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EUROPEAN PARLIAMENT

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This publication deals with problems relating to the progress of European integration: it analyses noteworthy attitudes taken and articles written on these issues. It also reports on the efforts pursued by the European Parliament, the Parliaments of the Six Member States and by other European parliamentary bodies with a view to achieving the aim of uniting Europe.

For further information on some of the problems tackled by the European Communities and, in particular, on the work of the Executives, readers are referred to the following official publications :

Bulletin of the European Coal and Steel Community

Bulletin of the European Economic Community

Euratom-Bulletin of the European Atomic Energy Community

The Council of Ministers issues a press release at the close of its sessions. Its activities, however, are also covered in the Community Bulletins.

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P a r t I

DEVELOPMENT OF EUROPEAN INTEGRATION

I. GENERAL PROBLEMS

1. Positions adopted with reference to European integration by President Lübke, Chancellor Erhard and Dr. Schröder, Foreign Minister

On the occasion of a meeting held in Bonn by the German Chamber of Foreign Trade on 28 April 1966, Chancellor Erhard came out decisively in favour of a greater degree of economic integration in Europe. Europe constituted both an aim and an imperative and it was in the economic field, where there were the fewest difficulties, that a start should be made. The alternatives, he said, were mere wishful thinking. He added that it had always been his view that instead of the EEC, a large free trade area should be created. If the economic split in Europe were to be healed, it was no use extending half-hearted invitations. The United States too wanted to see an economically strong and healthy Europe. He stressed that the Kennedy Round provided a way of overcoming economic divisions because it held out the possibility of an expansion of world trade through the removal of customs barriers. The Kennedy Round therefore had to be brought to a successful conclusion.

At the opening of the Industrial Fair in Hanover on 29 April 1966, President Lübke expressed his satisfaction at the development of the European Economic Community. The recent meetings of the EEC Council in Brussels had made it reasonable to hope that financing and organizing the agricultural market no longer presented any insuperable difficulties. It was now agreed, he said, that the free movement of goods in the agricultural sector must become operative at the same time as that of goods in the industrial sector. He came out strongly in favour of an expansion of trade with third countries. This would only be possible, however, if third countries were given the chance to export more to the EEC in general and to the Federal Republic in particular.

Speaking at the annual general meeting of the German Union of Wholesale Traders and Exporters on 28 April 1966, Dr. Schröder, Foreign Minister, stated that no progress would be possible in the EEC until comprehensive solutions could be found that reconciled the interests of all the Member States. At present, he said, none of the Six was ready to take any further steps unless adequate guarantees were forthcoming. He felt that it would be technically possible, before the end of May, to finalize a satisfactory regulation on financing the EEC Agricultural Fund. This regulation, however, should not be passed by the Council of Ministers until agreement had been reached on such other points as: finalizing the common agricultural policy, the completion of the Customs Union in the industrial sector and the position to be adopted by the EEC with reference to the Kennedy Round.

When Dr. Schröder spoke in Cologne on 29 April 1966, he indicated that the Federal Government would press the EEC Council for progress on the question of the United Kingdom's accession to the Community. He also said that Germany would also strongly advocate Spain's admission to the EEC as an Associate Member.

On the occasion of the "Overseas Conference" in Hamburg, Dr. Schröder came out in favour of enlarging the EEC. He stressed that an attitude of resignation on the question of other states' acceding to the EEC was not indicated. On financing the agricultural policy, he felt that the cost would be in the region of 6 or 7,000m. Marks. France would receive twice as much as she contributed, whereas Italy's receipts and contributions would more or less balance each other out. The main financial burden would fall on Germany's shoulders; hence the financing of the agricultural policy would stand or fall with Germany. During the forthcoming negotiations, Germany's attitude would be governed by the state of the budget; this was becoming increasingly difficult. She could not go further than the 31 per cent at present planned.

Another point he made on this occasion was that President Hallstein should remain president of the new EEC Commission. He gave two reasons for this:

1. When the planned merger of the three (ECSC, EEC and EAEC) Executives went through, there had to be some guarantee of continuity.
2. The experience gained by the EEC Commission, the ECSC High Authority and the Euratom Commission could not be written off, nor could the experts who had proved their worth on the Community bodies simply be ignored.

(Die Welt, 29 and 30 April 1966 and 7 May 1966; Frankfurter Allgemeine Zeitung, 29 April 1966 and 9 May 1966)

2. German views on the outcome of the Council of Ministers' meeting in Brussels

At a press conference given on 11 May 1966, Mr. von Hase, Secretary of State, indicated that the German Government was gratified to note the satisfactory outcome to the Council of Ministers' meeting in Brussels. On the same day, the German Cabinet studied a report by Mr. Schmücker, Economics Minister, who had led the German delegation in Brussels. Mr. von Hase summed up the situation as follows:

1. The time-limits set for the agricultural policy tallied with the German views.
2. Although the dispensation agreed for industry was not entirely satisfactory, it did represent a thorough-going solution.
3. By and large, the introduction of the "gross" principle tallied with German wishes.
4. A limit had been set on the proportion of the EAGGF to be allocated under the "Guidance" head; this represented a success.
5. In view of this, the apportionment key, whereby Germany was to bear 31.2 per cent of the cost, was acceptable.
6. The decision taken on agricultural exports to the Soviet-occupied zone represented an endorsement of the German attitude.
7. The decision to maintain a balance between fiscal harmonization and trade policy developments was of major importance to Germany.

The German Government particularly stressed that the agreement reached in Brussels had involved not only the settlement of agricultural questions; it had also brought the common economic policy objective nearer.

The CDU Press Service described the outcome of the Brussels meeting as acceptable; it spoke of a fair compromise. The decisions taken were broadly in line with what the German delegation had pressed for - not least as regards the time-limits set for the agricultural policy. Although the solution arrived at for the industrial sector

was not wholly satisfactory, the compromise achieved was at least acceptable. It welcomed the provisions on agricultural supplies to the Soviet-occupied zone and the decision that fiscal harmonization should keep pace with the development of trade policy; this decision was closely in line with German interests.

The FDP reactions were less enthusiastic. Mr. Starke, Vice-President of the Party, called upon the Government with all due reservations to place the results of the negotiations before the Bundestag without delay in order that the latter might express its views. The agreement on financing the agricultural policy had been possible solely because of the scale of German concessions. Yet it was by no means certain that Germany could carry the costs involved; nor was there any guarantee that progress would be made simultaneously on all fronts.

The SPD Press Service felt that the satisfaction expressed in Paris and in Bonn about the financing of the common agricultural market was justified. On 12 May, the Press Service described the Brussels compromise - not without reservations - as a ray of light. The Federal Republic would be carrying a heavy financial burden but this sacrifice had been necessary in order to keep the Community going. It was now up to the Government to offset the additional cost to the consumer as much as possible. On the dark side the SPD Press Service noted that unfortunately France had persisted in its attitude of hostility towards integration. (Frankfurter Allgemeine Zeitung, 12 May 1966; Die Welt, 12 May 1966)

3. The problems of the Common Market as seen by the French and Italian Communist Parties

Delegations from the French and Italian Communist Parties met in San Remo on 3 and 4 May. The French Delegation was led by Mr. Waldeck Rochet, Secretary-General of the French Communist Party (PCF) and the Italian one by Mr. Luigi Longo, Secretary-General of the Italian Communist Party (PCI). Three subjects were examined at the meeting: the struggle against American aggression in Vietnam, the problems facing NATO and those of European security and the problems of the Common Market.

This last point was covered in a joint statement issued at the close of the meeting. This indicated that:

"experience has proved that we communists were right in what we said about the Common Market when it was founded." The two delegations alleged that the only ones to benefit from the Common Market were the monopolies which "thanks to the kind of capitalist concentration fostered at all costs by the Community bodies" had acquired "greater economic and political power." The acceleration of American capital inflow and its concentration in certain key sectors "called into question the independence and the development of the countries concerned"; this invalidated the theory that "with the Common Market, Europe would become a third force independent of the United States". Hence for the two parties "the struggle for democracy is inseparably bound up with the struggle against the monopolies".

The statement went on as follows: "The communists intend to conduct their struggle within the European institutions in order that they may defend the workers' interests and the national interests of each Member State and prevent integration blocking the kind of democratic reform such as nationalization that individual countries may wish to put through. They intend to strive for a different policy from that of the cartels and trusts, so that the Common Market institutions may lose their technocratic character, through the active participation of representatives of trade unions and national parliaments vested with real powers and against whom there is no discrimination." On this basis, the two delegations: "Take advantage of this opportunity to reiterate that it is imperative that those they elect be finally given their rightful place as representatives of the great national, democratic, workers' parties in the Community institutions. They welcome the moves made in this direction by the CGT and by the CGIL and note with satisfaction the increasing number of meetings between the trade union organizations that belong to the FSM and to the CISL."

Lastly, and still with reference to the Common Market, the two parties: "Feel that there should be a democratic alternative to the present integration policy which is geared to the options of the monopolies and of the cold war and that this democratic alternative should transcend the compass of the Common Market and pave the way for economic co-operation between the capitalist and socialist states of Europe; such co-operation would be based on the principles of the sovereignty, equal rights and mutual interests of the states concerned and culminate in agreements in the fields both of production and of science." (L'Unità, 6 May 1966)

4. European unification to be approached cautiously

On 19 April 1966, Mr. Marette, French Postmaster General, addressed a conference on Europe, held by the Association of Students and Graduates of the Ecole nationale supérieure des postes et télécommunications. He began by noting that the national factor had become a permanent feature of the world today, a feature co-existent with the agreement on the ultimate objectives of the rapprochement between the peoples of Europe. European unification, he emphasized, was to be approached with caution. Economic unification should be the first stage.

"If we try to go too quickly we will run into major difficulties. The enthusiasm of the moment could, if not grounded on a solid basis, lead to secession, as was the case with India, South America - after the Spanish Colonies revolted - or, more recently, with the United Arab Republic and Syria.

Our concept of Europe is that of a Europe of Europeans or the acceptance by a certain number of countries of a common definition of their identity. To regard Europe as a bulwark against the East - as the Americans do - is a dangerous alternative and this latter view is often confused with the former. As for sub-divisions like the Europe of the Six or the Little Europe, these too are a danger."

