with Finland and Sweden were inconclusive. Australia and Canada withdrew from the negotiations.

With the above-mentioned exception of the United Kingdom, the Community's trading partners kept to the selective method, this consisting of presenting offers and requests for concessions on selected products one at a time. Under these conditions, and in view of the fact that the Community's across-the-board offer also contained a selective element, the negotiations were in general conducted product by product, in order to reach a bilateral balance of concessions with each partner. Nevertheless, the Community did not demand full reciprocity from the developing countries.

In the end the tariff negotiations did not effect as large a reduction in the common external tariff as was contained in the offer of a 20% across-the-board cut made by the Community at the beginning of the Conference. Broadly speaking, the reductions granted by the Community may be said to represent less than half of the original across-the-board offer.

In a resolution passed on 26 June at the close of a debate on relations between the Community and GATT, the European Parliament expressed the hope that negotiations would shortly be opened for more sweeping

reductions in the obstacles to international trade and drew the Council's attention to the necessity of strengthening the Commission's hand in the context of a common commercial policy.

Within the Conference, the Community also conducted successful negotiations with certain countries wishing to accede to the General Agreement, i.e. Israel, Portugal, Cambodia and Spain.

In the field of tariff agreements it should also be noted that, in accordance with a decision by the Council of 4 December 1961, the Commission entered into negotiations under various provisions of GATT with a number of countries wishing to withdraw or to modify concessions granted in their customs tariffs and of interest to the Community. In particular the Commission has entered into negotiations for compensation with the Government of the United States under Article XXVIII of the General Agreement on the reform of the American tariff nomenclature, since in many cases this affects the tariff concessions granted by the United States. These negotiations are proceeding.

#### *RELATIONS WITH THE UNITED STATES*

270. Within the general tariff negotiations described above, those between the Community and the United States have been of decisive importance, in view of the predominant trade position of the two partners.

On the political level the agreement reached marks an official recognition of the Community's customs tariff and bears witness to the common will of the Community and the United States to contribute to the general expansion of trade by means of a liberal tariff policy.

Further substantial progress in this direction should be achieved in the next few years thanks to the signature of the Trade Expansion Act by the President of the United States on 11 October 1962. This Act empowers President Kennedy to negotiate large additional tariff reductions, to be effected in stages, as also the staggered abolition of customs duties in sectors in which the Community and the United States together conduct at least 80% of world trade. This last provision was no doubt made on

the assumption that the Community would be enlarged to include Great Britain; the sectors in which the present Community and the United States conduct 80% of world trade are in fact very limited in number.

The Commission greeted the signature of the American Trade Expansion Act with satisfaction, seeing in it an important step towards a new era in international economic relations and, in political terms in particular, an opportunity to move towards the realization of the Atlantic partnership.

Consequently it is preparing with great care for the negotiations which, in its opinion, should cover the widest possible field. As the Commission indicated in its Action Programme, this preparation involves continued study of the general economic implications of the Trade Expansion Act, the definition of a joint negotiating position for the Community and giving the Commission considerable freedom of action in the conduct of these negotiations. The Commission intends that the negotiations should as far as possible be directed towards general and automatic reductions and that they should cover not only tariffs but also non-tariff barriers to trade.

Certain preliminary questions were discussed in the course of visits by the President of the Commission to Mr Kennedy and members of the American Government in April 1962 and February 1963 and visits to Brussels by American personalities, in particular Mr Herter, Special Representative of the President of the United States for the tariff negotiations. These talks bore mainly on the problems raised by existing tariff differences, trade restrictions other than customs duties, agricultural questions and the problems of the developing countries in the context of multilateral negotiations.

In a resolution of 27 March 1963 the European Parliament welcomed the initiative taken by the United States. It considers that for the satisfactory working of the Atlantic partnership it will be necessary to lay down a number of common rules in order to remove or to prevent any distortion of trade and disturbance of markets which might result.

During the period covered by the present report, however, a number of disputes have arisen in trade relations between the Community and the United States. For example, the decision taken by the President of the United States on 19 March 1962 to increase the customs duties on window

glass and carpets, which came into effect on 17 June 1962, provoked a lively reaction in the industrial circles affected in certain Member States (Belgium, France and the Federal Republic) and in the European Parliament. On 26 June 1962 the Parliament passed a resolution in which it approved the counter-measures taken by the Community on 18 June 1962, affecting certain American exports, such as polyethylene and polystyrene. The Commission also intends to follow attentively the development of certain tendencies towards restricting imports into the United States of products which are important for the Community, particularly in the textiles and steel sectors.

Agricultural questions, which had been largely left in abeyance at the time of the tariff agreement between the EEC and the United States, were also discussed during the visit paid to Brussels in November by Mr Freeman, Minister of Agriculture. The Minister expressed his Government's anxiety over the common agricultural policy, and more especially the levy system for poultry and certain cereals.

#### *RELATIONS WITH CANADA*

271. Relations between the Community and Canada continued to be cordial.

However, that country too, is showing concern over the Community's agricultural policy and the system of variable levies for certain goods of interest to Canadian exporters.

On 25 June 1962, in view of Canada's difficult financial position, the Canadian Government temporarily introduced surcharges on imports, which affected a substantial proportion of the Community's exports. These measures were gradually made more flexible and were finally abolished altogether.

#### *RELATIONS WITH LATIN AMERICA*

272. New missions were opened at Brussels by the Dominican Republic, Venezuela, Chile, Argentina, Costa Rica and Uruguay. Relations between the Community and these countries were also maintained through the Organization of American States (OAS) which submitted, in May 1962,

memoranda to the commission relating to coffee, meat, worsted yarns and bananas. The Secretary-General of the Organization, M. Jose Mora, also had talks in July with M. Hallstein in Brussels on standing arrangements for collaboration between the Commission and the OAS. The latter set up a European Office for permanent liaison between itself and European organizations and more particularly the Community; it also invited the Commission to send an observer to the Conference of the Inter-American Economic and Social Council which was held in October 1962 at Mexico.

In the course of certain organized events in Europe (the Hanover Fair, the Congress of Christian Employers), the Commission had further contacts with Latin-American personalities and took advantage of these meetings to state its views on relations between the Community and Latin-American countries.

The views of the Commission in this matter are summarized in an action programme submitted in its final version to the Council in January 1963. In this document, the Commission announced its intention of making arrangements for liaison and information by opening a Community Liaison Office in Latin America and by establishing a contact group in Brussels through which there would be periodic technical discussions with representatives of the Latin-American countries. In addition, the Commission proposed to organize a series of lectures on technical subjects in those countries.

In commercial matters, the Commission considered that in the course of the new round of multilateral negotiations the possibility might be considered of binding or reducing certain duties of the common external tariff, and this might affect products of interest to South America. In financial matters, it would be useful to study ways and means of making a European contribution to development aid for the Latin-American countries. Finally, the Commission made proposals concerning technical assistance.

#### TALKS WITH MIDDLE EAST COUNTRIES

273. Relations between the Community and Israel, Iran and the Lebanon, were clarified.

*Israel*: In a memorandum dated 24 November 1961, Israel had confirmed and amplified its previous request for the opening of negotiations

with the Community with a view to an agreement offering Israel easier access to European markets.

The Israeli request was examined by the Commission in the course of exploratory conversations with an Israeli delegation in May 1962. Following these conversations, the Council, having received a report from the Commission, stated at its session of 24 and 25 September 1962 that it would be inappropriate in the present circumstances to envisage an association agreement with Israel. However, the Council decided to authorize the opening of negotiations with that country with a view to outlining a trade agreement or other suitable arrangement in this field. The first phase in these negotiations lasted from 26 November to 7 December 1962. At its meeting of 1 and 2 April, the Council instructed the Commission to resume negotiations at the stage which they had reached on 7 December.

*Iran* : On 24 May 1962, Iran submitted to the Commission a memorandum proposing negotiations in which the repercussions of the Common Market on the Iran economy would be studied and means be sought of facilitating and developing trade between Iran and the Community.

At its session of 25 September, the Council had agreed to talks between the Commission and an Iranian delegation with a view to clarifying the problems to be dealt with. These talks took place from 1 to 5 October 1962 and a report on them was submitted by the Commission to the Council. The latter, during its session of 1 and 2 April, decided to open negotiations with Iran for the purpose of concluding a trade agreement.

*Lebanon* : Lebanon transmitted a memorandum to the Commission on 2 October 1962 proposing conversations on ways and means of establishing and developing economic co-operation between the Community and Lebanon. The Commission is studying the Lebanese proposals and will submit proposals to the Council in due course.

#### RELATIONS WITH THE EASTERN BLOC COUNTRIES

274. The relations between the Community and the Eastern bloc countries continue to lack any formal basis. While continuing their violent attacks on the Community, to which the Commission has suitably replied, the Eastern bloc countries have shown a growing interest in the Community,

and their reactions to its development seem to reflect a certain fundamental change of attitude. In a 32-point working paper presented at a conference of Marxian economists held at Moscow in August 1962, the Common Market is accepted as "an economic and political reality" and its success is described in a fairly objective manner. Furthermore according to M. Khrushchev himself — writing in the "Kommunist" — it would be unwise and short-sighted to ignore the intentions and actions of the leaders of European integration. He also mentioned the possibility of economic co-operation not only between Eastern and Western countries individually but also between the economic blocs.

The Soviet change of attitude is no doubt explained by failure to induce Member States to enter into bilateral agreements conflicting with the Treaty of Rome. The member countries have again and again rejected requests of the Eastern bloc countries for the extension, to their advantage, of intra-Community tariff concessions by virtue of the most-favoured-nation clause. The Community decision in this matter is based on a recommendation of the United Nations Economic Commission for Europe — that where trade difficulties occur owing to the existence of sub-regional economic groupings consultations must be held in accordance with procedures acceptable to both parties.

The Soviet Union's change of attitude is an additional reason why the Commission should promote a general Community approach to present and future problems connected with the Eastern bloc countries.

In pursuance of the Council's decision of 9 October 1961, trade negotiations between the Member States and each Eastern bloc country are already subject to prior consultations among the Member States, and such consultations are arranged by the Commission.

For the future, the Commission, together with the Member States, and in accordance with the action programme on common commercial policy, is studying the harmonization of the structure of quota lists and liberalization measures applied within the Member States. In its resolution of 27 March 1963, the European Parliament also expressed itself in favour of a harmonious development of trade but considered that the Community should have means of replying effectively to any dumping or other disturbing measures on the part of these countries.

By decision of 24 January 1963 the Council also laid down procedure relating to agricultural imports from the Eastern bloc countries (see sec. 268).

275. *Yugoslavia*: In September 1962, the Yugoslav Government approached the Community with a view to technical discussions on trade between that country and the Community.

The Council decided during its session of 3 and 5 December 1962 to inform the Government of Yugoslavia that, in principle, the Community was in favour of exploratory talks between Yugoslav and Commission experts. The date would be settled later having regard to the Commission's time-table.

### **Relations between the Community and International Organizations**

276. As the implementation of the Treaty of Rome progresses in the field of customs union and in common policies, the role and presence of the Community as such in the work of the international organizations grows in importance. The Member States concert their attitudes and put forward common views through a spokesman, and the Commission serves more and more as the instrument of Community action, particularly in spheres where the Treaty confers powers on the Community, as for example tariffs and common agricultural policy.

### *THE COUNCIL OF EUROPE*

277. The Community was represented at several sessions of the Consultative Assembly of the Council of Europe and took note of the position adopted regarding the negotiations between the Community and Great Britain. The Assembly was staunchly in favour of enlarging the Community, and expressed this view in the recommendations and resolutions of May 1962 and early January 1963, urging that the negotiations be rapidly brought to a successful conclusion, particularly those with Britain. Further, in its recommendation of May, the Assembly said that any agreement reached in the negotiations for European political co-operation involved the acceptance of the following principles :

The competences of the European Communities must remain intact;

Co-operation in the matter of defence within NATO must in no way be affected;

The unanimity rule must not be perpetuated.

The Commission was represented at the Council for Cultural Co-operation set up by the Council of Europe and at meetings of its three Committees (higher education and research, general and technical education, further education). Similarly, the Commission regularly took part in the work of the Social Committee of the Council. The Commission stressed the importance of early ratification of the European Social Charter by the six Member States of the Community. Finally, the Commission continued to participate in the work of the Committees of Experts charged with preparing a European Consular Convention and an Arbitration Convention.

#### WESTERN EUROPEAN UNION

278. The Community was represented at sessions of the Assembly of Western European Union (WEU) where the main subject of discussion was the negotiations between the Community and Great Britain. In June, this Assembly recommended to the WEU member Governments (the Six and Great Britain) to do their utmost to ensure the success of the negotiations without in any way compromising the integration of Europe on a Community basis in accordance with the letter and spirit of the Paris and Rome Treaties.

#### ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

279. The Community regularly shares in the work of the Organization for Economic Co-operation and Development (OECD), being represented at meetings of the Council, the Executive Committee and other Committees.

The Commission sent a delegate to the meeting of the Council of Ministers of the OECD held on 27 and 28 November 1962. At this meeting the Council stressed the need for the member countries to follow up their

aid to the developing countries by measures to widen outlets for their products and increase their export earnings.