Mr. Marette concluded: "I believe there is in this country a deep-seated desire for economic unification and I believe it is also particularly widespread among those European nations that realize, in their wisdom, that the wars fought in the nineteenth and twentieth centuries were in fact civil wars and lastly that we have more in common than we have points of difference." (Le Monde, 22 April 1966)

II. ECONOMIC POLICY AND ECONOMIC SECTORS

1. The Benelux Economic Congress and the EEC

The Benelux "comité de rapprochement" held its XIXth Economic Congress in Antwerp on 29 and 30 April 1966; it took as its theme the definition of Benelux attitudes with respect to the common policy of the Six. The Congress examined several reports and then adopted several resolutions.

1. Trade relations between the EEC and EFTA. It was the view of the Congress that: "The division of Europe into two separate and distinct markets has not prevented a highly satisfactory expansion of intra-European trade. In the event, however, of any slackening of this trend, it would be desirable to resume talks on enlarging the EEC market by bringing in the United Kingdom and possibly other member countries of the European Free Trade Area. There are still certain problems, however, about which opinions differ: relations within the Commonwealth, the agricultural dispensation, the basis of a policy of economic balance (including an incomes policy and monetary policy). Consequently results should not be expected in the immediate future, even though the ultimate outcome would appear to be beyond doubt. It is of the greatest importance for the Kennedy Round to yield positive results, especially with regard to industrial products."

2. GATT trade negotiations and relations with the developing countries. The Congress pressed for "an early conclusion to the current negotiations in Geneva by means of substantial duty reductions and real progress in removing other obstacles to trade, both on the part of the EEC and its partners, in order to keep trade flowing between western countries as freely as possible and, to the greatest degree possible, heal the economic split across Europe resulting from the creation of the EEC and EFTA. At the negotiations on agricultural products, the method adopted in the discussions on support levels for the various products ought to be such as to possibilitate putting the international foodstuff markets in order and competition between exporting states on a sounder footing; this would have the welcome result of making it possible to cut protection levels without prejudice to the producers."

On relations with the developing countries, the Congress noted that "the first United Nations Trade and Development Conference highlight the claims, hopes and needs of the developing countries; the time has come to make a choice in terms of attainable objectives and to determine where the main emphasis in international co-operation should lie. Agriculture in the industrialized countries is viewed not solely from the business standpoint but also with an eye to the relevant social and political factors involved. This principle should be applied to the problems of stabilizing and valorizing the prices of the basic commodities produced by the developing countries. A balance must be struck between the various factors involved through individual commodity agreements. Measures directed at stabilizing and improving world commodity prices should include better facilities for access to the markets of the developed countries and the creation of new markets in the developing countries themselves.

To promote the industrialization of the emergent nations, efforts should be made by both sides; all the industrialized states' markets should be made open - to avoid undue pressure on individual states - and there should be a two-way freeing of trade between the developing countries themselves. Financial aid to the developing countries should serve principally as a prop to measures to develop their own capacity for economic expansion and economic progress."

3. The Benelux ports and European integration. The Congress also turned its attention to defining a trade policy that would enable the Benelux port system to work to capacity. In this connexion the Congress recalled that the "natural vocation of the Benelux port complex is to ensure the smooth and efficient in- and outflow of merchandise. This can only be achieved if it forms part of the most liberal possible international trading system between larger, integrated markets that are free of protectionist trends of any kind.

Within the EEC framework, the ports should endeavour to promote a co-ordinated trade policy in order to accelerate the expansion of world trade. If the maritime countries in EFTA were to enter the EEC, this would broaden the basis of common interests of Europe's ports and add extra weight to the case for an overseas trade emphasis. The natural specialization of the Benelux ports implies interdependence and makes a greater measure of co-operation between them essential." (Papers of the Congress)

2. Discussion on the date by which customs will be completely dismantled and that by which the common agricultural market will be finalized

Mr. R. Blondelle, President of the "Assemblée permanente des présidents des chambres d'agriculture" (APPCA) and Member of the European Parliament, considers that French farmers are justified in demanding that the time-limit of 1 July 1967 relating to the free movement of goods and the application of common prices throughout the Community should be respected.

"With regard to dairy products, meat, oleaginous products and beets, this would certainly mean a higher return because the common prices currently envisaged are all higher than those that we have been paid so far. The cereal producers will have access to a market of 170 million people; they will get the full price for their cereals and this will not be subject to any resorption tax. For a long time there has, as it were, been a stand-still on French agricultural prices. As a result the number of farmers who have become discouraged and left the land has been growing all the time - a trend which, be it said in passing, satisfies many planners who do not concern themselves with humanitarian considerations. The most authoritative official figures show that the disparity between farm incomes and those of other occupational categories has been widening for years - without this seeming to perturb the public authorities unduly."

In recent weeks the guide price for milk and the intervention price for beef and veal have been revalorized. Mr. Blondelle stressed: "These decisions would not have been taken - at least they would not have been on the same scale - if the EEC had not been there and if there had been no need to arrive, in stages, at common European prices."

The same will apply to other products. There would be little chance of French prices being reviewed if the Government were not bound by the agreements it is now negotiating in Brussels. It has to take into account the attitudes of our partners, the Germans and the Italians especially, in view of the heavy sacrifices they have to ask their farmers to make; the farmers in question naturally do their utmost to resist such measures.

Moreover they are probably right. Indeed, what real purchasing power will these prices represent, when they come into force, in all probability, in two years time? Bearing in mind the likely trends in the cost of living and production costs, it is understandable that every farmers' organization in the Six States should be demanding a clause whereby prices are brought up to date."

"In any event, it is essential, from our point of view, that the financing-of-agriculture regulation and the various other regulations pending should be finalized as soon as possible. Naturally, to harmonize the production conditions and living standards of the various regions, this will inevitably involve organizing the markets, at the Community level, in those sectors not yet covered (fruit and vegetables, wine and many other products erroneously referred to as secondary products)."

Mr. Blondelle did not see "any means short of realizing the EEC - which will open up markets and lead to higher incomes - of making farming more profitable. Farmers should not lose sight of this problem. It is their duty to be militant Europeans. By defending their interests, they will be championing a great design which will certainly lead to a greater degree of fraternity among peoples. This is an aim worth striving for!" (L'opinion agricole, 2 May 1966)

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For his part, Mr. G. Villiers, President of the "Conseil national du patronat français" (CNPFF) stated in an interview with "Le Figaro" that he was deeply concerned about the possibility that intra-Community duties might be completely eliminated by 1 July 1967. "The shock-wave of competition will be of a magnitude and the social upheavals of a severity liable to provoke strong reactions on the part of the general public and they may jeopardize ten years of efforts" to enable French industry to meet foreign competition.

The trade union organization "Force ouvrière" has repeated its support for "an early finalization of the Common Market," adding however that it "cannot ignore the difficulties that certain branches of French industry may encounter." The interval between "now and 1 July 1967 must be turned to advantage to attain the ultimate objec-

tives of the Treaty."

The "Confédération générale des cadres" (General Confederation of Managerial and Supervisory Grades) considered that: "It would be preferable not to speed things up too much if this involves extra risks. If French industry does not feel ready to meet full international competition by 1967, it would be legitimate to give it a breathing space of three years because this is the time-limit set by the Treaty of Rome and France would not be committing a breach of faith by requesting that it be adhered to. Yet can we be certain that the French economy would really take advantage of it to make the necessary adjustments? No can say whether any real headway will be made in three years on the common policies and harmonization measures that are indispensable if healthy competitive conditions are to obtain." It was to be feared that the additional time allowance of three years before the Customs Union is finalized might be time wasted. (Le Figaro, 3 May 1966)

III. EXTERNAL RELATIONS

1. Meeting of the EFTA Council of Ministers in Bergen

The focal points of the meeting of the EFTA Council of Ministers, held in Bergen on 12 and 13 May, were relations between EFTA and the EEC, the question of Britain's entry into the EEC and the state of progress in Austria's negotiations with the European Economic Community.

Mr. George Brown, Deputy Prime Minister and Minister for Economic Affairs, opened the session by describing at length the Labour Government's attitude to the EEC and to creating a wider European market. He pointed out that an increasing number of people in Britain had recently come round in support of Britain's accession to the EEC. Britain was now ready to enter the Common Market. Yet she was still unwilling to do so unless Britain's essential interests were taken into consideration by the EEC, viz: relations with the Commonwealth, agriculture, her EFTA partners. He recalled the statement he had made in Stockholm when he had defined these conditions in greater detail. In the event of Britain's resuming negotiations with the EEC, she would endeavour to defend the interests of her EFTA partners; she would hold consultations and co-operate closely with them.

He was however less optimistic of the chances of an early agreement with the EEC. There were of course signs that France was less hostile to Britain's entry than she had been in 1963 but the fact remained that France would still not be willing to welcome Britain into the Common Market if British interests had to be safeguarded. France felt that Britain should assume the obligations laid down in the Rome Treaty in full. The road to the EEC was thus neither a fast one nor an easy one. In the meantime Britain would try to strengthen her own position and improve her balance of payments.

Mr. Brown dwelled at length on the British balance of payments position and on the import surcharge. He did not fail to stress that the announcement that the import surcharge was to be lifted was bound to improve relations between the United Kingdom and her EFTA partners. The measures taken by the British Government had to be seen against the background of the overall position of British economy, for an improvement in the economic situation and in the position of the pound would also be beneficial to

the EFTA countries because this would increase Britain's importance as a market. The investment grants and taxation rebates which had been particularly criticized by Norway had been decided upon in order to strengthen British industry. The Ministers present evinced satisfaction at Mr. Brown's statement that the import surcharge - which was inconsistent with the principle of EFTA - was to be abolished.

Mr. Schaffner, President of Switzerland, took a pessimistic view of the present state of talks at the Community level on European integration. The only ray of light was the announcement that Britain's import surcharge was to be lifted for this would enable Britain to come back into EFTA as a full partner. On the other hand, the political aims that the EEC set itself at the outset had come to nothing and the Community had simply become a straightforward preference area with a strong leaning towards protectionism. Under the circumstances, the Six could no longer claim a patent for European unification. The EEC had only overcome its serious crisis by a political compromise which was tantamount to an "agreement to disagree".

Mr. Gunnar Lange, Swedish Minister for Trade, opined that the integration of Europe was going to take time and that, in anticipation of the possibility of negotiations with the EEC, everything should be done to consolidate EFTA. Sweden was ready to co-operate with the EEC and to make whatever economic sacrifices that the benefits of a market embracing the whole of Europe might seem to warrant.

Mr. Per Haekkerup, Danish Foreign Minister, considered that the EEC's political reservations that had, in recent years, stood in the way of bridge-building, had not changed. He doubted whether an organization like EFTA could come to any multilateral arrangement with the EEC. Here the key lay with the United Kingdom and the Danish Government therefore hoped that the British Government would be successful in its efforts to join the Common Market. In the meantime, Denmark would try, bilaterally, to come to some acceptable modus vivendi with Brussels.

The Ministers attended with special interest to the statement made by Mr. Bock, Austrian Vice-Chancellor, who clarified his country's position vis-à-vis the EEC. He denied that Austria expressed an unwillingness to abolish the final 20 per cent of EFTA internal duties at the end of this year. It would not be until the autumn that Austria would be able to take any final stand on the course of her negotiations with the EEC. It was true that

in 1963 Austria had opened negotiations with the EEC, on her own behalf, despite the suspension of negotiations between the EEC and the United Kingdom. Austria's neutralist policy had emerged unimpaired from these negotiations. Although he was hopeful of a successful conclusion to Austria's talks with the EEC, he doubted whether relations between other EFTA countries and the EEC would assume their final shape for some time to come.

In the official communiqué, "(the Ministers) greeted with particular satisfaction the decision of the United Kingdom not to prolong the import surcharge after November 1966. They welcomed this decision as a sign of the strengthening of the British economy and an encouragement to the progress of the Association.

The EFTA Council directed their main attention to the problems of European integration and found themselves in agreement on the fundamental issues. They recalled that EFTA was devised to promote economic unity in Europe. EFTA had already invited the EEC Member countries to take part in a dialogue on the pursuit of policies leading to the mutual growth of trade and the expansion of their economies. This invitation still stands. The Ministers remained convinced of the benefits which an integration of the European economies would confer on Europe itself and indeed the world as a whole." (Neue Zürcher Zeitung, 13, 14 and 15 May 1966; VWD - Europa, 12 May 1966 - EFTA No. 22/66)

2. Attitudes adopted by British and Norwegian industry with regard to the British import surcharge

On 20 April 1966, the Confederation of British Industries called upon the British Government to abolish the ten per cent import surcharge as soon as possible; this followed the threat of certain Norwegian industrialists to boycott the British Trade Fair to be held in Oslo the following week. Mr. John Davies, Director-General of the Confederation, said that the CBI felt a growing concern at the damage being done to the relations between the United Kingdom and Norway which had previously been so friendly, by the British trade restrictions. He said that in Norway and Denmark today there was ill will towards Britain: other countries considered that the British Government's decision to levy a ten per cent import surcharge had been a bad and even an illegal measure. All

of which was of serious concern to the Confederation of British Industries, said Mr. Davies.

The "Britain 66" trade fair, one of the greatest sales drives undertaken by British Industry, had been decided upon two years previously, i.e. before the introduction of the import surcharge. The fair was organized by British industry and was backed by the Government.

Since the introduction of the import surcharge, Norway's exports to Britain had been hanging fire and there were rumours which had been current for some time, that there would be a boycott of the trade fair. "Morgenblatt", the Norwegian daily, made the first public reference to this on 20 April 1966. Under the heading: "Partial boycott of Britain 66" the newspaper wrote: "It has long been known that many industrialists and business men have been irritated at the prospects of the forthcoming British export drive in Norway... the so-called British export week comes at an unfortunate moment when the British authorities have made themselves extremely unpopular not only with us but with all their other EFTA partners."

It was no secret, said the newspaper, that the younger Norwegian industrialists had advocated a boycott of the trade fair.

"No organized movement has in fact been established. But as one challenge after another has come from Britain, bitterness has increased and the seriousness of the situation has been reconsidered again and again. It is without much pleasure that Norway's business community joins in receiving the President of the Board of Trade, the man who, more than any other, is responsible for Britain's new protectionist policy."

"The Guardian", in this connexion, wrote: "Asked to comment on the reports of growing hostility to Britain's export drive in Norway, a Board of Trade spokesman said last night: "We have no evidence at all of any organized attempt to boycott the fair." Mr. W.P.N. Edwards, the managing director of British Overseas Fairs, the joint organizers of the Oslo fair with the Export Council for Europe, went out of his way when launching the promotion at a press conference in Oslo yesterday to stress that it had been planned two years ago, before the surcharge had been introduced. He said that the sole aim was to strengthen the close ties of friendship and trade between Britain and Norway."

Following the attempts made in some Norwegian circles - and which had been going on for some time - to persuade industrialists and business men to boycott the British trade fair, the anti-British campaign culminated in a Norwegian business man's setting fire to the London Pavillion in the centre of the fair; he did this as a gesture of protest against British trade restrictions.

In connexion with the opening of the fair by Mr. Jay, President of the Board of Trade, a Norwegian newspaper wrote, under the heading "Jay's provocation": "Mr. Jay is the person who least of all has the right to make any charges against other EFTA countries. The Government of which he is a member has broken its international duties as far as its EFTA partners are concerned, and it is the department of which he is the head that has put these measures into effect. It is he and not Norway who is in the dock." (The Guardian, 21 April and 3 May 1966; Luxemburger Wort, 28 April 1966; Neue Zürcher Zeitung, 29 April 1966)

3. Twenty-third session of the Contracting Parties to the General Agreement

a) The Kennedy Round

In the course of the session (held from 24 March to 2 April) the Chairman of the Trade Negotiations Committee, Mr. E. Wyndham White, reviewed the position of the Kennedy Round of Trade Negotiations. He pointed out that already, in January 1966, he had drawn attention to the limitations of time still available to bring these negotiations to a successful conclusion and to the very stringent timetable which was thus imposed upon governments. He recalled that participants had embarked upon two major ventures. The first was a negotiation designed to secure a degree of liberalization of the present barriers to international trade which is both deeper and more comprehensive in coverage than had been secured in previous negotiations. The second was a series of activities to meet urgent trade and economic development problems of the less-developed countries. In this connexion, he had suggested that special responsibilities rested on the shoulders of the more highly developed countries, whose Ministers had committed specifically to make use of the negotiations to contribute in a substantial way to the solution of these problems.

On earlier occasions, he had counselled patience in considering the timetable for the negotiations, both because of their complexity and because the consequences of success or failure were far-reaching. However, at the end of 1965, he had felt that time was running out, and not only because of the expiry of the authority of the President of the United States under the Trade Expansion Act. Time was also running out because there was a mounting degree of discouragement and disillusionment in other countries participating in the Kennedy Round and a growing doubt as to the credibility of the exercise.

For all these reasons, it seemed to him that, unless governments were able, in a very short time, to have delegations, with broad authority to negotiate, present continuously in Geneva, and in a position to engage negotiations actively and continuously on all fronts, we must begin to yield to a certain pessimism as to the possibilities of carrying the negotiations forward to a successful conclusion, he said. The consequences of failure were hardly less impressive than the opportunities of success. Protectionist forces in a number of important countries had been kept under control because governments had been able to point out that to yield to them would jeopardize their position in the negotiations. The removal of this inhibition might well result in a serious reversal of the trend of trade liberalization which had been such a profitable feature of the last decade. He would therefore be failing in his duty to the contracting parties if he were not to express his deepest concern at the situation.

The representatives of the countries who took part in the discussion were unanimous in expressing great concern at the slowness of progress in the negotiations and in reaffirming that a successful outcome of the negotiations was in the interest of all participants. They emphasized the dangers of further delays if the negotiations are to be brought to a successful conclusion in the time available. The negotiations offered great prospects for the expansion of world trade as a whole; for the less-developed countries there were prospects of freer access to markets resulting in increased export earnings, so essential to their development plans. Stress was laid by representatives of countries whose economy is largely dependent upon exports of agricultural products on the need to arrive at an acceptable settlement in the agricultural sector concurrently with the industrial sector. Representatives of the less-developed countries pointed out that with the successful conclusion of the negotiations the capacity of the richer nations to help the poorer nations will grow. Therefore any delay or doubt

concerning the search for greater liberalization and greater prosperity was disheartening for developing countries. In the course of the discussion representatives of developing countries made it clear that they maintained their declared intention to play a full part in the negotiations, making use of their exemption from reciprocity which developed countries were prepared to grant them, as their governments had faith in the promise offered by a successful outcome of the Kennedy Round. However, the lack of progress on the negotiations between developed countries had prevented less-developed countries from participating fully in the negotiations, so far.

b) Association between the European Economic Community and Associated African and Malagasy States

During 1965 a working party examined the Yaoundé Convention of Association between the EEC and the AAMS, and also the arrangement for Association between the Community and certain non-European countries and territories. The report of the working party shows that there was a difference of opinion among its members and this divergence of views was reflected in the discussions by the contracting parties. Representatives of parties members of the Convention maintained that the arrangements are compatible with the provisions of Article XXIV, in that they comply with free-trade area provisions; other representatives stated that, in their view the arrangements had the character of preferences enjoyed by the African and Malagasy member States in the market of the Community. The Contracting Parties took note of these diverging views and agreed to keep the matter on the agenda of the Contracting Parties. (GATT, Press Release, 22 April 1966)

4. Tunisia seeks resumption of negotiations with the EEC

At a colloquy which the Friedrich-Ebert Foundation convened in Tunis at the end of April, Mr. Zouaoui, Director of the Bank of Tunis, stated: "The form of co-operation we are suggesting is that of a modified free-trade area. There are in this context a great many possible arrangements which could be finalized and which could make for a new kind of co-operation... But it is not our aim to succeed regardless of cost for we take the view that our Association with the EEC is a right and not a privilege -

both for reasons of history and because of the Rome Treaty itself... failing any acceptable solution which would enable us to resume the preferential status we formerly had vis-à-vis France (and which the other Five would probably have endorsed had the Franco-Tunisian trade agreement been renewed) it will be necessary for us to make sweeping readjustments and it is not certain that the result would be beneficial to western Europe, still less to France..."