The OECD countries are at present working out policies which will have due regard for the interdependence of trade and aid. The OECD itself is making studies to clarify the questions which will be dealt with at the Conference on trade and development to be held by the UN and certain aspects of the negotiations to be conducted within the framework of the "Trade Expansion Act".

The Organization is continuing its periodical surveys of the economic position of its twenty Member States and of progress towards the target of a 50% increase in gross national product over the period 1960 to 1970 fixed the previous year <sup>(1)</sup>.

The OECD has set up a development centre as well as working parties and consortiums for the purpose of aid to Greece, an associated country of the Community, and Turkey, with which negotiations are in progress.

An account has been given in section 235 of the work of the OECD Committee for development aid.

#### *GENERAL AGREEMENT ON TARIFFS AND TRADE*

280. The GATT Committees and Working Parties, particularly those concerned in the programme for the expansion of international trade, were very active during the period under review, as a result of the impetus given by the ministerial meeting held in November 1961. The Commission was directly involved in this work.

The results of these activities were submitted to the Contracting Parties at the plenary meeting which took place from 23 October to 16 November 1962 and it will suffice to mention here the main points of the reports adopted.

The Community was particularly concerned with the work of Committee II, which studied the common agricultural policy in accordance with its arrangements for consultation with Contracting Parties introducing any

<sup>(1)</sup> See Fifth General Report, p. 255.

major change of agricultural policy. In the course of these consultations, the representatives of the Commission explained in detail the main features and the aims of the Community's common agricultural policy. The members of the Committee expressed appreciation of the Community's spirit of co-operation.

It was evident from the Committee's report and the ensuing discussion that non-member countries still had grave misgivings as to the repercussions of this policy. They felt that much would depend on the spirit in which the European agricultural policy was applied and especially the direction taken by price policy. In this connection, the Contracting Parties welcomed an assurance given by the Community's representative that it would be in the Community's interest to practise a reasonable price policy, and a reminder that the Community was willing to engage in consultations with non-member countries if the working of the regulations gave rise to any difficulty.

The work of Committee III also is always followed with special interest by the Community, which is desirous of making an effective contribution to the solution of under-development problems. The developing countries expressed keen disappointment at the meagre results of the work; they regretted the absence of any practical plan of the industrialized countries to promote an increase in their export earnings. The report contains recommendations, which were approved by the Contracting Parties, to speed up the deliberations and intensify the effort to solve certain problems and remove obstacles to the export trade of the developing countries in manufactured goods.

In answer to its GATT partners, the Community informed them of those aspects of its activities which might be of interest to them and explained the principles upon which it based its position in regard to some fundamental problems of GATT. This statement gave rise to a lengthy discussion in which a large number of Contracting Parties again expressed their hopes and fears as the build-up of the Community proceeded. It was evident that though the developing countries saw a source of danger in the Community, they nevertheless turned to it in the hope that it would help to resolve their difficulties.

Finally, the Association Agreement between Greece and the Community submitted to GATT in accordance with Article XXIV (of the General

Agreement), was examined in detail by the Contracting Parties. The latter recognized that the objectives of the Association Agreement were consonant with those of GATT itself, but they made no pronouncement on the question whether the agreement established a customs union as understood by GATT.

The next ministerial meeting, decided upon during the 20th Session, will deal with the new Tariff Conference, to be held in 1964, on agricultural and development problems.

#### *RELATIONS WITH THE UNITED NATIONS AND ITS SPECIALIZED AGENCIES*

281. Relations between the Community and the United Nations Organization continued to develop and improve. Up to the present, however, they have been based on practical arrangements of limited scope which cannot form a sufficient basis for future relations.

With the exception of the agreement reached between the Community and the International Labour Office in 1958, no formal agreement has been concluded. However, it must be noted that an agreement was reached in October 1962 by means of a simple exchange of letters between the President of the Commission and the Director-General of the Food and Agricultural Organization settling, under Article 229 of the Treaty of Rome, ways and means for liaison and collaboration between the two institutions.

The Commission has taken steps to conclude, by a similar procedure, an agreement of the same kind with UNESCO.

The ILO-Community Liaison Committee met in September 1962 to review all problems of mutual interest.

The Community has been active in the United Nations framework through its Member States, in accordance with Article 116 of the Treaty of Rome. The Commission has co-ordinated these activities and sent observers to meetings of certain UN organizations.

In these quarters, discussions on the Community's policy have revealed that certain non-member countries are apprehensive as to the implications of the common external tariff and common agricultural policy. The Member

States and the representatives of the Commission have continually stressed that the Community's policy vis-à-vis non-member countries is of a liberal character, as illustrated by various courses of action the Community has taken.

It is evident from the preparatory work for the United Nations Conference on Trade and Development planned for the beginning of 1964 that these problems will be very much to the fore.

The President of the Commission, M. Hallstein, paid a visit to U Thant, Secretary-General of UN. The Director-General of the International Labour Office, Mr David Morse, and the United Nations High Commissioner for Refugees, M. Felix Schnyder, were received at Commission headquarters.

#### *INTERNATIONAL CONFERENCES ON COMMODITIES*

282. In New York, from 9 July to 25 August 1962, the Member States of the Community and the Commission (represented by an observer) took part in the Conference organized, under the aegis of the United Nations, by the international study group on coffee with a view to replacing the short-term agreement between coffee growers by a long-term agreement more in line with the principles of the Havana Charter. The Conference issued an international agreement, valid for five years, based on the principle of export quotas. This agreement was signed by the main exporters and importers of coffee and in particular by the Member States of the Community. Ratification is in progress.

The Commission also sent observers to the sixth Session of the international study group on lead and zinc, international action in this field being of special importance to several Member States. Similarly, the Commission was represented for the first time at a meeting of the steering committee of the rubber group; it also assisted at meetings of the wool group. In addition, it was represented at meetings of the international councils administering the agreements on olive oil, sugar and wheat.

Finally, the Commission was represented at meetings of the tenth Session of the Commission for International Commodity Trade. During these meetings, the problems involved in a world-wide clearance system for foreign currency earnings were discussed.

## CHAPTER VI

# THE WORK OF THE COMMUNITY INSTITUTIONS AND ORGANS

### The Institutions

#### *THE EUROPEAN PARLIAMENT*

283. Six sessions of the Parliament took place between 30 April 1962 and 31 March 1963. The ninth joint meeting with the Consultative Assembly of the Council of Europe was held on 17 and 18 September 1962.

The Parliament held debates and passed resolutions on European political union (7 to 11 May 1962) and on the crisis over the suspension of the negotiations with the United Kingdom. These were full debates based on reports on the background to the suspension presented by the President of the Commission (February session 1963) and on the stage reached in the negotiations and the future outlook for the Community (March session 1963). At these same sessions, the Parliament expressed its concern at the delay in signing the new Convention of Association with the African States and Madagascar. It also gave considerable attention to the Community's trade policy vis-à-vis the outside world.

The Parliament has been consulted by the Council on many economic and financial projects linked with the implementation of the Treaty of Rome and the working of Community institutions. It has passed about 75 resolutions, most of them conveying a formal opinion, on general economic, financial and monetary problems, the implementation of the common agricultural policy, the application of rules governing competition to transport, the liberalization of establishment and services, and the expansion of the Common Market.

In the social field, the Parliament has passed resolutions on measures to promote a harmonized social policy, especially in respect of equal pay for men and women, on freedom of movement for frontier and seasonal workers, and on aid from the European Social Fund.

The following pages present a brief chronological record of the Parliament's work with a list of opinions and resolutions adopted. This work and any action taken in pursuance of it is also referred to in other relevant chapters of this report.

*Session of 7-11 May 1962*

284. Debate on the common transport policy, opened by M. Müller-Hermann.

Resolution on the main points of a general programme for the realization of the common transport policy.

Debate on European political union on the basis of two reports presented by M. Van der Goes van Naters.

Unanimous resolution reaffirming the determination of Parliament that political union shall be attained and calling for the early resumption of negotiations on this subject by the Conference of the six Foreign Ministers.

Second resolution concerning the negotiations with Great Britain.

Presentation of reports on the co-ordination of budgetary, financial and monetary policies.

Debate and resolution embodying opinion on the adoption of a European inventory of occupational diseases (on the Commission's draft recommendation).

Debate and resolution embodying opinion on medical services in industry (on the Commission's draft recommendation).

*Session of 25-29 June 1962*

285. Debate on the implementation of the common agricultural policy. The Parliament adopted the following opinions on proposed Council regulations and the following resolutions :

a) On a report from M. Charpentier, three opinions on the gradual establishment of a common organization of the markets in dairy produce (including the levy system), beef and rice respectively;

- b) On a report from M. Boscary-Monsservin, two opinions concerning a change in the effective date of certain enactments relating to the common agricultural policy and aid to production and trade in starch potatoes and potato-starch;
- c) On a report from M. Luecker, an opinion on the rates of exchange and the unit of account to be adopted in applying the common agricultural policy;
- d) On a report from M. Biesheuvel, a resolution on the agricultural problems posed by the United Kingdom and Danish applications for membership of EEC;
- e) On a report from M. Esteve, a resolution on the institution of an arbitration board to deal with disputes in the application of fruit and vegetable quality standards.

Debate on the commercial and economic aspects of the United Kingdom's application for membership of the European Communities.

On a report from M. Blaise, unanimous resolution stressing that the accession of the United Kingdom must not entail amendment of the Treaty and expressing the hope that the negotiations would clarify the terms for British membership in the very near future.

Debate and resolution on relations between EEC and GATT.

Debate and resolutions on certain increases in customs duties decided by the American Government.

Debate and resolution on the association of the African States and Madagascar.

Debate and resolution embodying opinion on the application of Articles 85 and 86 of the Treaty (on a draft Commission regulation).

Debate and resolution on equal pay.

Debate and opinion on the free movement of seasonal and frontier workers within the Community (on draft Commission regulation and directive).

Debates and resolutions on the Parliament budget and on the EEC and EAEC supplementary budgets for 1962.

*Ninth joint meeting of the European Parliament and the Council of Europe Consultative Assembly*

286. On 17 and 18 September the European Parliament and the Council of Europe Consultative Assembly held their ninth joint meeting in Strasbourg. M. Gaetano Martino, President of the European Parliament, and M. Per Federspiel, President of the Consultative Assembly took the chair in turn.

Reports were presented on the activities of the two bodies during the past year, after which the Presidents of the three European Executives, M. Walter Hallstein (EEC), M. Sassen (on behalf of M. Chatenet, President of the Euratom Commission), and M. Malvestiti (ECSC) presented reviews of their work.

The following topics were dealt with in the addresses and discussions: development of political union, new EEC members or associate members, relations with the United States and the other countries of the free world, relations with the countries of the Soviet bloc.

*Session of 15-19 October 1962*

287. Debate on the Fifth General Report on the activities of the EEC on a report from M. Deringer; statements of position by the three parliamentary groups. M. Hallstein, President of the Commission, spoke on constitutional aspects of the Community.

A 21-point resolution was voted in which the Parliament expressed its view, in the last clause, that the Community would not achieve "its real aim — to serve the cause of mankind in Europe — unless development led in the near future to the political unification of Europe".

Debate on the co-ordination of monetary, budgetary and financial policies in the Community on reports from M. van der Goes van Naters and M. Bousch.

Resolution on the co-ordination of monetary policies: the Parliament urged among other things a federal organization of banks of issue with a central institution.

Resolution on the co-ordination of budgetary and financial policies : The Parliament advocated the earlier preparation of a European economic budget.

Resolution embodying opinion on the regulations amending Article 109 of the EEC and EAEC Statute of Service for officials (on a proposal from the Commission).

Resolution approving drafts submitted by the Council on the application to the Netherlands Antilles of the special association arrangements set out in Part IV of the Treaty.

Debate and resolution on procedure for concluding and implementing the new Association Convention with the African States and Madagascar.

Debate and resolutions on the institution of a Parliamentary association committee for Greece and on the appointment of members of the European Parliament to this Committee.

Resolution embodying opinion on levies chargeable on imports of mixed cereals (on a proposed regulation from the Commission).

Resolution embodying opinion on the value of the unit of account and on the exchange rates applicable for purposes of common agricultural policy (on a proposed regulation from the Commission re-submitted to the Parliament after consultation of the Monetary Committee).

*Session of 19-23 November 1962*

288. Debate on transport on reports from M. Armengaud, M. Martino and M. Deringer.

Resolutions on special regulations suspending the application of Article 85 of the Treaty to rail, road and inland waterway transport and of Articles 85 to 94 to sea and air transport.

Resolution on the need for provisional regulations concerning competition in transport.

Debate and resolution on the draft operational budgets of the EEC and Euratom and on Euratom's draft research and investment budget for the financial year 1963.

Debate and resolution embodying opinion on the Statute of Service for EEC and Euratom officials (on a proposal for a Council regulation).

Resolution on the recommendation adopted by the Permanent Joint Parliamentary Committee at Tananarive on the renewal of the Association Convention with the African States and Madagascar.

Debate and resolution embodying opinion on the co-ordination of measures affecting the movements and residence of foreigners (on a proposal for a Council directive).

Debate on freedom of establishment in farming, on reports from M. Kreyssig.

Resolution embodying Parliament's opinion on freedom of establishment on farms that have been derelict or uncultivated for more than two years (on a proposal for a Council directive).

Resolution embodying Parliament's opinion on freedom of establishment in agriculture for nationals of a Member State who have worked as paid agricultural workers in another Member State for an unbroken period of two years (on a proposal for a Council directive).