The Moroccan delegate, Mr. Bennani, stressed: "It is hard for us to understand why the Maghreb countries should be obliged to bear the cost of differences within the EEC. The Community should appreciate at its true value the economic choice we have made and I appeal to the conscience of Europe to see beyond the realm of regional contingencies. Morocco joins with Tunisia in pressing for negotiations to be resumed in the near future within the framework of a wider arrangement."

Mr. de Lipkowski, the UNR MP stated: "France could not be more in favour of the Association between Tunisia and the EEC. We have of course problems to settle with Tunisia and I personally think that privileged relationships with Tunisia are, for us French, part of the natural order of things..., but this has nothing to do with the negotiations in progress in Brussels and which should be brought to an early and successful conclusion."

Other European delegates stated, in a resolution: "The EEC should give a positive reply to Tunisia's request for association. A trade agreement ought to be concluded soon, to guarantee the market for Tunisian products in Europe."

Lastly the colloquy expressed the hope that a provisional agreement might be concluded between the EEC and Tunisia before the end of the year. (Le Monde, 22 April 1966)

5. The Deputy Governor of the Bank of Greece evaluates the EEC-Greece Association

Mr. Pesmazoglu, Deputy Governor of the Bank of Greece, stated in an interview with the French newspaper "Combat" that in its first three years, the EEC-Greece Association had "fallen far short of the essential, minimum, Greek expectation - the key factor. The increase in Greek

exports has not been commensurate with the needs of harmonizing the economies or with the needs of the country. Greek firms have, of course, attracted a good deal of business and they have become aware of several of the problems involved in developing and readjusting the Greek economy. But Community assistance has been on a very small scale, bearing in mind the needs contingent on attaining the aims set forth in the Athens Agreement. This attitude on the part of the Community has had a discouraging effect in Greece both on private and public enterprise."

Mr. Pesmazoglu considered that the main Greek problems that were still awaiting solution in the Community key were: the harmonization of agricultural policies between the EEC and Greece; the application of a common agricultural policy for tobacco; the effective application of the procedure for financing the Greek economy; research into and the application of more effective methods of boosting Greek economic expansion, such as the promotion of investments.

With reference to prospects for Greek exports to the EEC, he stated *inter alia* that: "Increasing our exports to the EEC is contingent upon a modernization and expansion of Greek production. This is why a satisfactory solution to the problems of financing the Greek economy and boosting investment on the part of European firms is a prerequisite for the expansion of Greek exports. It must be stressed that these aims could serve the interests of the Community and of the Six countries individually. Economic and industrial de-centralization may help considerably, not only to open up a rapidly developed market in Greece for the products of the Six but also to broaden the scope of the European economy." (Combat, 2 May 1966)

P a r t II

THE PARLIAMENTS

I. EUROPEAN PARLIAMENT

a) Session of 9 to 13 May in Strasbourg

1. The European Youth Organization

On 9 May, the European Parliament examined a report (1) drawn up for the Research and Cultural Affairs Committee by Mr. Scarascia Mugnozza, on a draft proposal concerning the creation of a European Youth Organization (2).

Mr. Scarascia Mugnozza (Christian Democrat, Italy) indicated that the report originated from a draft resolution which Mrs. Strobel tabled in January 1965 and which was referred back to the Committee.

For linguistic reasons and bearing in mind that there was already a solid basis for such an organization in the Community, the Committee considered that it should be confined to the Six States and not made open to the countries belonging to the Council of Europe. It also felt that the organization should not replace existing bilateral agreements; nor could it take the place of the Franco-German Youth Organization which was already in operation. In the opinion of Mr. Scarascia Mugnozza, the European Youth Organization should be directed towards different ends, first among which should be that of bringing the Member States closer together by awakening, in the younger generation, an awareness of Europe - for it was this generation, he said, that would, one day, be called upon to govern Europe. At the same time, this European Youth Organization should not interfere with existing bodies but rather encourage the setting up of new ones. It would

(1) Doc. 52/1966-67

(2) Doc. 137/1964-65

thus have to enjoy an independent status guaranteed by the legal structure of a foundation in civil administrative law, a foundation that would comprise representatives of the Member States and the Commission, assisted by a European Youth Council whose function would be consultative. He added that such an organization would not be able to operate satisfactorily unless it were endowed with at least 50m. Belgian francs a year at the outset and 500m. Belgian francs at the end of its first ten years. The organization should, he said, be set on foot as soon as possible. In the meantime, however, an interim body should be set up on the basis of existing agreements on the exchange of young workers - taking into account the fact that the European Communities' Joint Press and Information Services disposed of a fund of 15m. Belgian francs for youth purposes.

The support of the Liberal and Allied Group was pledged by Mr. Angioy (Italy), who trusted that the European Parliament would participate in the administration of this body. He agreed that it should initially be exclusive to the Member States but hoped that it would not be long before the United Kingdom and the Scandinavian countries joined it too. He pointed out, however, that youth exchanges between the Six and the Associated African and Malagasy States were already operating on a sufficiently large scale. Each country, he said, ought to have its own Youth Office which would be represented at the Community level.

It was Mr. Merten (Germany) who spoke for the Socialist Group. It would vote in favour of the report and of the draft resolution, he said.

Mr. Catroux (EDU, France), Chairman of the Research and Cultural Affairs Committee, emphasized that the European Youth Organization did not call into question the Franco-German Organization; on the contrary it should facilitate the conclusion of further bilateral agreements. He trusted, however, that the Member States not yet equipped with the relevant administrative machinery to deal with youth questions would make good this deficiency.

Speaking for the Liberal and Allied Group, Mr. Pedini (Italy) recalled that this problem of the European Youth Organization was not a new one, either for the Parliament or for the Council of Ministers because in 1960 a joint committee had drawn up a document on Community policy in the field of culture and teaching which dealt with youth exchanges between the Six. He stressed that the paper had been put before the Conference of Heads of State or

Government held in Bonn in July 1961 and that this Conference had endorsed it. The time had come, he said, to make further headway.

Mr. Schuijt (Christian Democrat, Netherlands) asked about the uses to which funds earmarked for worker-exchanges were put and asked whether contacts had been established between the EEC Commission and the responsible national ministries.

Mr. Memmel (Christian Democrat, West Germany) said that he was, in principle, in favour of creating a European Youth Organization. He maintained however that this move was premature and that it would have been better, before setting up a body of this kind, to wait until some experience had been gained from the Franco-German Organization and to increase the funds intended for the exchange of young workers.

Mr. Bersani (Christian Democrat, Italy) thought that the Parliament should be represented on the Board of this body and that Councils, on which the young would participate in a second stage, should be set up at the national level.

Mr. Coppé, Vice-President of the ECSC High Authority, stated on behalf of the Board of the Joint Press and Information Service that work to foster the movement of young people and particularly the exchange of young workers had developed as a result of efforts by the High Authority. He added that the creation of a European Youth Organization was likely to increase the scale and scope of the work of the Executives in this sector.

At the close of the debate, the Parliament adopted a draft resolution in which it called upon the Governments and the peoples of the European Communities to examine and resolve youth questions; it trusted that a European Organization endowed with 50m. Belgian francs would be set up and that this sum would be increased to 500m. Belgian francs during the following ten years; it asked the Governments and Parliaments of the Member States to signify their support for the creation of this Organization by encouraging the setting up of national Youth Councils. In the meantime the Parliament asked the Executives of the three European Communities to increase the funds allocated for youth purposes in the budget of the Joint Press and Information Service as from 1 January 1967 and to encourage exchanges between young workers; lastly the European Parliament called on the representatives of the Governments on the Council of Ministers to adopt the relevant decisions and

to ensure that present or future youth departments in the six countries acted in close agreement with the Community authorities.

2. Statement by President Del Bo on the activity of the ECSC

On 10 March the Parliament heard the introductory report by Mr. Dino Del Bo, President of the ECSC High Authority, on the Fourteenth General Report on the activities of the ECSC.

Mr. Del Bo indicated that this would probably be the last occasion on which the High Authority would submit a report to the European Parliament before the Executives were merged. This was why he endeavoured briefly to recapitulate the road covered by the Community since the Treaty of Paris came into force. He emphasized that the policy of the Six during this period had been to do their utmost to boost coal and steel production to reconstruct Europe and improve the standard of living of their peoples. Today, he continued, the situation had changed completely because there was a surplus both of coal and steel. As far as coal was concerned, therefore, it was a question of setting the pace and the scale at which production was to be reduced; with regard to steel, it was a matter of ending the disparity between supply and demand.

He asked whether the ECSC was adequately prepared to take up the challenge of economic progress. He felt that the answer was partly positive and partly negative: it was negative to the extent that events had occurred which had not been anticipated in the Treaty of Paris and to the extent that the powers of the High Authority were insufficient, failing the co-operation of the Governments, to solve the structural crisis that the coal industry was undergoing. It was positive in that, in the context of finalizing a common industrial policy, the powers of the High Authority not only remained valid but served as a guide to the powers for which provision could subsequently be made for all branches of the economy. He recalled that the High Authority considered it essential that the merger of the Executives should be followed by the merger of the Communities in order to fill certain legal gaps and to define a common industrial policy, especially for energy.

Mr. Del Bo then examined the problems now confronting the High Authority. As regards coal, the High Authority felt that production ought to be cut back fairly considerably between now and 1970. This also implied the need to solve the concomitant regional, economic and social problems. It was for the States to determine to what extent and for how long they could intervene in support of Community coal. The coal problem, he added, was part of the energy supply problem of the Community as a whole and had to be solved in a European context, bearing in mind the guarantees of competitiveness that should be extended with respect to this particular source of energy. He was obliged to recognize, however, that despite its autonomous powers, the High Authority was not able to solve the coal problems. This was why it was necessary for the States to reach the stage of a common political resolve on these matters.

With regard to steel, an ever-increasing number of former steel-using countries were becoming steel-making countries and this was liable to cause an imbalance between supply and demand. The High Authority was thus obliged to examine the problem of the steel industry in the world context and not solely from the Community standpoint. Against this background the GATT tariff negotiations (the Kennedy Round) assumed special importance. At Geneva, therefore, the High Authority had come out in favour of a moderate degree of protection for Community steel, a maximum rapprochement of the production levels of the major producing states and the definition of a code of conduct which would incorporate possible anti-dumping measures.

3. Steel plate cartel in Germany

Oral Question No. 2 involving a debate was put by Mr. Berkhouwer (Liberal, Netherlands) who spoke to it at the session of 10 May 1966. He wished to know whether the reply given to Written Question No. 94 was based on a thorough and effective check. That question concerned the existence of a cartel in West Germany operating in the sphere of heavy steel plate. The High Authority had replied that it was not able to state whether such a cartel existed.

In reply, Mr. Linthorst Homan, member of the High Authority, began by saying that he had always endeavoured to

keep the Parliament fully informed about the policy followed with regard to competition; he had also taken care to keep in close touch with steel industry representatives on the organization of the steel sector and on certain recent plans to form cartels. With regard to this particular question, he stressed the difficulty of organizing thorough and effective checks, i.e. involving sanctions that might be ratified by a ruling of the Court of Justice. Hence the High Authority had replied that it could not confirm the existence of such a cartel because on 4 February 1966, the date of the High Authority's first reply, it had not yet been possible to organize any special check on the cartels to which Mr. Berkhouwer referred. This reply did not mean, however, that the High Authority had decided to discontinue its work of control. Quite the contrary it had undertaken to forward the results of its enquiries to the Internal Market Committee as soon as it could.

Mr. Blaisse (Christian Democrat, Netherlands), Chairman of the Internal Market Committee noted that the reply given by the High Authority now appeared more complete than it had done originally and that he therefore felt able to indicate his confidence in the work done by the High Authority. Mr. Dichgans (Christian Democrat, West Germany) recalled that the German steel industry was at present going through a difficult period, especially in comparison with the Dutch steel industry which was concentrated and which, being situated on the coast, was able to take advantage of cheap raw material supplies. In his view such unequal competitive conditions were not unconnected with the fall in German steel share prices on the stock exchange.

Mr. Berkhouwer expressed surprise at Mr. Dichgans' way of looking at this matter. He was convinced that the High Authority could not use the support of share prices as an argument to justify the existence of a cartel. He expressed satisfaction that the different questions that he had put would lead the High Authority to make special checks.

4. The harmonization of postage rates

On 30 June 1966, the Council referred to the Parliament a draft EEC Commission directive on approximating the laws of the Member States on postage rates for letters of the

first weight and postcards.

Mr. Berkhouwer (Liberal, Netherlands) was appointed rapporteur by the Internal Market Committee. He stressed in his report (1) that this harmonization made would not fail to have a favourable psychological effect, even though it only covered letters of the first weight (from 0 to 20 grams). He therefore asked the Committee to approve the draft directive subject to certain amendments, notably as to how the harmonized rates should be collected. The EEC Commission proposed that, until the operating accounts of the postal services were harmonized, only variations of 15 per cent under the head of expenditure on staff should be deemed sufficient justification for raising or lowering a postage rate. The rapporteur said he would have preferred the current operating accounts to be taken as the criterion rather than staff expenditure even though the accounts were not drawn up in a uniform manner. If the change in postage rates were linked to a variation in expenditure on staff, the Member States might be tempted to make wage increases subject to a change in postage rates.

When the Transport Committee was consulted for its Opinion, it laid stress on the importance of the directive both from the point of view of the user and for the post offices themselves. As far as the user was concerned, it would cost him no more to send letters to other Community countries than to send them in his own country. The competitive distortions resulting from different postage rates would to some extent be eliminated. As far as the post offices were concerned, the overriding interest of European co-operation lay in the rationalization of international mail, that is in the simplification and in the authenticity of rates, in that they exactly reflected the price of the services rendered.

During the debate held on 10 and 11 May, Mr. Seuffert (Socialist, West Germany) entered several observations. He felt that the EEC Commission had lacked the necessary care and forethought in its approach to integrating the European postal services. This was apparent in some of the provisions of the directive, such as the harmonization of operating accounts, which was some way from being achieved and the raising of rates in all the Member States as soon as one found there had been a rise in operating costs. The Parliament adopted the draft resolution sub-

(1) Doc. 43/1966-67

mitted by the Internal Market Committee, however, approving the text of the directive subject to the amendments proposed by the rapporteur, especially concerning the harmonization of operating accounts. It trusted that this directive would shortly be followed by other directives on categories of letter weights of more than 20 grams and by directives to standardize the measurements, packing and marking of parcel post.

5. Forestry activities

On 14 May 1965 the Council submitted to the Parliament, for its Opinion, a draft directive on how freedom of establishment and to supply services were to be implemented for non wage-earning forestry activities. The proposal was coupled with a draft amendment to the general programme on freedom of establishment whereby the date upon which these activities were to be liberalized was to be brought forward by including them in the same category as activities ancillary to farming and for which liberalization was due to become effective by the end of the second stage of the transition period.

The Internal Market Committee appointed Mr. Jarrot (European Democratic Union, France) as rapporteur. In his report (1) he agreed on the need to bring forward the date by which forestry activities were to be liberalized. The Community did not produce enough wood and to deal with the consequent difficulties, a plan to co-ordinate the forestry policies of the Member States was being drawn up. The liberalization of forestry activities would serve as a useful adjunct here. It furthermore appeared increasingly hard to justify any clear distinction between sylviculture and agriculture and to justify their being liberalized at different dates.

The rapporteur also stressed the various market organization measures that should form part of a co-ordinated forestry policy, especially those concerning stock-piling and the institution of wood exchanges.

Consulted upon its Opinion, the Agricultural Committee brought further arguments in support of the EEC Commission proposals. Agricultural and forestry policies ought

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to be co-ordinated as part of regional planning and there could be no question of differentiating between them by making them subject to different principles of management. It was furthermore impossible to keep up the population level in the high altitude regions unless agriculture and forestry were dovetailed to give full employment to the individuals concerned.

Having this strong support, the rapporteur submitted to the Parliament a draft resolution in which he asked it to approve the two draft directives and even asked that the co-ordination of the forestry policies of the Member States should be consolidated. In view of the delay in submitting the directive, however, it would no longer be possible to include forestry activities in Annex II of the general programmes, which expired on 31 December 1965 but only in Annex III which extends until 31 December 1967.

This draft resolution was unanimously adopted during the session of 11 May 1966.

6. Guarantees required of companies so as to protect the interests both of Members and outsiders

On 25 March 1964, the Council submitted to the Parliament, for its Opinion, a draft EEC Commission directive on company law. This directive was designed to co-ordinate to the necessary extent and render of equal value the guarantees which Member States require of companies so as to protect the interests both of Members and outsiders.

The draft directive was referred to the Internal Market Committee which appointed Mr. C. Berkhouwer (Liberal, Netherlands) rapporteur (1).

In order to facilitate the study of the directive, the Committee decided to ask the EEC Commission for further details on the general issues raised by company law. The questionnaire and the replies given by the rapporteur constituted the first part of the report. The main ideas to emerge from this discussion are outlined below. The second part of the report was devoted to a comparative study of the main legislative provisions in force in the Member States on share companies, partnerships limited by shares and limited liability companies.

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The rapporteur then outlined certain general considerations. It appeared that the EEC Commission had taken on an immense task. It envisaged drawing up a draft Community regulation on commercial companies within two years whereas the national laws would be subject to changes over several five-year periods. It was to be feared that time would not allow for the work to be completed sufficiently thoroughly. The method adopted by the EEC Commission, consisting in dealing with different points of company law at different stages, was, moreover, liable to be prejudicial to the homogeneity of the regulations. Another general question that was raised in the report concerned the legal basis for the directive, i.e. Article 54,3,g. The Commission was interpreting this article fairly widely. The co-ordination measures proposed appeared to go beyond what was necessary to float a company. To satisfy the Treaty (Right of Establishment) requirements, it would suffice - as was confirmed by the Court of Justice - to rescind those provisions in each Member State that represent discrimination against nationals of other Member States. The unification of laws, however desirable it might be in itself and in the long term, went beyond the framework of Article 54 of the Treaty.

Notwithstanding these general remarks and in the event of the Commission's continuing to believe that co-ordination could and should assume a form approximating very closely to standardization, the report went on to examine the articles of the directive.

In the first place, the Committee suggested that the title of the directive be amended to restrict its application to share companies to the exclusion of non-profit making companies. Similarly it proposed that the scope of Article 1 be restricted (in compliance with Article 54,3,g of the EEC Treaty) to those provisions embodying safeguards in the interests of Members and outsiders.

The first chapter of the directive deals with the publication of certain documents, notably the balance sheet and the profit and loss account. The Committee made a detailed study of the reasons to justify this publication both from the standpoint of creditors and workers and of outsiders. It felt that certain categories of interested parties ought to be able to have copies of the balance sheets but that these accounts should be published only where companies had recourse to the capital market. This is why it proposed to extend to private limited liability companies under Dutch law the exception allowed for limited liability companies so that neither type of company

would be obliged to publish their accounts unless the relevant figure exceeded one million account units. Indeed the Netherlands had no limited liability companies; they only had the somewhat similar private limited liability companies. In addition the Committee proposed that this obligation should not come into force until the measures governing the form and content of balance sheets and profit and loss accounts had been co-ordinated.

As regards the publication of company accounts, the Committee proposed that the system whereby a file of company documents is kept should be consolidated and given precedence in the event of any inconsistency with other documents for whose publication provision is made.

The Committee felt that the responsibility of the founders should continue to obtain even if the company took over their moral and legal obligations. It proposed an amendment to Article 8 to this effect.

The question of the validity of the undertakings given by companies was the subject of several amendments. In respect of Article 10, to the effect that unpublished appointments should not be binding on bona fide outsiders, the Committee suggested that the case of changes in powers of representation should be included. On Article 11, the Committee recognized that acts ultra vires should commit the company vis-à-vis bona fide outsiders. It suggested however that the onus of proof as to their bona fides should be on the company and not on the outsider. It wanted however to avoid settling this issue in categorical terms. The solution advocated would only apply where the national law laid down that the company was not committed in the case of acts ultra vires. This nice solution would leave intact the national laws that reject the theory whereby the memorandum and articles may take precedence over statutory provisions. It would go some way towards meeting the wishes of the EEC Commission which suggested that this theory should be discarded. Still with reference to Article 11, the Committee wished to retain the criterion of the bona fides of outsiders in determining whether or no statutory limitations to the powers of these bodies should be binding on such outsiders. It felt that the German theory, retained in the directive, which gave unlimited and illimitable powers to outsiders, went too far. On the other hand it rejected the bona fides clause in the case of powers of representation attributed to several persons acting jointly.