*Session of 4-8 February 1963*

289. Political debate on the suspension of the negotiations with the United Kingdom, opening with a statement from the President of the Commission.

Adoption of two resolutions.

The first recalled that the European Parliament had more than once declared itself in favour of British membership of the Communities, and it expressed grave concern over the unilateral suspension of the negotiations. The resolution urged the Council to see that the Conference engaged in examining the problem of new memberships should meet regularly to facilitate the accession of other States, notably the United Kingdom;

Another resolution invited the Commission to report to the Parliament on the state of the negotiations between the United Kingdom and the other EEC countries on 29 January 1963.

Debate on the economic situation of the Community in 1962 and the outlook for 1963, opened by M. Marjolin, Vice-President of the Commission.

Debate and resolution on the EEC and Euratom management accounts and balance-sheets for the financial years 1961 and 1962 and on the Committee of Control's reports on the accounts for the financial years 1960 and 1961, on reports from M. Kreyszig.

Debate and resolution on the EEC and Euratom Commissions' reports to the Councils on the regulation amending Articles 108 and 109 of the Statute of Service for officials of the two institutions, on a report from M. Thorn.

Resolution on the closing of the European Parliament's accounts at 31 December 1961.

Debate on the action programme for the common transport policy, on a report from M. Brunhes.

Resolution inviting the Commission to adopt the amendments proposed to the time-table for the implementation of this policy.

Debate and resolution embodying opinion on the Council Regulation fixing the amount of coarse grain required to produce one kilogramme of poultry eggs for hatching and on the stamping of eggs for hatching, on a report from M. Marenghi.

Debate on the proposed regulation concerning criteria for fixing target prices for farm products, on a report from M. Briot.

Resolution clarifying in the proposed regulation the concept of "fair" income for farm workers, that is to say comparable with that earned by the various classes of workers employed in equivalent conditions in other occupations.

Debate and resolution on the European gas industry, on a report from M. Philipp.

Debate and resolution on a regulation amending Regulation No. 9 (European Social Fund), on a report from Mme Elsner.

Debate and resolution on the Commission's proposal to the Council on freedom of establishment and freedom to supply services in connection with wholesale trade and in occupations serving trade and industry, on a report from M. Illerhaus.

Debate and resolution on the Commission's proposal to the Council for the removal of restrictions on travel and residence by nationals of Member States within the Community as they affect freedom of establishment and freedom to supply services, on a report from M. Kreyszig.

Debate and resolution on a directive for the removal of restrictions on freedom of establishment and freedom to supply services in reinsurance and retrocession, on a report from M. Tomasini.

Debate and resolution on a directive on the execution of the General Programme for the removal of restrictions on freedom to supply services in the film industry, on a report from M. Leemans.

Debate and resolution on a directive removing all prohibitions on or obstacles to payments for services where payment restrictions are the only limiting factor on their supply, on a report from M. Philipp.

Debate and resolution on putting into effect the new Association Convention with the African States and Madagascar, urging the Council, the Commission and the parliaments of the Member States to take the necessary steps so that the new Convention may come into force without delay, on a report from M. Margulies.

*Session of 25-29 March 1963*

290. Re-election of officers : M. Gaetano Martino was re-elected President and Mme Strobel, M. Blaisse, M. Duvieusart, M. Fohrmann, M. Furler, M. Rubinacci, M. Vanrullen and M. Vendroux were re-elected Vice-Presidents by general assent. The chairmen and vice-chairmen of committees were also elected.

Presentation by M. Hallstein, President of the Commission, of its report on the state of the negotiations with the United Kingdom, followed by a discussion.

Debate on the EEC's common commercial policy towards non-member countries and on applications for membership or association submitted by European countries, on a report from M. Blaisse.

Adoption of a resolution calling for :

- i) Resumption of the negotiations with the United Kingdom, Denmark, Ireland and Norway;
- ii) The adoption by the Community of a true development policy orientated not only towards the States associated with the Community, but also towards other developing countries of Africa, Asia and Latin America;
- iii) The adoption of a safeguard clause for application in certain circumstances to Community trade with low-cost countries.

Debate introduced by M. Thorn on the problem of new association arrangements for the African States and Madagascar.

Adoption of a resolution on problems arising from the present situation regarding association and in particular from the delay over signature of the new Convention.

Debate introduced by M. Dichgans on the economic situation of the Community in 1962 and the outlook for 1963.

Adoption of a resolution calling attention to the present lack of machinery for conducting a Community anticyclical policy and the consequent need for co-ordination inside the Community in this field. The resolution also underlines the importance of a geographical expansion of the Common Market to ensure optimum economic growth for Europe.

Debate and resolution on invisible transactions not connected with the movement of goods, services, capital or persons, on a report from M. van Campen.

Debate introduced by M. Briot on aligning cereal prices.

Adoption of a resolution embodying opinion on the proposal for a regulation on cereal prices applicable from the 1963-64 marketing season onwards.

Debate and resolution on the transportation of mineral oils by pipeline, on a report from M. Rademacher.

Debate and resolution on certain problems of health control in intra-Community trade in pigs and cattle, on a report from M. Graziosi.

Debate and resolution on social security for seasonal workers and similar categories.

Debate and resolution on the development of the social situation in the Community in 1961, on a report from M. Petre.

Debate and resolution on the Commission's proposals to the Council on a directive and regulation concerning the free movement of workers within the Community, on a report from M. Rubinacci.

Debate and resolution on the reorganization of the sulphur industry in Sicily, on a report from M. Vredeling.

Debate and resolution on a fact-finding mission to Southern Italy, on a joint report from M. Legendre, M. Richarts and M. Kriedemann.

Resolution on procedure for examining the general reports of the European Communities.

Resolution approving unamended a supplementary estimate in the Community's 1963 budget covering a contribution to the campaign against the foot-and-mouth epidemic in the Middle East.

#### *THE COUNCIL*

291. In the period from 1 May 1962 to 31 March 1963, the Council held thirty-two sessions. The chair was taken by France (until 30 June 1962), Italy (from 1 July to 31 December 1962) and by Luxembourg (from 1 January 1963).

Nearly half of these sessions were devoted almost entirely to agriculture: the working of the market organizations already set up and regulations for new organized markets (dairy produce, beef, rice).

At about ten of its sessions the Council discussed the Communities' external trade relations (Action Programme, relations with GATT, adjustment of the common external tariff). Frequent discussions were held on appli-

cations from European and non-European countries for full or associate membership or for the establishment of special relations, and on the new Association Convention with the African States and Madagascar.

The action programme for a common transport policy, competition questions, establishment and services, and social and administrative problems were other subjects dealt with by the Council during the period under review.

We give below a brief chronological account of the Council's activities and of the main decisions taken.

*66th session (9-10 May 1962)*

292. *Agriculture*: The Council adopted the Commission's proposals in connection with the regulations concerning conversion products; it gave its assent in principle to various technical stipulations for the sale of eggs and poultry; it decided to consult the Parliament on proposed regulations for the rice, beef and dairy products markets.

*67th session (14-15 May 1962)*

293. *External relations*: The Council adopted a decision concluding a tariff agreement between the United Kingdom and the Community in GATT. It agreed that the Community should give a hearing to the association applications from Austria, Sweden and Switzerland, and acceded to the Norwegian request for the opening of negotiations.

*Statute of Service for officials*: The Council approved the texts in the four Community languages of the regulations establishing the Community tax and the Community Statute of Service for officials and conditions of service for other employees.

*Establishment*: The Council decided to consult the European Parliament and the Economic and Social Committee on the right of establishment on derelict or uncultivated farms and on the right of paid farm workers to set up as farmers in another Community country.

The representatives of the Member States' Governments, meeting in the Council, decided to speed up the timing of the Treaty. This decision, linking up with a similar one taken on 12 May 1960, meant that from

1 July 1962 onwards intra-Community customs duties would be half what they had been on 1 January 1958.

*68th session (28-29 May 1962)*

294. *Agriculture*: The Council began examining the Commission's proposed regulations for the markets in cereals, pigmeat, eggs and poultry, the proposed regulation on criteria for fixing the threshold prices of flour, groats and meal was adopted.

*69th session (4-5 June 1962)*

295. *Business agreements*: The Council decided to consult the European Parliament on a Commission proposal to extend the time-limit for the notification of "old" agreements.

*Tariffs*: As a counter measure, the Council decided to suspend certain tariff concessions it had made to the United States under GATT.

The Representatives of the Member States' Governments meeting in the Council followed by deciding that the Member States should apply the full duty under the common external tariff to imports from the United States of products which had previously enjoyed a reduction.

*70th session (14 June 1962)*

296. *Transport*: The Council discussed the programme worked out by the Commission for the implementation of the common transport policy.

*71st session (18-19 June 1962)*

297. Administrative and budgetary questions, notably the preliminary draft of the Commission's supplementary budget for 1962, were discussed.

*72nd session (19-20 June 1962)*

298. This session was mainly devoted to agricultural questions. The Council gave its formal approval to the texts in the four Community languages of several regulations adopted at the session of 28-29 May 1962. It decided to consult the European Parliament and the Monetary Committee on the

exchange rates and the unit of account to be applied under the common agricultural policy, and on the question of aids to production and trade in potato starch and potatoes for starch-making.

*73rd session (20-21 June 1962)*

299. The Council reached agreement on a solution to the main outstanding problems connected with the renewal of the association with the African States and Madagascar.

*74th session (28-30 June 1962)*

300. *Agriculture*: Several regulations were adopted in pursuance of the decisions of 14 January 1962. The Council gave its formal approval to the texts in the four Community languages of several regulations adopted at its session of 19-20 June concerning existing organized markets. It also adopted three resolutions, the first two concerning levies on pigmeat and on eggs and poultry and the third an inventory of the export aid measures introduced as part of the common agricultural policy.

It was agreed to consult the European Parliament and the Economic and Social Committee on health problems in connection with intra-Community trade in fresh meat.

It took note of a communication from the Commission on the establishment of advisory committees drawn from the farming community.

It held a general discussion on the world organization of agricultural markets.

*75th session (2-3 July 1962)*

301. *Supplementary budget*: Having noted the opinion rendered by the European Parliament, the Council adopted definitively the supplementary budget of the Community for 1962.

*GATT*: The Council concluded tariff agreements with Chile, Haiti, Japan, New Zealand, Peru and Switzerland, and an agreement negotiated with Australia under Article XXIV (6) of the General Agreement. On behalf of the Community, it decided to conclude the General Protocol winding up the 1960-61 Tariff Conference.

*Tariff quotas* : Discussion of quotas for 1963.

*Business agreements*. On a proposal of the Commission and having noted the opinion of the European Parliament, the Council adopted a regulation extending the time-limit for notification of business agreements, previously fixed at 1 August 1962, to 1 November 1962 for multilateral agreements and 1 February 1963 for bilateral agreements.

76th session (23-24 July 1962)

302. *Agriculture* : The Council gave its formal approval to the texts in the four Community languages of five regulations and two decisions concerning, among other things, the value of the unit of account and the exchange rates to be applied under the common agricultural policy (provisional regulation), the opening of the maize marketing season, and prices and levies for certain products.

The Council examined certain agricultural questions arising in the Benelux countries and held an initial discussion of the proposed regulations on the dairy produce, beef and rice markets.

77th session (23-24 July 1962)

303. *Common commercial policy* : The Council approved the Commission's second memorandum on the common commercial policy.

It adopted a decision on the unification of Member States' commercial policies regarding cotton textiles.

*Tariffs* : The Council took a decision under Article 28 of the Treaty modifying certain common external tariff duties; under Article 25(1) it also granted to certain States zero duty quotas.

*Establishment and services* : The Council agreed to consult the European Parliament and the Economic and Social Committee on the Commission's proposed directives concerning the film industry, the movement and residence of Member States' nationals within the Community and the co-ordination of special measures applicable on certain grounds to the movement and residence in the Community of aliens .

The Council also adopted a directive concerning the approximation of legislation in the Member States on permitted colouring matters in human food.

An emergency grant of supplementary aid was accorded to Dahomey and Somalia, which had suffered from flood damage.

*78th session (17-18 September 1962)*

304. *Agriculture*: The Council discussed the organization of the rice, dairy produce and beef markets, and a number of other points, notably countervailing charges on certain fruits and vegetables from non-member countries.

*79th session (24-25 September 1962)*

305. *Sulphur industry*: The Council decided to set up a liaison and action committee for the Italian sulphur industry.

*Establishment and services*: The Council decided to consult the European Parliament and the Economic and Social Committee on four proposed directives concerning occupations serving industry and wholesale trade and the removal of various restrictions and prohibitions.

*External relations*: The Council gave its assent to the simultaneous acceptance by the Member States of the Long-term Arrangement for Cotton Textiles.

It also agreed to authorize the Commission to open negotiations with Israel and exploratory talks with Iran.

*80th session (27 September 1962)*

306. *Transport*: The Council continued its discussion of the Action Programme in regard to common transport policy.

It decided to consult the European Parliament and the Economic and Social Committee on a proposed regulation and an opinion presented by the Commission concerning, respectively, the application of the Treaty rules on competition to internal transport and the application of these rules to sea and air transport.