The third part of the directive, dealing with the nullity of the company, attracted no amendment proposals. The

Committee wondered however if these provisions, interesting though they were, ought not to be based on other Treaty Articles, for they bore no relation to the removal of restrictions on freedom of establishment.

Lastly the Committee felt that it should be left to the Council of Ministers to determine when the directive and the measures taken in application thereof should come into force. This discretion on the question of timing reflected a concern not to impose upon the national legislatures the need continuously to re-examine their laws in order to adjust them to the law in force.

The debate on this report was held on 10 and 11 May 1966.

Mr. Deringer (Christian Democrat, Germany) speaking for the Christian Democrat Group, said that the fundamental question raised by the directive was the scope of Article 54 of the Treaty. If this Article which involved the co-ordination of guarantees required of companies, were found to be an inadequate basis for the directive, Article 100 ought to be invoked (whereby "the Council shall, by a unanimous decision, ... issue directives for the approximation of ... legislative and administrative provisions"). He then examined the principle of freedom of establishment. Several points were indisputable: no Member State could introduce new restrictions subsequent to the entry into force of the Treaty; any discrimination against nationals of other Member States had, in gradual stages, to be discontinued.

There were other points that were less clear-cut: it was generally agreed that the conditions of establishment and supply of services should be, if not unified, at least co-ordinated, so that access to a given trade or profession be no more difficult in any one state than in any other. As to the level at which regulations should be co-ordinated as between the Six, Article 54 laid down that there should be co-ordination "to the necessary extent" required by the Right of Establishment principles. He felt that on the whole the EEC Commission had been perfectionist and that it had gone beyond the Treaty requirements. This was why, on the Committee, he had suggested that the provision on the publication of the balance sheet and profit and loss account should not come into force until the measures co-ordinating the form and contents of these accounts had been taken. This amendment which was endorsed in Committee made it possible for him to support the directive. There were valid objections, indeed, as to the value of the publication measures planned in the directive. It might be asked if

Article 54 of the Treaty constituted an adequate legal basis for laying such publication conditions down. It was similarly not certain whether creditors and members needed this publication. If they were dealing with a company, they would not be satisfied with incomplete and relatively old accounts. As for workers and outsiders in general, he felt that as far as they were concerned the question of publication should not be dealt with in the present directive.

The speaker was in favour of increasing the liability of the various company bodies - as the Internal Market Committee suggested in its amended text. This solution was in line with the German theory of the total liability of companies and was some distance from the restrictive ultra vires theory.

Mr. Deringer noted with satisfaction the recent EEC Commission proposal envisaging the creation of a European type of trading company. He found this an interesting solution in that it would make it possible to side-step the delicate issue of co-ordinating national laws.

Mr. Jozeau-Marigné (France) outlined the views of the Liberal and Allied Group. The latter did not wish to refer the text of the directive back to the EEC Commission for it appreciated the work that had gone into it. It felt obliged, however, to enter a series of observations: the directive should keep to the precise terms of Article 54, i.e. it should propose co-ordination measures concerning the guarantees required of companies "so as to protect the interests both of Members and outsiders". The exception planned in favour of private limited liability companies under Dutch law was rejected on the grounds that it was individualized. It should be worded in favour of companies that do not have recourse to public capital. The harmonization condition upon which the publication of balance sheets and profit and loss accounts was contingent should also be rejected because such an exception was, Mr. Jozeau-Marigné felt, purely dilatory. Publication should of course be centralized but it would be useful to couple it with publication in a local newspaper. The joint and unlimited personal liability of founder members ought to be subject to limitations, as the EEC Commission suggested, if the company in question took over their legal and moral obligations. The bona fides criterion proposed by the Internal Market Committee would be difficult to operate; the Commission's text on responsibility appeared to be the better one.

Mr. Seuffert (Socialist, West Germany) signified his Group's support for the text of the directive as amended by the Internal Market Committee. In his view the directive did not seem to depart from the EEC Treaty's legal basis - however one interpreted the relevant Articles.

Mr. Battaglia (Liberal, Italy) felt that the EEC Commission had perhaps erred in not clearly indicating the purpose of the co-ordinating measures it was proposing. Article 54,3,g, he felt, laid down an obligation to co-ordinate laws on the guarantees required of companies "so as to protect the interests of Members and outsiders". This was perfectly justified if one wished to avert any legal clash for companies wishing to establish a subsidiary in another Member State.

Mr. Carboni (Christian Democrat, Italy) was in favour of the most extensive publication requirements possible and of their being binding on all parties.

Mr. Drouot L'Hermine (France), speaking for the European Democratic Union, said that the idea of a European type of trading company, suggested by France and so well received by the EEC Commission would be preferable to a co-ordination of laws because it would provide the Community with an essential legal tool more quickly; this tool, he added, was also being pressed for in business circles.

Mr. Colonna di Paliano, member of the EEC Commission, replied to the various speakers and, firstly, to the question as to how Article 54,3,g of the EEC Treaty should be interpreted. The Commission considered that this clause was less a means of effectuating freedom of establishment than an adjustment made by the authors of the Treaty with respect to the principle of establishment. It was advisable, indeed, to avoid leading companies that established themselves in another Member State into the temptation of taking advantage of differences in the laws to transfer activities in an irregular way. The elimination of discrimination against extra-nationals was thus not enough of itself. Apart from this negative phase, there was a positive phase to be broached, to wit, the approximation of laws or, to put it differently, the creation of economic citizenship. To what extent was this harmonization indispensable? The Commission considered that each case had to be examined separately and that it was sometimes necessary to propose the standardization of laws.

Mr. Colonna di Paliano then gave details as to the contents of the second draft directive now in preparation. It was to deal with limited liability companies and operations involving the company's own capital, i.e. the guarantees required of a company at the time of its flotation, the guarantees to maintain the capital unimpaired, the common definition of "controlled company" and "group of companies" and the guarantees required of companies in the event of an increase or of a reduction in capital.

Following this debate, the Parliament adopted the draft resolution submitted by the Internal Market Committee. In this resolution, the Parliament trusted that the EEC Commission would draw up an outline of the restrictions on freedom of establishment in the matter of company law. It hoped that the co-ordination of company laws would proceed in terms of a programme based on such an outline and be submitted to the Parliament for its Opinion. It felt that it would have been pertinent to inform the Parliament as to the principles by which the Commission intended to be guided in this matter and in those areas of company law which would be the subject of future directives. It recommended to the Commission to engage, as soon as possible, in the work relating to harmonizing the provisions governing the publication of accounts with a view to introducing a single publication system in the six Member States. Before signifying its approval for the text of the directive, the Parliament added to its draft resolution two paragraphs proposed by the Liberal Group. Under this first amendment, the Commission was called upon to submit, as soon as possible, an overall review of the various measures that it intended to propose to the EEC Council and to the European Parliament in order to co-ordinate company laws. In the second amendment it trusted that the necessary co-ordination of company laws might be carried through in a single stage.

The Parliament then went on to examine the text of the directive and it pronounced on a series of nine amendments concerning the text as amended by the Internal Market Committee. Three of these were accepted. The first amendment modified the first article in the directive by embodying the actual words of Article 54,3,g concerning the guarantees required of companies so as to protect the interests of Members and outsiders. Article 2,6, establishing an exemption from the publication obligation, was under the Parliament's amendment, to be replaced not by the Committee amendment, which extended the exemption to private limited liability companies under Dutch law, by a more general amendment incorporating all

limited liability companies not having recourse to public capital. Lastly the Parliament proposed to change the date, on which the Member States were to give effect to the directive, from 1 January 1965 to 1 July 1968.

7. Outcome of the meeting of the Council of Ministers in Brussels

On 11 May, during the parliamentary session, Mr. Marjolin, Vice-President of the EEC Commission, summed up the results of the meeting which the Council of Ministers held in Brussels from 9 to 11 May. Agreement had been reached: "not only on the financing regulation for the end of the transition period but also on the adoption of set dates for the industrial customs union and the common agricultural market which should culminate in an almost complete freedom of movement, with the exception of certain secondary products on 1 July 1968."

Certain national delegations had accepted this agreement ad referendum and Germany had entered a general "waiting" reservation. She had accepted the text of the agreement "while making clear that Germany's final approval would not be forthcoming until certain other decisions had been taken, viz: on the agricultural regulations still outstanding, the prices of agricultural products, on satisfactory progress - in so far as this depended on the Community - in the Kennedy Round and on an agreement on the term of credit to be extended to East-European countries."

The Commission was fully confident that the governments would confirm these decisions and that the "waiting" reservation entered would be withdrawn and not hold back the progress of the Community towards the completely free movement of products.

After summing up the progress of the negotiations that had led to the agreement, Mr. Marjolin indicated that the Commission proposals - which, the Commission made clear, were not proposals in the Treaty sense - had been to a large extent accepted by the Council. These proposals struck a balance between the dissatisfactions that might have been occasioned.

The free movement of industrial and agricultural merchandise would become effective as of 1 July 1968. To make

this possible, a series of dates had been laid down concerning agriculture laying down meticulously when the market regulations were to come into application and when the common prices were to become applicable. In the industrial sector, intra-Community duties still obtaining would be abolished at the following rate: 5 per cent on 1 July 1967 and 15 per cent on 1 July 1968. By that date the common external tariff would become applicable.

These decisions, Mr. Marjolin stressed would ensure a balanced realization of the common agricultural policy and would meet both the needs and the expectations of economic circles and ensure that free movement became effective in both industrial and agricultural sectors simultaneously.

Financing the common agricultural policy. Mr. Marjolin stated that the "gross" principle had been accepted. (There had been a difference of opinion as to whether gross or net exports should be taken into consideration.) In addition "the Community would bear the whole cost of agricultural expenditure as from 1 July 1967 when regulations would be in force on the common market organizations, even though the common price might not be in force by then. As for the other products, for which no common market organization would be operative on 1 July 1967, the Council would lay down the machinery for the possible assumption of the "eligible" expenditure at a later date when it took its decision on the common market organization for these products."

A special chapter of its decision was devoted to the financial responsibility of the Community for wine and tobacco.