*81st session (9-10 October 1962)*

307. *Agriculture*: The Council adopted a regulation providing for exceptions to Article 17 of the Cereals Regulation on the matter of fixing levies in advance. It continued its discussion of the rice, dairy produce and beef markets.

Having received the Monetary Committee's opinion, the Council decided to consult the European Parliament on the proposed final regulation on the value of the unit of account and the exchange rates to be applied under the common agricultural policy.

*82nd session (22-23 October 1962)*

308. *Common agricultural policy*: Acting on a proposal of the Commission, the Council adopted the final regulation on the value of the unit of account and the exchange rates to be applied under the common agricultural policy.

*Social questions*: It was decided to consult the European Parliament and the Economic and Social Committee on two Commission proposals concerning the movements of workers within the Community during the second stage and the amendment of the European Social Fund regulation (No. 9) respectively.

*Common external tariff*: It was decided to suspend until 31 December 1962 the common external duty on divinylbenzene (ex 29.01 D VI).

*Budget matters*: The EEC and Euratom Councils adopted the draft operational budgets of the two Communities for 1963, which will be referred to the European Parliament.

*External relations*: The Council accepted the request of the Irish Government for the opening of negotiations with a view to membership of EEC. It authorized the Commission to begin exploratory talks with Lebanon.

*83rd session (29-30 October 1962)*

309. *Transport*: The Council continued its examination of the Action Programme in regard to common transport policy. It decided to consult the European Parliament and the Economic and Social Committee on the

Commission's proposal for a Council directive on weights and dimensions of commercial road vehicles licensed to ply between the Member States.

*84th session (13-14 November 1962)*

310. *Common external tariff*: It was decided under Article 28 of the Treaty to suspend the common external duty on certain manufactures of cement and concrete (ex 68.11) until 30 June 1963.

*GATT*: The President of the Council was authorized to designate a signatory for the General Protocol of the 1960-61 GATT Tariff Conference.

*85th session (14-15 November 1962)*

311. *Agriculture*: Adoption of regulation on levies chargeable on imports of mixed cereals.

The Council resumed examination of the proposed regulations on rice, dairy produce and beef, and studied the working of the Management Committees.

It was decided to consult the European Parliament on the proposed regulation on criteria for fixing target prices.

*86th session (26 November 1962)*

312. *Transport*: It was decided that until 31 December 1965 Cartel Regulation No. 17 should not apply to rail, road and inland waterway transport.

*87th session (3-4 December 1962)*

313. *Agriculture*: The Council formally approved the texts in the four Community languages of a decision on the co-ordination of agricultural structure policies and of two regulations — one on the description of a form of presentation of table chickens, the other increasing the levies on imports into France of table fowls, chickens and turkeys from Luxembourg.

The discussion of the rice, dairy produce and beef regulations was resumed.

*88th session (3-4 December 1962)*

314. *Social questions*: The Council adopted a draft regulation on the organization of three industrial wage surveys in the Community for 1963 and 1965.

*Tariffs*: The Council decided on certain changes in common external tariff items and also took special measures increasing a quota and suspending provisionally certain duties.

*89th session (13 December 1962)*

315. *Agriculture*: The Council formally approved the texts in the four Community languages of two regulations — one extending until 28 February 1963 the Council regulation on eggs for hatching and poultry chicks, the other fixing the levies on imports of live pigs and pig carcasses from non-member countries.

The Council decided to consult the Parliament and the Economic and Social Committee on two Commission proposals — one concerning certain problems of health control in intra-Community trade in pigs and cattle and the second concerning the production of poultry eggs for hatching and the stamping of such eggs.

*90th session (17-18 December 1962)*

316. The Euratom and EEC Councils adopted jointly the final EEC and Euratom operational budgets for the financial year 1963.

*Capital movements*: The Council approved the texts in the four Community languages of the Commission's proposed second Council directive in pursuance of Article 67 of the Treaty (liberalization of capital movements).

*Tariff quotas*: Under Article 25(1) of the Treaty, the Council granted tariff quotas for 1963 to several Member States.

*Suspension of duties*: On the basis of a proposal from the Commission, the Council decided to suspend provisionally under Article 29 of the Treaty certain common external tariff duties for 1963.

It decided to consult the European Parliament and the Economic and Social Committee on the following directives proposed by the Commission :

- i) Directive on the liberalization of transfers arising from invisible transactions not connected with the movement of goods, services, capital or persons;
- ii) Directive on the alignment of laws, regulations and administrative practices concerning pharmaceuticals;
- iii) Directive on the harmonization of the Member States' legislation on turnover taxes.

*91st session (14 and 16 January 1963)*

317. *Agriculture* : The Council held a preliminary discussion on the proposed regulation on criteria for fixing target prices for agricultural products.

It considered arrangements for a conference of Member States on fishery problems which the Commission proposes to hold.

A regulation was adopted postponing the application of the levy system to certain cuts of pork (sides) until a date not later than 1 May 1963.

*92nd session (24 January 1963)*

318. *Relations with state-trading countries* : The Council formally approved the texts in the four Community languages of the regulation on trade relations with state-trading countries in respect of products covered by Regulations No. 19 (cereals), No. 20 (pigmeat), No. 21 (eggs), and No. 22 (poultrymeat).

*Associated African States and Madagascar* : The Council agreed that the signature of the Association Convention should take place at Yaoundé (Cameroon).

*Relations with Cyprus* : The meeting noted that the Commission proposed to submit a paper on the economic problems of Cyprus as a basis for the discussion of questions arising from that country's request for association with EEC.

*Relations with Algeria:* The Council instructed the Committee of Permanent Representatives to examine the problems of substance arising from a letter of 24 December 1962 from M. Ben Bella, Prime Minister of the Republic of Algeria, to the President of the EEC Council, proposing that discussions be held on the form and manner of future relations between the Community and Algeria.

*Negotiations with Turkey:* The Council agreed to examine the results of the recent negotiations with the Turkish delegation. It expressed the hope that the Ministers of Finance might take part in the discussions on 11 and 12 February 1963 of problems arising out of these negotiations.

*93rd session (25 January 1963)*

319. *Transport:* The Council continued its examination of questions connected with the common transport policy and instructed the Committee of Permanent Representatives to re-examine the draft resolution before it and, if thought fit, make additions to the list of proposed measures.

*94th session (28 January 1963)*

320. *Agriculture:* The Council gave its formal approval to the texts in the four Community languages of regulations whereby:

- i) Certain provisions of Council Regulation No. 55 concerning bran were temporarily replaced by others until 30 June 1963;
- ii) The validity of Council Regulation No. 156, laying down exceptional measures for flour and starch of manioc and other roots and tubers originating in the Associated African States and Madagascar, was extended until 15 March 1963.

*95th session (19-20 February 1963)*

321. *Agriculture:* The Council approved two proposed regulations — one on imports of manioc, the other prolonging the validity of Council Regulation No. 156 (the validity of these two regulations was to have expired on 30 June 1963 and their entry into force was fixed for 15 March 1963).

It also approved the proposed regulation amending Council Regulation No. 55 in respect of arrangements for malt and short oats, and the proposed regulation amending Council Regulation No. 42 and prolonging the validity of Council Regulations Nos. 45, 46 and 116.

*Foot-and-mouth epidemic in the Middle East*: The Council took note of a communication from the Commission on measures to be taken to combat foot-and-mouth disease in the Middle East, and it decided on a Community financial contribution of one and a half million dollars to the FAO campaign.

*96th session (21 February 1963)*

322. *Social questions*: The Council adopted a regulation amending certain clauses of Council Regulations Nos. 3 and 4 (social security for migrant workers). A regulation on social security for frontier workers was adopted.

It also approved in principle a decision on the broad lines of a common vocational training policy.

At this session the representatives of the Member States' Governments took note of a report presented by the Commission on the stage reached at 30 June 1962 in the application of Article 119 of the Treaty (equal pay for men and women).

*97th session (25-26 February 1963)*

323. *Freedom of establishment*: The Council approved two directives — one on freedom of establishment on farms that have been derelict or uncultivated for more than two years, the other on freedom of establishment in agriculture for nationals of a Member State who have worked as paid agricultural workers in another Member State for an unbroken period of two years.

It was decided to refer to the European Parliament and the Economic and Social Committee the proposed directive on transitional measures concerning self-employment in wholesale trade and in occupations serving trade and industry.

*Agricultural questions*: The Council gave its formal approval to the texts in the four Community languages of the regulation amending Council Regulation No. 55 in respect of short oats.

*Negotiations with Turkey*: The Council gave the Commission wider powers enabling it to resume without delay the negotiations with Turkey with a view to bringing them to a successful conclusion.

*Lead and zinc*: The Council took note of a communication from the Commission concerning industrial and commercial policy on lead and zinc.

*Foot-and-mouth epidemic*: The Council established a draft supplementary budget for the Community's contributions to the FAO campaign against this epidemic in the Middle East.

*98th session (8 March 1963)*

324. *Transport*: The Council concluded its general exchange of views on the Action Programme for a common transport policy submitted by the Commission, and asked the Commission to submit proposals at an early date in the light of the Council's discussions. It was understood that this would be done by the end of May 1963.

*Common external tariff*: The Council adopted a decision amending its decision of 26 February 1963 in respect of the temporary suspension of common external duties on olive oil.

*99th session (20-21 March 1963)*

325. *Agriculture*: The Council approved three regulations — one amending the content of Regulation No. 55 on the question of the maximum refund payable to producers of wheat starch, the second fixing levies on imports from non-member countries of live and slaughtered pigs, the third laying down measures of derogation from Council Regulation No. 55 in respect of the levy on certain kinds of animal feed.

It was decided to consult the European Parliament on the proposed regulations relating to:

- i) The granting of aid by the European Agricultural Guidance and Guarantee Fund;

- ii) The European Fund for structural improvements in agriculture;
- iii) Financial management of the two Funds;
- iv) Certain price measures to be applied from the 1963-64 cereals marketing season onward.

Consultation on the last two regulations was discretionary.

The Council heard an account from the Chairman of the Special Committee for Agriculture of the progress made on the proposed regulations setting up joint organizations of the rice, milk and dairy products and beef markets.

#### THE COMMISSION

326. Pursuant to the second paragraph of Article 162 of the Treaty, the Commission adopted on 9 January 1963 its rules of procedure. These have twenty-nine articles divided into three chapters: the Commission, the administrative service and deputizing and delegations of powers.

The rules of procedure were published in the official gazette of the European Communities, No. 17, 31 January 1963.

#### THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES

327. During the period under review, the Court dealt with twenty-three cases connected with the activities of the European Economic Community:

- i) *Two actions by the Commission*, under Article 169 of the Treaty, against a Member State for Treaty infringement (cases 2/62 and 3/62);
- ii) *Thirteen appeals against acts of Community Institutions*, under Article 173 of the Treaty, as follows:
  - a) Six private appeals against Council regulations (cases 16/62, 17/62, 19/62, 20/62, 21/62 and 22/62);
  - b) Three appeals by Member States against Commission decisions (cases 24/62, 34/62 and 13/63);
  - c) Four private appeals against Commission decisions (cases 25/62, 27/62, 31/62 and 33/62);

- iii) *Five requests for preliminary rulings on interpretation of the Treaty*, on the basis of Article 177 (cases 13/61, 26/62, 28/62, 29/62 and 30/62);
- iv) *Three appeals by members of the staff against decisions of Community Institutions*: Council of Ministers (case 32/62), European Parliament (case 15/63), Commission (case 18/63).

*Actions by the Commission against Member States*

328. *Consolidated actions*: Commission v. the Grand Duchy of Luxembourg (case 2/62) and the Kingdom of Belgium (case 3/62) <sup>(1)</sup>

In a judgment delivered on 14 December 1962<sup>(2)</sup> the Court, accepting the submissions of the Commission and of the Advocate General, held that increases subsequent to 1 January 1958 in the special duty charged on the issue of import licences for "pain d'épice", and the extension of this duty to similar products listed under heading 19.08 of the common external tariff, were contrary to the Treaty. These measures had been adopted by Belgium and Luxembourg after the Treaty came into force.

In the grounds of the judgment, the Court of Justice laid down the following principles:

- a) An application for derogation from the rules of the Treaty cannot retrospectively render the original infringement lawful;
- b) The procedures for derogation cannot inhibit the comminatory procedure open to the Commission under Article 169 of the Treaty;
- c) Under the terms of Articles 9 and 12 of the Treaty, a charge having an effect equivalent to that of a customs duty, howsoever called and howsoever applied, may be considered a duty imposed unilaterally, either at the time of importation or subsequently, and being imposed specifically on a product imported from a Member State but not on a similar national product, it consequently has, by altering the price, the same effect upon the free circulation of goods as a customs duty.

<sup>(1)</sup> See Fifth General Report, sec. 259.

<sup>(2)</sup> See official gazette of the European Communities, No. 8, 21 January 1963.

*Appeals against acts of the Council or of the Commission*

329. *Consolidated actions 16/62* : Confédération nationale des producteurs de fruits et légumes, Fédération nationale des producteurs de fruits, Fédération nationale des producteurs de légumes (registered trade associations, headquarters in Paris) *and 17/62* — Fédération nationale des producteurs de raisins de table, Luxembourg, plaintiffs; Assemblée permanente des présidents-de chambres d'agriculture, a public board with headquarters in Paris, intervenor, v. the Council.

*Consolidated actions 19/62* : Fédération nationale de la boucherie en gros et du commerce de gros des viandes, headquarters in Paris; *20/62* : Stichting voor Nederlandse Zelfstandige Handel en Industrie headquarters in the Hague; *21/62* : Syndicat de la boucherie en gros de Paris, with headquarters in Paris; *22/62* : Zentralverband des Deutschen Getreide-, Futter und Düngemittelhandels o.V., headquarters in Bonn, v. the Council.

In the first of these two consolidated actions, the plaintiffs sued for annulment of Council Regulations No. 23, which established a common organization of the fruit and vegetable market <sup>(1)</sup>, and particularly Article 9 thereof.

In the second consolidated action, the Court was asked to annul Article 2(1), second sentence, of Council Regulation No. 26, which made certain rules of competition applicable to production of and trade in farm products <sup>(1)</sup>.

In a judgment delivered on 14 December 1962 <sup>(2)</sup>, the Court dismissed all the suits as inadmissible, since private individuals or corporations cannot, under the terms of Article 173 of the Treaty, sue for annulment of general regulations.

*Case 24/62 — Federal Republic of Germany v. the Commission*  
Invoking Article 25(3) of the Treaty and a Commission declaration included in the Final Act of the agreement of 2 March 1962 establishing a part of the common external tariff covering products in List G of Annex I of the Treaty, the Federal Republic of Germany had applied to the Commission

<sup>(1)</sup> See official gazette of the European Communities, No. 30, 20 April 1962.

<sup>(2)</sup> See official gazette of the European Communities, No. 8, 21 January 1963.

for a 1962 tariff quota of 450 000 hl. of distilling wines. By a decision of 11 May 1962 <sup>(1)</sup> the Commission granted a quota of 100 000 hl. only. In this appeal the Federal Republic of Germany asked the Court to quash the decision in so far as the Commission refused the application.

At a public hearing on 22 March 1963, the Advocate General moved for the annulment of the decision.

*Case 34/62 — Federal Republic of Germany v. the Commission*

Invoking Article 25(3) of the Treaty, the Federal Republic of Germany had applied to the Commission for permission to suspend duties on oranges during 1962 at the level of 10% or alternatively to open a tariff quota at 10% for this item. By a decision of 30 July 1962 the Commission rejected this application.

In an appeal dated 19 October 1962, the Federal Republic of Germany sued for the annulment of the Commission's decision.

*Case 13/63 — Italian Republic v. the Commission*

On 19 December 1962, the French Republic applied to the Commission for authorization to take safeguard measures under Article 226 of the Treaty to protect its refrigerator production. By a decision of 17 January 1962 <sup>(2)</sup> the Commission authorized the French Republic to impose a special degressive charge until 31 July 1963 on imports of household refrigerators and components thereof from Italy, unless Italy itself applied this charge on exports. The Italian Republic appealed against this decision on 18 February 1963.

*Case 25/62 — Firma Plaumann & Co., Hamburg v. the Commission*

Invoking Article 25(3) of the Treaty, the Federal Republic of Germany had applied for permission to suspend in part customs duties on clementines during 1962 or alternatively to open a tariff quota for this item. The Commission dismissed this application in a decision of 22 May 1962.

In an appeal dated 27 July 1962, Plaumann & Co. asked the Court to quash this decision and to declare that the Commission must either

<sup>(1)</sup> See official gazette of the European Communities, No. 44, 9 June 1962.

<sup>(2)</sup> See official gazette of the European Communities, No. 23, 13 February, 1963.

authorize the Federal Republic of Germany to suspend the duties or open the quota applied for, or that it must take a new decision on the German application. The applicant also asked the Court to rule that the Commission must compensate Firma Plaumann & Co. for losses it would incur through the Commission's refusal to grant the application.

On 27 August 1962 the Commission requested the Court to give a preliminary ruling on the admissibility of this appeal and to rule it inadmissible. On 24 October 1962 the Court decided to combine the question of admissibility with the merits of the case.

The applicant twice asked the Court to issue a summary injunction to the Commission to authorize the Federal Republic of Germany to suspend provisionally, against the deposit of a surety, the additional part of the customs duty on clementines resulting from the Commission's negative decision of 22 May 1962.

By decisions of 31 August and 21 December 1962, the President of the Court dismissed these applications <sup>(1)</sup>.

*Case 27/62*: Verein zur Förderung des Hamburgischen Handels mit Kolonialwaren und getrockneten Früchten (Warenverein der Hamburger Börse) e V., Hamburg, and firm of Heinrich Brüning, Hamburg v. the Commission.

Invoking Article 25(3), the Federal Republic of Germany had requested permission to suspend during 1962 part of the customs duties on prunes.

The Commission dismissed this application in a decision dated 3 May 1962. The plaintiff appealed to the Court on 10 September 1962 to quash the Commission's decision.

The Commission asked the Court on 2 October 1962 to give a preliminary ruling on the admissibility of this appeal and to rule it inadmissible.

On 16 December 1962 the Court decided to combine the question of admissibility with the merits of the case.

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<sup>(1)</sup> See official gazette of the European Communities, No. 86, 27 September 1962 and No. 13, 26 January 1963.

*Consolidated actions 31/62* : Milchwerke Heinz Wöhrmann & Sohn KG, Wesel/Rhein, and *33/62* : Firm Alfons Lütticke GmbH, Germinghausen/Westphalia v. the Commission.

On 4 October and 9 October 1962 respectively the two plaintiffs filed pleas invoking Article 184 or alternatively Article 173. They asked the Court to quash or to declare inapplicable Article 3 of the Commission's 15 March 1961 decision fixing a countervailing charge on imports of whole milk powder into the Federal Republic of Germany pursuant to Article 46 of the Treaty <sup>(1)</sup> and to quash or declare non-applicable the Commission's 13 December 1961 decision extending the original decision <sup>(2)</sup>.

On 14 December 1962 <sup>(3)</sup>, the Court, accepting the submissions of the Commission and of the Advocate General, dismissed the applications as inadmissible.

On the grounds of this decision, the Court laid down the following principles :

- i) Under Article 184 of the Treaty, a party may invoke the non-applicability of a Council or Commission regulation only incidentally in a dispute pending before the Court of Justice based on another clause of the Treaty.
- ii) In a dispute pending before a court of a Member State, it is for that court alone, in accordance with Article 177 of the Treaty, to suspend proceedings and refer a question to the Court of Justice for a preliminary ruling.

#### *Requests for preliminary rulings*

330. *Case 13/61* — Kledingverkoopbedrijf De Geus en Uitdenbogerd v. Robert Bosch GmbH and N.V. Maatschappij tot voortzetting der zaken der Firma Willem van Rijn.

In a judgment of 6 April 1962 <sup>(4)</sup> in the case 13/61 <sup>(5)</sup> the Court of Justice, accepting in part the conclusions of the Advocate General and

<sup>(1)</sup> See official gazette of the European Communities, No. 26, 13 April 1961.

<sup>(2)</sup> See official gazette of the European Communities, No. 7, 27 January 1962.

<sup>(3)</sup> See official gazette of the European Communities, No. 8, 21 January 1963.

<sup>(4)</sup> See official gazette of the European Communities, No. 33, 4 May 1962.

<sup>(5)</sup> See Fifth General Report, sec. 255.

of the Commission, gave the preliminary ruling requested by the Hague Court of Appeal on 30 June 1961.

The most important principles laid down in the grounds and in the operative clauses of the judgment are as follows :

- i) Article 85 of the Treaty has in principle been applicable since the entry into force of the Treaty;
- ii) However, since the transitional arrangements instituted by Articles 88 and 89 are not such as to ensure full implementation of Article 85, this Article did not become fully operative on the entry into force of the Treaty and did not, in particular, render all prohibited agreements null and void;
- iii) Consequently, during the period preceding the entry into force of Regulation No. 17 <sup>(1)</sup> only those agreements were automatically null and void which the Member States' authorities had expressly held, on the basis of Article 85(1), not to qualify for the declaration mentioned in Article 85(3), or which the Commission had ruled by decision taken under Article 89(2) to be contrary to Article 85;
- iv) After the entry into force of Regulation No. 17, "old" agreements banned under Article 85(1) but notified to the Commission by the appointed date in accordance with Article 5 of the Regulation are provisionally valid;
- v) A refusal by the Commission to issue a declaration under Article 85(3) signifies that the agreements in question are null and void from the entry into force of the Regulation, unless the Commission decides, under Article 7 of the Regulation, to lift the prohibition, wholly or in part, following the adjustment or termination of the agreement within the proper time-limit;
- vi) "Old" agreements which are banned under Article 85(1) and which are notifiable before 1 August 1962 if it is desired to obtain a declaration under Article 85(3) are automatically null and void from the entry into force of the Regulation unless notified within the time-limit set.

*Case 26/62* : N.V. Algemene Transport- en Expeditie Onderneming Van Gend en Loos v. Netherlands tax authorities — *Consolidated actions*  
*28/62* : Da Costa en Schaake N.V.; *29/62* — N.V. Schuitenvoerderij en

<sup>(1)</sup> See official gazette of the European Communities, No. 13, 21 February, 1962.

Expeditiekantoor v/h Jacob Meyer; 30/62 — Hoechst-Holland N.V. v. Netherlands revenue department.

In the first case and in the consolidated actions the Tariefcommissie, a Netherlands administrative tribunal of final appeal referred to the Court of Justice two interlocutory questions on the interpretation of Article 12 of the Treaty.

On 5 February 1962 <sup>(1)</sup> the Court of Justice, accepting in the main the contentions of the Commission, gave a ruling on the two points raised by the Tariefcommissie in case 26/62.

It declared that Article 12 has direct effects and creates individual rights for these affected and that in deciding whether the standstill of Article 12 has been infringed, the factors to be taken into consideration are the customs duties and charges with equivalent effect actually applied by the Member States on the entry into force of the Treaty: the standstill could equally well be infringed by a new adjustment of the customs tariff as by an increase in the customs rate levied. In the grounds of this judgment, which is of great importance in the development of Community law, the Court stressed that the Community constitutes in international law a new legal order for the benefit of which the Member States had consented to a restriction of their sovereign rights, and the subjects of which are not only the Member States themselves, but also their nationals, Community law engenders duties for individuals, but it also creates rights which become part of their legal heritage.

In a judgment delivered on 27 March 1963, the Court of Justice, accepting in the main the submissions of the Advocate General agreed that the two questions of interpretation raised by the Tariefcommissie in consolidated actions 28/62, 29/62 and 30/62 were identical with these previously settled. Consequently it declared that there was no reason for a fresh interpretation of Article 12, although Article 177 of the Treaty did in fact empower a national tribunal to refer to the Court questions the latter had already answered.

<sup>(1)</sup> See official gazette of the European Communities, No. 32, 4 March 1963.

*Appeals by members of the staff against decisions of the Institutions*

331. *Case 32/62* : M. Maurice Alvis v. the Council

On 27 September 1962, M. Alvis, who had been employed under contract as an auxiliary by the Secretary-General of the Councils, appealed to the Court of Justice under Article 179 of the Treaty *inter alia* to quash the Council's decision of 8 August 1962 terminating M. Alvis's contract by dismissal.

In his submissions at the hearing of 26 March 1963, the Advocate General moved the Court to dismiss the appeal.

*Case 15/63* : M. Claude Lassalle v. the European Parliament

On 28 February 1963, M. Lassalle, an official of the European Parliament, appealed to the Court of Justice to cancel Vacancy Notice No. 44, dated 1 February 1963, issued by the Secretariat of the European Parliament, and to award damages against the Parliament.

In an injunction of 13 March 1963 <sup>(1)</sup>, the President of the Court ordered that the European Parliament take no steps to fill the vacancy in question until the main issue had been decided.

*Case 18/63* : Mme Estelle Wollast née Schmitz, v. the Commission

On 20 March 1963, Mme Schmitz, who had been engaged by the Commission as an auxiliary appealed to the Court of Justice under Article 102 of the Statute of Service for officials <sup>(2)</sup> against the rejection of her application for establishment, suing principally for the quashing of this decision.

### The organs of the Community

#### THE ECONOMIC AND SOCIAL COMMITTEE

332. The Economic and Social Committee held six sessions during the period under review. It rendered seventeen formal opinions, most of them at the request of the Council. Most of these concern the application of

<sup>(1)</sup> See official gazette of the European Communities, No. 49, 27 March 1963.

<sup>(2)</sup> See official gazette of the European Communities, No. 45, 4 June 1962.

the Treaty provisions on establishment and the supply of services in the Community. The Committee also discussed in its main aspects the future course of Community activity.

*22nd session (4 and 28 May 1962)*

333. The Economic and Social Committee was renewed at the end of the four-year period and met to appoint its officers. M. Brand (Germany), the senior member by age, was in the chair.

The following were elected :

Chairman : M. Emile Roche (France), general interests group;  
Vice-chairmen : M. Willem Jonker (Netherlands), employers' group;  
M. Ludwig Rosenberg (Germany), labour group.

The Committee formed eight specialized sections, as provided for in its rules of procedure.

*23rd session (16-17 July 1962)*

334. Opinion on the free movement of frontier and seasonal workers within the Community, requested by the Council on 3 April 1962;

Opinion on freedom of establishment on farms that have been derelict or uncultivated for more than two years, requested by the Council on 17 May 1962;

Opinion on freedom of establishment in agriculture for paid agricultural workers who have worked as such in another Member State for an unbroken period of two years, requested by the Council on 17 May 1962.