Mr. Marjolin then indicated a maximum of 285m. u.a. had been set for expenditure under the "Guidance" head of the EAGGF as from 1967-68; this would be open to review. EAGGF receipts for the period 1967-69 would comprise national contributions stemming from levies charged by the Member States against third countries and from contributions calculated according to an apportionment key set by the Council. The "Guarantee" section of the EAGGF would be financed completely on the basis of the apportionment key.

Mr. Marjolin then gave details concerning the assumption of expenditure eligible for Community coverage; the actual phasing here would depend on the stage reached with the common agricultural policy. He informed the Parliament that the question of its powers had been raised with reference to the problem of the Community's own revenues.

On this point, the Council had decided to initiate the procedure laid down in the Treaty but had been unable to agree upon deciding to examine any consolidation of the influence of the European Parliament on Community policy.

The Council also adopted a resolution concerning the balanced development of the Community which concerned such matters as fiscal harmonization, the common trade policy, regional policy, patents and a European type of trading company and social policy.

Mr. Marjolin then turned to the intervention of the European Parliament in the procedure leading up to the final adoption of regulations and legal texts. At present, the text under consideration was simply a political one. The Commission would "draw up the texts and it will only be when this had been done that it will be possible to determine which texts are quite new and which are simply modified versions of the original position taken by the Commission.

Since it is for the Council to decide to consult the Parliament, it is with the Council that we shall have to discuss this matter, when legal texts in draft form are referred to it by the Commission."

Mr. Marjolin concluded by stressing the political importance of the agreement reached in Brussels; it represented a considerable step forward. One of the most thorny issues had been resolved and "this will enable the Commission to make headway in other Treaty areas." The Commission Vice-President emphasized that the Community spirit had reasserted itself at the discussions. The two-way concessions made between governments had not come from bargaining: "It is on the basis of the Commission proposals that they were made. Yet the Commission would not have made these proposals unless it had been sure that the principles of balance and fairness were not being violated and that Community principles were being respected."

Lastly Mr. Marjolin stressed that the institutions were once again functioning normally. "The dialogue between the Commission and the Council has been restored under normal conditions, the Commission representing the Community position and each government defending its own special interests and the agreement being reached on a Commission proposal within a framework such that none of the results achieved was prejudicial to the construction of Europe."

Mr. Poher, President of the European Parliament, expressed the satisfaction of the Parliament at the happy outcome to the negotiations. It was true that the agreement had not dispelled all the difficulties facing Europe but it gave the impression that the national governments had returned to a common resolve or at least to a determination to give their full effect to the provisions of the Treaty of Rome. The President expressed satisfaction at the Community spirit manifest on this occasion and reminded the Commission that it had the confidence of the Parliament.

During the session on 10 May, the presidents of the four political groups made statements on the outcome of the Brussels negotiations.

Mr. Illerhaus, President of the Christian Democrat Group, stressed that it was once again possible to speak of a Community spirit among the Six. This had asserted itself during the negotiations which had been conducted realistically. Yet, even if it was now certain that the Customs Union would be completed by 1 July 1968, there were still substantial difficulties to be overcome, especially in the sphere of harmonizing trade policy, transport policy and particularly in standardizing fiscal laws. It had, however, to be remembered that the trend was irreversible. The Christian Democrat Group noted however that the European Parliament had not been able to play its rightful part in the Brussels agreement. It had, by every means available, to press for stronger powers, especially when the Community reached the stage of having independent revenues.

Mrs. Strobel, President of the Socialist Group, expressed concern as well as satisfaction. The Socialist Group considered that it had above all been the Commission, with its conciliatory approach and sense of initiative, which had made the agreement possible. Indeed the will to union of the governments was not to be overestimated. It was even to be feared that the tendency to restrict the powers of the Commission had not disappeared completely.

The Socialist Group deplored the fact that the Parliament's wishes had been ignored during the negotiations. When a comparison was made between the agreements reached and the demands of the Parliament, it was quite clear that the Parliament had had little influence on their content. Mrs. Strobel stressed that the Community still had no common economic policy. A great deal of uncertainty still surrounded social policy, trade policy and transport policy. At the same time, no decision had been

taken concerning the mandate to be given to the Commission for the further pursuit of the Kennedy Round. The Group also asked that negotiations be opened for the entry of the United Kingdom and other democratic countries into the Community.

Mr. Pleven, President of the Liberal and Allied Group, felt that, politically speaking, the negotiations had been favourable to the Community and that the results achieved foreshadowed an easier political atmosphere in Europe with respect to the special sphere of the application of the Treaty of Rome. The ups and downs of the negotiations had once again demonstrated the need for permanent institutions which were independent of the States and whose sole function was to defend the Community interest, to further the progress of European unification. If a great step forward had been taken with regard to the Customs Union, Mr. Pleven recalled that the Rome Treaty also made provision for an Economic Union and a Political Union and stressed that only joint action by the Six could bring solutions to problems which if tackled one by one, would be beyond the means or the strength or the powers of Member States working independently. Lastly the Liberal Group considered that the very logic of the facts and of the system that was developing would make it obligatory to come back to the proposals concerning the Parliament's control over Community funds and over the allocation of the Community's own revenues.

Mr. Terrenoire, President of the European Democratic Union Group, said he was particularly satisfied with the results obtained in Brussels and recalled that although divergencies existed on how the political Europe was to be realized and on what part it should play in the modern world, it would have been possible to attenuate them if co-operation among the Six, along the lines proposed by France, had been initiated. The Group noted that a unanimous agreement had been reached not only legally but also morally and politically and in the general key. This was essential for the fundamental interests of the Six countries were involved. The agreements had the great advantage of being a fact and of dividing advantages and disadvantages fairly between the partners. They also opened the doors to the future.

In a press release the EDU also stressed that the reason why these agreements had been possible was because, in contrast to July 1965, no political contingency extraneous to the Treaties had been given undue weight. The political unification of Europe, to which the EDU was attached, should be the subject of special negotiations

between the States - a wish that France had already expressed.

In reply to the various speakers, Mr. Marjolin, Vice-President of the EEC Commission, was at pains to refute the criticism that the Parliament had not been consulted and expressed his conviction that although one could progress with the economic Europe up to a certain point, ultimate success could not be achieved without a political union which would move in the federal direction. One had reached the stage where further progress would be impossible without a political union with a much stronger institutional system than the present one.

8. Common price level for certain agricultural products

The Council of Ministers consulted the European Parliament on EEC Commission proposals to introduce common price levels for milk, dairy produce, beef and veal, rice, sugar, oil seeds and olive oil. The Parliament debated these proposals on 11 and 12 May and expressed its Opinion. Under these proposals, a common price level would come into operation for these products on 1 July 1967, the upper level being set for each member country and the relationship between the prices being based on the common level of cereal prices.

These proposals were examined by the Agricultural Committee in a report (1) by Mr. Dupont (Christian Democrat, Belgium) which emphasized both their importance and their fundamental relevance to the purposes of the common agricultural policy, especially with respect to guidance on production policy, the intervention of the Fund, the economic security of farmers and the problems of trade policy arising in the context of the Kennedy Round.

The report analyses the financial implications of introducing common prices in the Community and deals in great detail with the prices of the various agricultural products; it also levels certain criticisms at the proposals.

The first point the report brings out in this connexion is that certain producers will suffer a reduction in the prices of certain products; consequently, they will expe-

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rience economic difficulties. It points out that unless concomitant action is taken to boost farm incomes - already unduly low in all the Member States - the effect of the proposals will simply be to aggravate the status of the farmer.

The view taken in the report is therefore that the EEC Commission proposals should be amended to bring the average prices up to a higher level; it agrees that the relationship between prices should serve to guide production policy.

The report deals with criticisms made in certain quarters to the effect that the introduction of common prices is liable to raise the cost of living: increases in farm product prices, it points out, are not the main cause of higher foodstuff prices. The proportion of "raw materials" cost in the finished foodstuff product price is decreasing all the time whereas the "service" cost (processing, preparation, transport, etc.) is tending, proportionately, to increase.

The report takes the view, furthermore, that where major price cuts are unavoidable, appropriate compensation measures should be taken of a kind analagous to those proposed when the common price level for cereals was set. There will be a long interval between the time when the common prices are set and the time when they become effective; hence a readjustment clause should be introduced similar to the one laid down for cereals.

The report concludes with the hope that a comprehensive solution will be found to all the common policy problems still pending and again draws attention of the Community bodies to the question of consolidating the powers of the European Parliament - rendered increasingly necessary as European integration gradually moves forward.

The conclusions reached in the report were set before the Parliament by the rapporteur and by Mr. Boscary-Monsservin (Liberal, France), Committee Chairman.

In his detailed summary of these conclusions, Mr. Dupont drew particular attention to the need for flexibility in the relationship between the prices established by the EEC Commission; this should not be a rigid relationship but should be adaptable to market trends.

He then discussed the possibility of an increase in the cost of living following the setting of common agricultural price levels. He demonstrated that it was "service"

costs and the various intermediaries who handled the products that were responsible for such price increases.

Going on to deal with the two resolutions appended to the proposals on prices and relating to sugar and to milk, he focused attention on certain special aspects - particularly concerning the system of Community interventions affecting skimmed milk.

Mr. Dupont concluded by explaining that the Agricultural Committee had not accepted the EEC Commission proposals as they stood; it had asked that they be re-examined in the light of the remarks made in the parliamentary report.

Mr. Boscary-Monsservin, speaking in support of the conclusions drawn by the Agricultural Committee, repeated the following requests:

- the parliamentary committee would ask the Commission to re-examine the whole range of the prices and to endeavour to find ways of increasing farm incomes;
- there will be a fall in certain agricultural prices in certain Member States; in such cases, the problem of Community intervention will arise;
- the prices set at this time will not be applicable for some time to come; it is therefore necessary, in view of short-term economic trends, to include a readjustment clause whereby these prices may be changed.

Mr. Kriedemann (Socialist, Germany) drafter of the Opinion (1) of the External Trade Committee, began by drawing the Parliament's attention to the connexions between the Community's agricultural policy and its external trade; he recalled that the prerequisite for a successful outcome to the Kennedy Round was a satisfactory solution to the present problems arising from the world agricultural market.