*24th session (29-30 October 1962)*

335. Opinion on special regulations for the suspension of Article 85 in respect of road, rail and inland waterway transport and the suspension of Articles 85 to 94 in respect of sea and air transport, requested by the Council on 5 October 1962;

Opinion on certain matters of health control in intra-Community trade in fresh meat, requested by the Council on 5 July 1962;

Debate on the energy policy of the Communities after introductory speeches by M. Marjolin, Vice-President of the EEC Commission,

M. von der Groeben, member of the EEC Commission and M. Sassen, member of the Euratom Commission.

*25th session (28-29 November 1962)*

336. Opinion on the removal of restrictions on travel and residence by nationals of Member States within the Community as they affect freedom of establishment and freedom to supply services, requested by the Council on 24 July 1962;

Opinion on the co-ordination of special measures governing the entry and residence of foreign nationals, requested by the Council on 24 July 1962;

Opinion on a directive to remove all obstacles to payments for services where payment restrictions are the only limiting factor on their supply, requested by the Council on 10 October 1962;

Debate on the Commission's Action Programme for the Community during the second stage of the transition period, introduced by an address from M. Hallstein, President of the Commission;

Debate on the draft association convention with the African countries and Madagascar, introduced by an address from M. Rochereau, member of the Commission and President of the Overseas Development Group;

Debate on the Commission's second memorandum on the common commercial policy, introduced by an address from M. Rey, member of the Commission and President of the External Relations Group.

*26th session (30-31 January 1963)*

337. Opinion on the proposed directives for the removal of restrictions on freedom of establishment and freedom to supply services in reinsurance and retrocession, requested by the Council on 10 October 1962;

Opinions on the two proposed directives on freedom of establishment and freedom to supply services in occupations serving trade and industry, requested by the Council on 10 October 1962;

Opinion on the proposed regulation and directive on the free movement of workers in the Community, requested by the Council on 25 October 1962;

Opinion on the proposed regulation amending Regulation No. 9 (European Social Fund), requested by the Council on 25 October 1962.

*27th session (27-28 March 1963)*

338. Opinion on the first directive on the film industry, requested by the Council on 24 July 1962;

Opinion on the draft directive for the liberalization of transfers relating to invisible transactions not connected with the movement of goods, services, capital or persons, requested by the Council on 21 December 1962;

Opinion on the proposed directive on transitional measures relating to self-employment in wholesale trade and in occupations serving trade and industry — intermediaries (Articles 54 and 63), requested by the Council on 27 February 1963;

Opinion on the Action Programme concerning the common commercial policy, requested by the Commission on 28 November 1962.

#### THE MONETARY COMMITTEE

339. The Monetary Committee held nine sessions during the period covered by this report. The officers of the Monetary Committee were reappointed this year and the members' terms of office were renewed. M. E. van Lennep, Treasurer-General of the Netherlands, was re-elected chairman; M. P. Calvet, First Deputy Governor of the Banque de France, and M. O. Emminger, member of the Board of Directors of the Deutsche Bundesbank, were re-elected vice-chairmen.

The Committee continued its periodic surveys of the monetary and financial situation of the Member States.

At the request of the Council and the Commission, the Monetary Committee addressed two formal opinions to them on 17 July and 6 September 1962 concerning a draft regulation on the rates of exchange and the unit of account to be used for purposes of common agricultural policy. On 19 October the European Parliament approved without amendment this regulation proposed by the Commission. The regulation, which is binding in every Member State, came into force on 1 November 1962.

During its session of 18 and 19 October 1962, the Committee held a preliminary exchange of views on the question of the unit of account to be used in financial aid to the Associated African States and Madagascar. The Committee also addressed an opinion to the Council on the definition of the unit of account to be used in technical and financial assistance to these countries.

As instructed by the first directive to give effect to Article 6 of the Treaty of Rome, the Committee in 1962 made a second annual review of the remaining restrictions on movements of capital and reported to the Commission (see sec. 36). It also considered the draft of a second directive amending and supplementing the first directive implementing Article 67 of the Treaty; this directive was adopted by the Council on 18 December 1962.

At the request of the Commission the Committee formulated an opinion on 7 September concerning the immediate and future prospects of the international monetary situation.

All these matters form the subject of the fifth progress report of the Committee, which will shortly be presented to the Council and the Commission.

#### *THE ECONOMIC POLICY COMMITTEE*

340. The Economic Policy Committee held four meetings during the period under review. On 14 June 1962 it reappointed its officers. M. Muller-Armack, State Secretary in the Federal Ministry of Economic Affairs, was re-elected chairman; M. Perouse, Director of the Treasury, French Ministry of Finance, and Professor Mertens de Wilmars, Deputy Director of the Banque Nationale de Belgique, were re-elected vice-chairmen. Professor Guidotti, counsellor to the Bank of Italy, was elected vice-chairman, replacing M. Carli who was no longer a member of the Committee.

341. As stated in the previous report, the Committee had proposed to extend the practice of establishing annual economic budgets to all the States. Its activities in this field over the past year are reported in section 94.

The Committee also continued its regular reviews of the conjunctural policy of the Community States. In particular it considered the rising price trend in member countries; it adopted and addressed to the Commission an opinion setting out the causes of the rise in prices and framing recommendations to check this trend, which is discussed in section 92.

342. At the end of 1961 the Committee had begun to consider the policy to be followed in the event of a recession. It held further discussions on this question (see sec. 93).

343. The Committee on several occasions discussed wages policy and its influence on economic trends. It reviewed the latest lessons to be learnt from member countries which have official machinery to regulate wages policy, and summed up its findings and recommendations in an opinion addressed to the Commission on 18 December 1962 (see sec. 92).

#### *THE CONSULTATIVE COMMITTEE ON TRANSPORT*

344. During the period under review, the Transport Committee set up under Article 83 of the Treaty met on 12 and 13 June 1962 and again on 10 January 1963. The questions referred to it by the Commission were:

- a) The establishment of common rules for road haulage between Member States [Art. 75(1)];
- b) Conditions for the admission of non-resident carriers to national transport services within a Member State [Art. 75(1b)];
- c) The abolition of double taxation on motor vehicles engaged in international transport.

The working parties set up by the Committee to study these questions held several meetings during May and October 1962. On the basis of their findings the Committee rendered opinions on the matters in question on 13 June 1962 and 10 January 1963.

The term of office of the members of the Transport Committee expired on 27 January 1963 and the appointment of members for 1963-64 is pending.

## Co-operation between the European Executives

### *ACTION BY THE EXECUTIVES IN FIELDS OF COMMON INTEREST*

345. Co-operation between the European Executives was continued and strengthened in every field where concerted action by the three Communities is called for.

346. In the social field, the three Executives jointly organized the European Conference on social security held in Brussels from 10 to 15 December 1962 (see sec. 201).

The High Authority of ECSC, which is represented on the Administrative Committee on social security for migrant workers, approved the draft regulations amending and supplementing Regulations Nos. 3 and 4 on this class of worker.

The Euratom Commission and the High Authority of ECSC took part in preparing two recommendations by the Commission to Member States, the one on medical services in industry and the other on a European list of occupational diseases. The two Executives were also formally consulted by the Commission before the adoption of these recommendations, which also apply to firms and individuals coming within the sphere of competence of Euratom and ECSC.

The High Authority of ECSC took part in the Commission's work on social harmonization, with particular reference to wages, working hours and labour relations. Similarly, the Commission took part in the High Authority's meetings of experts on labour law and industrial safety.

The High Authority was also associated in the drafting of the Council's decision on the general principles of a common vocational training policy.

Lastly in the social field, the Commission was represented at the symposium on radioactivity hazards affecting workers in nuclear plants held by the Euratom Commission at Munich from 24 to 26 October 1962.

347. Joint action on energy by the inter-executive working party on energy is reported in section 112.

348. The Commission and the High Authority have continued and intensified their collaboration in matters of transport. In particular, the ECSC/EEC inter-executive working party examined the Action Programme introducing a common transport policy (see sec. 154).

349. The High Authority of ECSC was associated with the Commission in the inter-ministerial working party for harmonization of systems of patent law. The Euratom Commission has been represented in the working party since its inception. The High Authority also co-operates in a similar working party on trade marks.

Another close link between the Commission and the High Authority was established in studying the effects on competitive conditions in the Community of the various systems for financing social security and the various taxation systems.

350. In the context of the proposed renewal of the association between the Community and the African States and Madagascar, the Commission and the High Authority examined trade policy questions concerning products that fall within the competence of ECSC. (These products are the subject of an agreement annexed to the Convention of Association with the African States and Madagascar).

351. The Commission has continued to assist in drawing up the High Authority's quarterly conjunctural programmes. In so far as it was concerned it acceded to the High Authority's requests that certain tariff items (sponge steel and iron) which until then fell within the competence of the Commission, should be included in the ECSC Treaty.

352. The heads of the administrations of the Community institutions met on several occasions to consider the implementation of the general provisions of the Statute for officials, the alignment of salaries and pensions of officials of the EEC and Euratom with those of ECSC, and the uniform application of the Community tax, on the basis of Article 10 of the Council's Regulation No. 32.

#### *EDUCATION AND RESEARCH PROBLEMS*

353. The Commission, like the Parliament and the two other Executives, attaches great importance to cultural questions. It considers that the unifica-

tion of Europe, which is the ultimate goal of the present Communities, can only come about if, at the same time as they integrate their economies and develop political solidarity, the nations of Europe come to share the same fundamental values. This means that an effort must be made to discard any nationalistic element surviving in contemporary thought, be it conscious or unconscious, and to have Europeans combine in creating the society in which they hope to live in future. Although these aims are not explicitly stated in the Treaties of Paris and Rome, they unquestionably form part of the Community's objectives.

In the early years of the Treaty, the Commission has naturally given priority to its economic and social tasks; but it has also made room for cultural considerations in the course of its activities, more especially whenever, in pursuance of the Treaty, it was dealing with matters having a cultural aspect. Its work in this field is briefly described further on.

The Commission gave its unreserved support and active collaboration to the scheme for a European University, which had been drawn up on the basis of Article 9 of the Euratom Treaty. It regrets that so far no practical work has begun on this scheme, which could have had a highly desirable influence on teaching and on academic bodies within the Community.

The Commission had also noted with great interest the declaration on cultural co-operation made by the Heads of State or Prime Ministers of Member States at Bonn on 18 July 1961. This declaration had provided, first, for the creation of a Council consisting of the Ministers of Education or Ministers whose functions embrace international cultural relations, and secondly, for the negotiation of one or more conventions relating to university exchanges, the creation of a European University and European teaching and research institutions, and the recognition of the "European vocation" of certain national institutions. Moreover, the declaration on political co-operation, published at the same time, included a decision to associate public opinion more closely with the effort undertaken by inviting the European Parliament, with the co-operation of Governments, to extend its field of debate to these new matters.

Having noted that these plans had so far had no practical outcome, the Commission welcomed with particular satisfaction the move by the European Parliament's Research and Cultural Affairs Committee to draw

up a report on cultural co-operation between the Member States. Confident that the work undertaken will be carried through, the Commission proposes in the interim to give earnest consideration to the broad lines of a common cultural policy, especially as regards education and scientific research. The Commission, in common with the other two Executives, will continue to give the Research and Cultural Affairs Committee its whole-hearted support.

Apart from any general action, the Commission proposes to apply certain provisions of the Treaty which have a bearing on cultural matters in the most forward-looking way possible.

For the purposes of Article 57(1) on the mutual recognition of diplomas, certificates and other qualifications, syllabuses of studies need not necessarily be equivalent in all respects. The only requirement necessary is that, taking into account both theoretical and practical training, students shall have covered an equal amount of ground. Nevertheless, the Commission considers that if the professional rather than the academic view-point must prevail in decisions on the mutual recognition of diplomas, it is none the less necessary to aim at equivalence in syllabuses, to be understood in the sense of "levelling upwards". This is not a question of stereotyping the syllabuses, but of encouraging the adoption of the best standards and fostering constant improvement. The Commission is similarly concerned as to the implementation of Article 128 on vocational training and was glad to note that the representatives of certain professional circles share its views. Another aim, that university students should be enabled to spend one or more periods studying outside their own country before taking their final degree, might also be achieved in this context.

When the common vocational training policy provided for in Article 128 of the Treaty of Rome was being planned, it was closely correlated with the common policies for complete economic and social integration and at the same time it was framed to fit into a common cultural policy. The economic, social and cultural aspects of vocational training are indeed inseparable. The idea that professional training and general culture are opposite poles is outmoded; nowadays we recognize that methods of production, distribution and administration have evolved so far that a man employed in commerce or industry must be able to participate actively in developing and transforming economic and social life. This new

conception brings an element of conscious solidarity and responsibility into vocational training — an element which, because it places the emphasis on broadening the personality, is the very essence of true culture.

In this sense the objectives which the Commission sets itself in its proposals for the general principles of a common vocational training policy have an eminently cultural significance. The aim of these proposals (which were in the main adopted by the Council — see sec. 189) is to give people the desire and the means, through improved methods of teaching, to exercise and develop their abilities, to make full use of their vocational capacity, and to profit intellectually, morally and socially from their work. The Commission considers it most important that the many specific measures laid down for this purpose should be put into effect.

This common activity is of special importance to agriculture. The aim is not simply to improve the farmer's professional skill and to retrain for other jobs workers who abandon farming, but to provide country children with a level of education, general, technical and cultural, equal to that provided elsewhere and to fit them equally to become qualified farmers or to take up any non-agricultural calling, up to the highest level.

The Commission considers, moreover, that cultural advancement should be read into Article 50 of the Treaty of Rome, which provides for broadening exchanges of young workers between the Member States under a joint programme. The proposals which the Commission submitted to the Council in pursuance of this Article are not confined to vocational training, but include among the objects of such exchanges an awareness of common fundamental values.

The Commission tries in general to contribute wherever possible to the realization of the cultural aims defined above, through the contacts it makes and maintains in the world of education and research — especially in university circles interested in its activities — and among the competent international organizations.

Like the other two Executives, the Commission is represented in the council and on the boards of governors of the European Schools and gives its full support to this enterprise. It hopes that certain information

gained from the European Schools' experience of such matters as approximating syllabuses, language teaching, school textbooks designed for European use, will be turned to good account in national educational systems.

Naturally the Commission favours close and many-sided relations with the universities. Its aim is to encourage scientific knowledge and research on all the problems of building Europe. Apart from its many human contacts, it does its utmost to further university work and research by organizing lectures, commissioning research institutes and individual research workers to carry out research projects and, so far as its limited means permit, granting financial aid to help certain teaching schemes to get under way, to organize symposia or seminars, or to publish or translate works of merit.

During 1962 the Commission took nearly 150 young European university graduates into its departments for three or six-month training courses. It offered scholarships tenable at institutes specializing in European studies; unfortunately its funds earmarked for this purpose are very small and it did not succeed in having them increased in the 1963 budget.

The Community's relations with cultural bodies are conducted partly through the information services. In particular, the Joint Information Service, whose work is described below, has a department for university information and administers a special credit for spreading information among young people, thanks to the intervention of the European Parliament.

354. First, under the heading of "University information", various steps have been taken to facilitate the work of individual professors and students on various aspects of European integration (admission to the Community's offices, financial and technical aid) and, in exceptional cases, to enable such work to be published. Every year a European Community Prize is awarded for the best doctorate thesis on European integration.

Financial and technical aid was given for the organization of high-level university symposia on various aspects of integration. Other symposia have been organized on the direct initiative of the Communities. Numerous university groups were received at the offices of the Communities.

More regular and systematic co-operation was developed with the world of higher education and research in the Member States :

- i) By strengthening the links with Institutes of European Studies, which grew considerably in number in 1962;
- ii) By inquiries completed or begun in the member countries for the purpose of assessing the degree of interest shown, in the various branches of university teaching, in problems of European integration and of deciding on ways of satisfying such interest;
- iii) By practical arrangements to develop co-operative relations with the university authorities in every Member State.

355. A special report will be submitted to Parliament on the programme of information for young people and adult education authorities. The general trend of this programme is not only towards keeping the staffs of the various categories of educational organizations (teachers, youth and further education associations) more systematically and precisely informed, but also towards genuine co-operation with instructors so that these can introduce a European element into their educational work.

Under this programme the following steps have been taken :

- i) Suitable educational material has been produced for young people in and out of school (maps of the Communities, transparencies, various publications, etc.);
- ii) Co-operation has been strengthened with the government services, responsible for school and after-school education and interested in this European educational programme;
- iii) On behalf of and in collaboration with the large educational organizations, several hundred study courses and some 2 000 information lectures were provided for rural areas, trade unions, workmen, students, and a variety of cultural associations.

The information thus disseminated chiefly covered those Community activities that more directly concern young people's future from the employment and social point of view (common agricultural policy, the Communities' social policies, freedom of establishment and equivalence of diplomas, Euratom training programme, etc.). This activity was also employed to encourage the tendency of the large educational organizations to form

representative bodies at Community level for the purpose of studying European integration problems and participating actively in a genuine policy of European co-operation among young people.

Thus "working parties" or "European Secretariats" were created and developed, grouping the various organizations of students, rural youth, political youth, Church youth, further education movements, women's movements, family movements, etc.

In the course of this work, solid foundations were laid, targets were set and methods tried out, for a cultural co-operation programme to reach into the fields of higher, general and further education and point to the logical consequences of European integration in all these fields.

But it is clear that such work can only develop fully and be completely effective by formal agreement between the Governments.

#### INFORMATION

356. The Commission publishes its monthly "Bulletin of the European Economic Community" (60-80 pages) in the four Community languages and also in English and Spanish; as well as reporting on the activities of the Commission's various departments the Bulletin includes an editorial on some question of topical interest, a study on a specific subject, and a report on the work of the institutions and organs of the Community. The Bulletin also gives a list of official Community publications and of the written questions put down by members of the European Parliament.

Supplements to the Bulletin contain Commission proposals to the Council on which the Parliament has been consulted. About 32 000 copies are printed.

#### *The Spokesman's Group*

357. During the period covered by this report, the work of the Spokesman's Group has expanded with the progress of European integration; the implementation of the common agricultural policy, the first measures implementing the provisions on cartels and monopolies, the convention with

the African States and Madagascar, the launching of the "Action Programme" and the negotiations with Great Britain all aroused interest in the international press and public opinion in general.

For instance, on the Spokesman's mailing lists there are nearly five hundred newspapers or journalists to whom information is sent daily. There are nearly a hundred journalists posted in Brussels for Community affairs, and the number of special correspondents visiting Brussels leapt up during 1962; receiving these visitors and keeping them informed from day to day was one of the Group's main activities. Information and directives were regularly transmitted to the Community countries and non-member countries, through the offices in capital cities (Bonn, Paris, Rome, The Hague, London and Washington).

In order to improve the information service yet further on points that were often somewhat technical, more and more information memos were issued. Similarly, the Spokesman's Group brought the relevant Directorates General of the Commission into its daily Press conferences by inviting senior officials to comment for the benefit of journalists on the decisions or proposals under consideration, so that their portent might be better understood.

The Joint Service's record, drawn up under the headings of media employed and sections of the public addressed, actually includes a large part of the work in which the Spokesman's Group was associated, comprising both creative work (texts of brochures) and executive work (explanatory statements to parties visiting Brussels and to audiences in the various Community countries and many non-member countries).

#### *The Joint Information Service of the Communities*

358. The work of the Joint Information Service has increased in volume for the same reasons as that of the Spokesman's Group. Since the means at its disposal have not been increased proportionately, it has given priority to those activities in which the European Parliament expressed particular interest in its resolution of 24 November 1960.

In this resolution the Parliament urged :

- i) That the Joint Service make a systematic inquiry into the attitude of the people of the six countries towards a united Europe;
- ii) That a special effort be made in the field of visual information, information visits to the offices of the various institutions, information for trade union leaders, farmers, teachers and youth organizations;
- iii) That information to overseas countries and other countries be rapidly expanded.

This programme has been followed faithfully, under the guidance of the Supervisory Board, consisting of M. Caron (Vice-President of the EEC Commission), Chairman, M. Wehrer (member of the High Authority of ECSC) and M. Sassen (member of the Euratom Commission).

A group of specialist institutes carried out an opinion poll in the six countries regarding the unification of Europe. The main results were communicated to the European Parliament in November 1962; a general report is being brought out in the four Community languages and in English.

The poll indicates that a greater effort must be made among farmers and country people, industrial workers and women's organizations.

A second stage of the poll is in preparation; whereas the first was concerned with attitudes, this stage analyzes motivations and reviews the channels of information.

At the beginning of 1962 an international team, led by the late Professor Jacques Kayser, made another survey — of the space allotted to Community affairs in the Press of the Community countries and Britain. The results have been published in French and English.

Within the Community, publicity in 1962 was directed more especially towards trade unions and workers, farmers, teaching organizations, adult education and youth movements. Contacts were made with women's organizations.

Co-operation was also sought — or strengthened — with public and private controllers of large-scale information media. For instance, a great European competition was organized by the European Association of Producers of Publications for youth (Europressjunior), which represents 240 publi-

cations reaching some thirty million readers monthly. Contacts were made with a view to forming similar associations among publishers of women's magazines and among producers of films for the young. The leading photographic material companies together organized a Europe-wide competition for young people. The Joint Service took the initiative in organizing several meetings of national experts on information matters — heads of farming information services, representatives of radio and television, etc.

Outside the Community, information was chiefly directed towards the Associated African States and Madagascar, the United Kingdom and the United States.

An initial programme, as yet very limited, was outlined for Greece. A brochure on the association of Greece with the EEC was published in November 1962.

359. *Fairs and exhibitions.* At the invitation of the American authorities the Joint Service, as requested by the Member States made arrangements for the Community to be represented at the Seattle World's Fair (USA) from 21 April to 21 October 1962. Nearly ten million people visited this exhibition, at which the Joint Service organized highly successful "Europe Days".

The Service also took part in thirteen fairs and exhibitions of varying importance, whilst in France an exhibition lorry toured several district fairs with success, and mobile stands toured several countries including Great Britain and the United States.

360. *Publications.* The monthly bulletins published by the Press and Information Offices of the Community in five capital cities are taking on the form of a European magazine. Each of them has a monthly circulation of between thirty and forty thousand copies. In Bonn the first numbers of a similar magazine, which replaces the former weekly publication, came out towards the end of 1962.

In addition, 54 pamphlets and a score of other publications have been issued in the Community languages and in English to a total of 3 125 000 copies.

361. *Radio, television and cinema.* As well as several hundred "takes" and recordings of interviews on notable occasions, and technical assistance to numerous reporter teams sent by radio or television services of the continent of Europe, Great Britain, Canada, the United States, Japan, etc., the Joint Service organized a scheme for joint television broadcasts for the six Community countries; endeavoured to arrange co-operation between the short-wave services, brought out a monthly "European calendar" for the information of radio and television editors, and created a library of tape recordings and films.

Three shorts and several film strips with sound were also made. Finally, studies for rapid recordings are being installed in Brussels at the offices of the Joint Service.

362. *Farming information.* The Council's decisions of 14 January 1962 have aroused a growing public interest in farming matters, in agricultural policy as the key-problem in consolidating the Community and as a factor in world economy.

A pamphlet entitled "The agricultural common market" has been published and 250 000 copies will be distributed in five languages.

Close co-operation has been established with the young farmers' organizations, which have combined at Community level to form a "Comité d'entente" for the purpose of arranging study courses and holding a four-day agricultural information campaign in Italy. Teams of young lecturers are being organized.

363. *Information for labour and trade unions.* Some fifty meetings, mostly international, lasting on an average two days, were organized for trade union officials at the headquarters of the Communities in Brussels or Luxembourg.

In addition, several thousand area officials, shop stewards or local officials attended over a hundred and fifty information and training events organized in the Community countries and Great Britain with the collaboration of the trade union organizations concerned.

Trade union journalists were present at all the sessions of the European Parliament. Four thousand people received documentary material suited to their needs.

The number of shop stewards and trade union officials who attended lectures and courses on the subject of Europe at trade union colleges may be estimated at something over 150 000.

364. *Information in universities — Youth.* The Joint Service's work in this sphere is reported in sections 354 and 355.

365. *Visits and courses at the offices of the Communities.* While continuing its work among organized bodies, the Joint Service also supplies information to a wide variety of groups of people from the Community countries and abroad, who ask to be received during educational or study tours or who are specially invited.

In 1962, 485 parties were received in this way at the offices of the Communities (196 in Brussels, 289 in Luxembourg) totalling more than 15 000 persons (37% of them in Brussels and 63% in Luxembourg).

366. *Information overseas.* A great deal of information was furnished to the African press, much of it in the form of special pages. Some 37 000 copies were distributed, in the Community languages and in English, of a folder of maps showing the work of the EDF, and 5 000 copies of a booklet in the Malagasy tongue.

There were 10 thirty-minute radio broadcasts of "L'Europe vous parle" from the 17 stations of the associated States, and over 500 daily broadcasts of 3 to 5 minutes were included in news bulletins.

Broadcasts in native languages were transmitted to the Republic of Congo (Leopoldville), and 60 news reports were made for the Rwanda and Congo stations with the co-operation of Radio-Télévision Belge.

367. *Offices in capital cities.* The information offices in the capitals extended their liaison work with the public and various circles in the countries in which they are established.

They maintained constant contacts with the press, government bodies, professional, trade union and cultural organizations, political parties etc., by circulating publications and notes, organizing meetings and round-table discussions, and taking part in conferences or seminars.

Finally, these offices contributed information to the institutions of the Communities on the reactions of public opinion, in particular by means of a press review which went out daily to about 1 000 readers.

#### *THE STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES*

368. The rapid development of the Community entailed considerably more work in the Statistical Office of the European Communities during the past year. As the staff has not increased proportionately, a great deal of important and even essential work has had to be postponed or dropped entirely. This state of affairs is leading to a decentralization of statistics among the European Executives which may impair the quality of the data on which recommendations and decisions of economic policy are based.

Only work done for the EEC will be mentioned here.

The Supervisory Board of the Office met twice during the past year to consider organization, budget and staff matters.

The heads of the national Statistics Offices held two conferences, in Paris and Wiesbaden. At the first meeting, in which the head of the Greek Statistics Office took part for the first time, the 1963 programme of work and questions of nomenclature were discussed. There was also a discussion on the statistical data required for purposes of common agricultural policy.

The second meeting dealt with the Office's long-term outline programme and the problems involved in long-term surveys and polls.

369. The Office was able to carry out the whole of its publications programme (eleven periodicals) in spite of the precarious state of its funds.

Periodicals for both internal and external consumption contain an increasing quantity of information on Greece and the countries which have applied for membership of or association with the Community.

370. In the field of national accounting, work has continued on the minimum framework, bearing mainly on the comparative analysis of the various headings that concern undertakings. Decisions were taken on harmonizing these headings. In addition, the Office dealt with the drawing up of social insurance accounts. In collaboration with the Directorate General concerned, it also undertook a comparative survey of accounting methods for agriculture. Progress was likewise made in defining headings in the balance of payments and external accounts.

The results so far obtained have been published to a large extent in the "General Statistical Bulletin", as they were last year. In particular we would mention the special report on the contribution of the various economic sectors to the domestic product from 1950 to 1960.

Lastly, the Statistical Office, jointly with the Directorate General of Economic and Financial Affairs, undertook the preliminary statistical work for the establishment of economic budgets. Agreement was reached on the structure and the minimum framework of these budgets.

The main task in the field of finance and banking consisted of listing the statistical documents available.

Experts from five Member States (Belgium, France, Germany, Italy and the Netherlands) assembled and prepared statistical data for drawing up input-output tables. These tables will provisionally comprise 80 lines and will refer to 1959 (1960 for the Federal Republic of Germany, on account of the return of the Saar in 1959).

371. The Member States' statistical documents on home trade were collected and classified from the point of view of comparability. The wholesale trade nomenclature is nearly ready and the corresponding work relating to retail trade is at an advanced stage. There is one innovation: since the begin-

ning of 1963 : indices have been calculated and published monthly of the department stores' and retail co-operatives' turnover, broken down into main classes of goods.

372. The trend in the attitude of the Soviet bloc towards the European structure has merited a special interest in the statistical analysis of the Iron Curtain countries. Hence as well as studying subjects directly connected with Soviet criticisms, the Office has turned its attention to the demographic trend, industrial and farm output and the foreign trade of the Eastern countries; for purposes of comparison, Soviet statistics on foreign trade have been broken down into broad "statistical and tariff classification for international trade" groups. Most of the results and observations have been published in the reports "Statistical aspects of the integration of the Eastern bloc".

373. The Office has published the first energy balance-sheets for the Member States and the Community as a whole, covering the period 1950-60 ("Statistical Information - 1962 - 1/A"). In particular the Office completed its work in preparation for the quarterly publication of the solid fuel balance-sheets. The electricity balance-sheets were treated from various angles : for instance, electricity consumption for 1951-61 was shown by category of consumers. The Office also drew up monthly statistics on fuel utilization in power stations.

In collaboration with the Union of Industries of the European Community (UNIEC), the Office has produced a new nomenclature of nuclear industrial undertakings. It has compiled statistics on trade in and use of radio-isotopes in the Community countries.

374. The founding of the "European Training Centre for Economic Statisticians" in Paris, for the use of the associated overseas countries, deserves special notice. The first intake of 22 grant-aided students are studying at this Centre (see sec. 220).

For the first time, the Office has calculated and published volume indices and average value indices for the principal associated overseas countries.

375. In addition to its growing amount of work on external trade, the Office has carried out a number of special tasks, the chief of which was to furnish basic data for the GATT discussions. It also prepared numerous surveys connected with the negotiations for accession conducted with Great Britain up to January. Part of this work was published as a special report in "Foreign Trade — Monthly Statistics". The Office likewise brought out the "1962 Geographical Code".

The Office has arranged to expand the "Foreign Trade — Analytical Tables", including therein some 3 000 tariff headings, and to publish the figures for foreign trade in agricultural products every month.

In addition the Office has worked out a new method of correcting for seasonal variations which applies at present to 128 series. This method makes it possible to use electronic computers so that the basic data needed to observe underlying trends can be processed very rapidly.

376. The Office has continued with its comprehensive transport programme, covering infrastructure, vehicle parks, the structure of the industry, the activities of transport firms, and transport services. The results of the 1961 survey of transport of petroleum products have been analyzed. A sampling was carried out on road haulage in 1962 for the first time on a Community scale and the results are now being analyzed.

Lastly, the new classification of the Standard Goods Nomenclature for Transport Statistics (NST) deserves notice; it has ten chapters and 54 sub-headings and deals with transport terms and conditions and economic data.

377. Much of the work of the "Industrial and Craft Statistics" division was devoted to preparing the world industrial census which will be held

in 1963 under the auspices of the UN. The census will be taken in accordance with principles common to the Member States and will at the same time provide the Community with valuable supplementary information. With this in view, directives have been issued for the guidance of the services concerned.

The Office has finished classifying the "Nomenclature des Industries des Communautés Européennes" (NICE) and continued publishing structural statistics on various branches of industry. At the same time, it took part in sector surveys undertaken by the Directorate General of the internal market; part of this work has been published as a special report in "Statistiques Industrielles". The Office also brought out for the first time a year-book containing information on the output of 450 finished and semi-finished products and on the supply situation in respect of 80 products over the period 1953-61.

378. Research into social statistics has also widened in range considerably and now covers wages, real income, and workers' budgets and housing conditions. The results of such surveys generally appear in the Bulletin "Statistiques sociales".

The surveys of costs and incomes are reported in the chapter on social questions (see sec. 192).

The principal social security statistics for 1955-60 were collated on a relatively simple plan and published. They are still not strictly comparable as between countries but they do mark real steps towards an approximation of national statistics. The information supplied concerns persons insured, persons receiving benefit, receipts and expenditure; in addition, the Office has worked out interesting ratios (figures expressed in relation to national income and population).

379. In the agricultural sector, the work consisted mainly of drawing up balance-sheets. Amongst others the Office published balance-sheets of supplies in respect of sugar-beet, sugar, glucose and honey, milk and dairy products, cereals and wine.

It prepared common definitions to be used for statistical purposes in forestry, fisheries and farm structures; it studied questions of method, such as that of the comparability of price statistics. In addition, in its departmental memoranda it supplied information on the state of crops, harvest forecasts and results.

Finally, the Office completed the preparation of statistics of agricultural labour in the Member States, based on common definitions.

#### *THE LEGAL SERVICE OF THE EUROPEAN EXECUTIVES*

380. By an agreement of 1960 between the three European Executives on the organization of the Joint Services, the Joint Legal Service was placed under a Supervisory Board, consisting of one member from each of the three Executives, administration being in the hands of the Euratom Commission. The staff of the EEC branch of the Service needs to be considerably increased in view of the growing load of work laid on it. The extra posts have been provided for in the budget but have not so far been filled.

The three branches of the Service actively co-operated in the study of questions of common concern to several Communities (institutional matters and questions connected with entry into force of the Statute of Service for officials).

The Legal Service continued to be closely associated with all the activities of the EEC Commission. It was consulted on all legal questions arising in the interpretation and implementation of the Treaty and of Community measures, and on the drafting of various enactments of the Commission. Apart from opinions given orally, the Legal Service issued 545 written opinions during the period covered by this report, and its members took part in various working parties formed in the Commission or the Council.

In addition, the Service has continued to represent the interests of the Commission and plead its case before the Court of Justice of the European Communities in various proceedings in which the Commission

was the respondent party or was asked to submit its comments in an application for a preliminary ruling in pursuance of Article 177 of the Treaty (for details see chapter on Court of Justice).

### **The internal administration of the Commission**

#### *THE STATUTE OF SERVICE*

381. The Statute of Service for officials and conditions of service for other employees of the Commission came into force on 1 January 1962. The process of establishing staff in accordance with the Statute was immediately begun and was almost completed when this report was written. The principal official bodies (provisional Staff Committee, provisional Statute Committee and provisional Joint Committee) were set up and they assisted in framing the first provisions to give effect to the Statute.

Certain difficulties cropped up however; for instance, the recruiting procedure turned out to be very cumbersome and the adjustment of ranks to the new grading laid down by the Statute was a delicate matter. These troubles were aggravated by the fact that the Council was not prepared to accept the amending budget which the Commission had put forward with a view to adjusting the establishment table to the new situation created by the Statute.

The Commission has now submitted to the Council the draft amendments which it considers requisite to improve the procedures laid down by the Statute.

*THE ESTABLISHMENT SITUATION*

382. The establishment of the Commission for 1962 provided initially for 1 933 posts, viz. 547 in category A, 399 in category B, 820 in category C and 167 in the linguistic service.

The measures introduced (after the 1962 budget was decided) in connection with restrictive practices and with the common agricultural policy substantially widened the Commission's sphere of competence and consequently increased its work. It had already foreseen this possibility when tabling the ordinary budget for 1962 and in a supplementary budget for 1962 had proposed the creation of at least 317 additional posts (69 A, 77 B, 166 C and 5 L). The Council approved the creation of only 223 new posts, namely 55 A, 52 B, 111 C and 5 L).

For 1963 the Commission asked for 413 new posts — 104 in category A, 83 in category B, 194 in category C and 32 in the linguistic service. A further 6 category A posts were also proposed, to be filled by temporary employees. These proposals arose very largely from the new work to be undertaken and the considerable expansion of existing tasks. Furthermore the modesty of the Commission's demands in previous years inevitably had its repercussions on the present requests.

Out of the 413 posts asked for, the Council approved only 137 (25 A, 20 B, 60 C and 32 L), plus the 6 posts for temporary staff. It also placed 47 posts (20 A, 12 B and 15 C) on the establishment of the Directorate for Competition, but it reserved the right to fill these on an ad hoc basis subject to assurances of real need.

The Commission's 1963 establishment will thus comprise 2 089 posts (627 in category A, 471 in category B, 991 in category C) plus 204 posts in the linguistic service and 6 posts for temporary staff.

Owing to the length of the task of establishing present staff and the complications of the recruitment procedure laid down by the Statute of Service, the Commission has so far been unable to appoint permanent

staff to a large number of posts and has had to resort to the use of auxiliary staff. It has, however, initiated the statutory procedure for filling vacancies.

#### ORDINARY AND SUPPLEMENTARY BUDGETS

383. On 2 and 3 July 1962 the Council adopted the first supplementary budget for 1962, increasing the initial Commission estimates by about 1 668 000 units of account (504 650 u.a. in Part II "Council" and 1 163 660 in Part III "Commission"). As indicated above, a large part of these additional funds was needed to pay the increased staff. On a report by M. Weinkamm, the European Parliament on 27 June 1962 passed a resolution expressing the view that in general the Commission had shown good grounds for the supplementary expenditure.

The second supplementary estimates for 1962 represented an increase of 178 175 units of account in the expenditure arising from the implementation of the service regulations. This increased expenditure was offset, however, by income tax receipts beginning 1 January 1962.

The Commission transmitted the preliminary draft budget for 1963 to the Council on 20 September 1962. On 24 October 1962 the draft budget was laid before the European Parliament which, on a report by M. Weinkamm, passed a resolution on it on 21 November 1962 suggesting ways of improving and rationalizing the Community's budgetary decisions. The Council and the Commission are considering measures to improve budget procedure in accordance with this desire of the Parliament. The Council finally adopted the budget at its meeting of 17 and 18 December 1962.

The Commission's operational budget is up on 1962 by 3 179 000 u.a. The increase is mainly due to the higher salary scales introduced by the new service regulations and to the increase in personnel. Allocations to the European Social Fund, on the other hand, are down by 11 209 000 u.a. These cover the Fund's operations for one year only, whereas formerly they related to longer periods.

*COMMITTEE OF CONTROL*

384. In accordance with Article 206 of the Treaty, the Committee of Control presented the report on the financial year 1960 on 10 November 1961 and that on the financial year 1961 on 12 July 1962. In spite of various practical difficulties, these reports were published on 5 July and 20 October 1962 respectively.

*ORGANIZATIONAL MATTERS*

385. The Commission has made changes in the organization of its Directorates General. The former "Agricultural Markets" directorate has been divided into four directorates — for vegetable produce; livestock produce; special crops, fisheries and silviculture; and agricultural economy and legislation.

There have been other changes in the "Cartels and Monopolies" and "Approximation of Legislation" directorates under the Directorate General for Competition, in the "Right of Establishment and Services" and "Industry, Handicrafts and Commerce" directorates under the Directorate General for the Internal Market, and in the Labour directorate under the Directorate General for Social Affairs. Other reorganizing measures are planned and will be taken in the course of the year.

The rationalization of work has continued, with a growing use of up-to-date machines and equipment.

*OTHER MATTERS*

386. The Commission's administrative work is made heavier by the fact that its staff are accommodated in seven different buildings, inadequate in themselves and somewhat remote from each other. This state of affairs weighs heavily on running costs and complicates the rational organization of liaison between the departments; it seems unlikely to be improved in

the near future, since most of the buildings offered to the Commission are not in the vicinity of the central buildings.

The constantly increasing number of meetings calls for an ever greater number of interpreters and translators, but as regards both quality and quantity it is becoming difficult to recruit such personnel. The same applies to the recruiting of secretarial assistants, who must have a good knowledge of languages as well as the usual secretarial qualifications. The salaries laid down by the Statute for staff in this category are too low by comparison with those paid to qualified secretaries in the six Community countries.