He then pointed out that the External Trade Committee had noted that although the establishment of single prices would not lead to any change in the flow of trade with third countries as far as some products were concerned, the Community would import less as far as others were concerned. In those sectors where a trend towards surpluses might be anticipated, it would be necessary, he said, to grant export subsidies which would adversely

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affect the pattern of world trade.

Bearing in mind however that setting prices was a political rather than an economic problem, the External Trade Committee confined itself to drawing the attention of the Community bodies responsible to those aspects of the question involving external trade.

On behalf of the Christian Democrat Group, Mr. Lücker (Germany) stressed the importance of the proposals under consideration which he considered to be the last brick in the Community edifice and he drew the Parliament's attention to the political, economic, financial and social repercussions that these decisions would have for the farming world which now had confidence in the work of the Community institutions and in the introduction of the common agricultural policy.

He recalled that setting a common price level was important from two standpoints: that of ensuring a fair income for farmers and that of the problems arising on the Kennedy Round. He stressed that fair incomes could be arrived at not only by increasing productivity or by having recourse to other methods but also by setting agricultural product prices at a paying level.

He therefore asked the EEC Commission to re-examine the proposed price levels and to raise them so as to strike a permanent balance between farm incomes and those of other branches of the economy. He also stressed the need to introduce a readjustment clause so that the prices set might be adjustable in relation to short-term economic fluctuations.

The Christian Democrat members Mr. Sabatini, Mr. Marengi (Italy), Mr. Richarts (Germany) and Mr. Lardinois (Netherlands) spoke in support of the conclusions drawn by the Agricultural Committee.

Mr. Sabatini and Mr. Marengi recalled the desirability of introducing a clause that would also allow the single prices to be re-examined in relation to undertakings to be given by the Community at the international level. They drew the EEC Commission's attention to certain special problems that would arise for Italian agriculture. At least two sectors would be sorely tried: milk and beef-raising - sectors that were already structurally weak. Hence the need to re-examine these prices to preclude irreparable prejudice to Italian agriculture.

Mr. Richarts observed that the proposals relating to sugar prices would hit West Germany very hard and lead to a sharp drop in sugar-farm incomes. He felt therefore that the prices for this sector ought to be re-examined.

He also expressed serious doubts about the price of milk and asked what the state of the market would be once all the national subsidies had been abolished. In his view it would then be necessary to study the possibility of introducing other support measures to preclude prejudice to this market.

Lastly Mr. Lardinois stated that the EEC Commission proposals were inadequate and he stressed the need to introduce a revision clause so that price levels could constantly be adjusted in relation to any inflationary trends that might occur in the Community.

On behalf of the Liberal and Allied Group, Mr. Rossi and Mr. Blondelle (France), while approving the Commission proposals on single prices, still had reservations to make on the actual levels and relationships between the prices. They feared that an increase in production costs might make these prices inadequate because it would not be until some future date that they would become applicable. Consequently provision should be made for a review of these prices by the insertion of a clause which would become a safeguard clause for agriculture.

Mr. Rossi also deplored the fact that the Parliament was unable to exercise any effective control at the very moment when the responsibility for agriculture was passing out of the hands of the Member States and into those of the Community; he asked the Commission to submit an annual report on agriculture which could be used as a basis for a valuable dialogue between the national farming bodies and the Community institutions.

Mr. Mauk (Liberal, Germany) was also in favour of a clause whereby the single prices could be readjusted and he stressed that the decision on cereal prices taken on 15 December 1964 should be re-examined, bearing in mind the increase in prices that had occurred and taking into account production trends. For his part, Mr. Baas (Liberal, Netherlands) agreed that certain prices were too low but stated his view that it would be better to provide for degressive Community support measures or national subsidies than to adopt higher prices.

Mr. Briot (France) speaking for the EUD also stressed that prices of farm products should not be set too rigid-

ly over a period of years because it was impossible to predict what would be the economic trends in years ahead. The price levels set by the Commission were extremely important because they involved a reduction in the present prices for certain products in certain member countries, which in turn would mean a fall in farm incomes. The Community had thus to demonstrate its solidarity through the medium of the Fund in order to reduce to a minimum the adverse effects on producers. After dealing with problems affecting beef and veal, milk, sugar beet and also bearing in mind the special position of certain of the EEC's peripheral regions, he stated that his Group would endorse the views expressed in the report by Mr. Dupont.

Two speakers for the Socialist Group, however, - Mrs. Strobel (Germany), Chairman, and Miss Lulling (Luxembourg) - came out against the conclusions reached by the Agricultural Committee.

Mrs. Strobel deplored the fact that the Commission had not, at the outset, provided for the European Parliament to be consulted on the proposals and she pointed out that these were of crucial importance not only to farmers but also to the consumers of the Community, to the Kennedy Round and because of the financial responsibilities that they would involve.

Mrs. Strobel also observed that their main value lay in the price levels being set in terms of a Common Market although it had to be stressed that they would mean an increase in the cost of living for the consumer. These prices would benefit certain crops at the expense of others and since these Commission proposals would involve the rescission of national subsidies, she asked how funds could be found at the Community level to meet the needs of certain sectors.

After examining certain special problems affecting milk and dairy produce arising in Germany and the Netherlands, Mrs. Strobel stated that, unlike the Agricultural Committee, her Group would ask the Commission to uphold the prices set out in its proposals since increasing them would lead to a further deterioration in the position of the consumers and involve intervention by the Fund on a larger scale. This would involve the Community in heavier financial responsibilities. She also pointed out that if the Commission had drawn up an effective structural policy to dovetail with the organization of markets, some of the present difficulties could certainly have been avoided.

For her part, Miss Lulling pointed out that the Agricultural Committee had, in examining the Commission proposals, dealt solely with the farm incomes and ignored their implications for consumer prices, for extra- and intra-Community trade or for short-term economic trends in general. She also stated that while subscribing to the legitimate demands for parity of earnings between the different branches of the economy, her Group felt that this parity should be arrived at not only through price policy but also through a structural policy and a better co-ordinated social policy.

Lastly she indicated that the majority of the Socialist Group was in favour of provisional, degressive compensation being paid to producers placed at a disadvantage by the new price levels, provided always that the compensation were spread in such a way that they did not stand in the way of a rational production policy. Miss Lulling indicated that her Group would, in the interests of European integration, accept the Commission proposals as a compromise that was valid under present circumstances.

Speaking for the EEC Commission, Mr. von der Groeben concentrated on drawing the Parliament's attention to the interest that the Parliament's attitude would assume from the point of view of the EEC Commission when discussions were held with the Council of Ministers.

He repeated that the Commission proposals were the best way of achieving the ends of the common agricultural policy. He then went on to discuss the problem of price levels.

Since price levels determined the scale of production, excessively high prices might lead to production surpluses which would be difficult to sell on the Community market and would have to be exported with Community assistance. There might then be a situation of imbalance in trade relations with third countries.

As to the relationships between the various prices, he stated that in a market economy these had to be set in relation to supply and demand. This was the policy the EEC Commission had pursued in setting cereal prices from which the present common prices derived. In view of the circumstances and bearing in mind the experience gained, it would always be possible to change these price levels and the relationships between them.

He also indicated that European farmers were now ready to adjust to the new Community realities and that they would

succeed in overcoming the difficulties that would face them temporarily, especially since, once the problem of price standardization had been solved, it would be possible to make real headway with structural and regional policies. The EEC Commission would in any event bear in mind all the objections raised during the debate when it was called upon to discuss these proposals with the Council of Ministers. This was why it felt it should stand by its proposals.

As to the revision clause, he said that it would be possible to readjust prices if they were set on a yearly basis.

While recognizing the connexion between price revision and negotiating positions at the Kennedy Round, he said that the same problems faced the other parties to the negotiations.

He dealt in turn with certain problems affecting the markets for sugar, milk, dairy produce and beef and veal that speakers had brought up and said that the EEC Commission proposals would represent a major step forward towards European integration.

After the Brussels agreements, certain major points of discord had been eliminated and the Community spirit emerged stronger from the negotiations; it was thus possible to assure the European Parliament that the Commission would intensify its efforts in other areas covered by the Treaty so as to consolidate agricultural integration in Europe.

At the close of the debate and after rejecting certain amendments tabled by the Socialist Group expressing concern at the effects of foodstuff price increases on wage policy and on the short-term balance of the economy (amendments which, however, accepted the Commission proposals as a fundamentally acceptable solution for future price levels), the European Parliament adopted the views advanced by the Agricultural Committee by a majority and it therefore asked the Commission to amend the proposals it had submitted.

9. Assistance from the European Agricultural Guidance and Guarantee Fund

At its session of 12 May the European Parliament also re-

turned a favourable Opinion on a draft Regulation, referred to it by the EEC Commission, under which certain time-limits relating to EAGGF Assistance ("guidance" section) for 1965 were to be carried forward.

The EEC Commission was obliged to ask for this prorogation because its departments had not been able to clear all the requests for financial assistance received last year because of shortage of staff.

The Parliament approved the draft Regulation without a debate; this was in line with a proposal from the Agricultural Committee which in turn was based on a report (1) by Mr. Vredeling (Socialist, Netherlands).

While endorsing this report, the Parliament none the less drew attention to the need for better co-ordination between the EEC Commission and the member governments through whose agency requests for assistance from the Fund are submitted. The Parliament felt that one far from negligible reason for the delays experienced was the lack of Community programmes and hence the lack of any policy line to which requests for EAGGF Assistance could be geared; consequently it again drew attention to the need for an authentic common structural policy which would define the broad outlines of the relevant national policies.

In its report the Agricultural Committee expressed its concern at the difficulties that might arise from setting the maximum limit at 250 million units of account for the "guidance" section of the Fund. This involved a change in the ratio established by the Financing Regulation between the "guidance" and "guarantee" sections. The Committee felt that in setting the total amount to be made available under the "guidance" section, the provisions of the Financing Regulation should continue to be used as a basis; the latter provides that the "guidance" section should attract one third of the amount earmarked for the "guarantee" section.

The position thus adopted was however superseded by the EEC Council's decision of 11 May on the financing of the common agricultural policy whereby the maximum limit for the "guidance" section of the Fund was set at 285 million units of account.

The Parliament therefore refrained from returning an

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Opinion on this problem and simply approved the prorogation with respect to the examination of applications for EAGGF Assistance.

10. Community definition of "country of origin"

On 13 May, Mr. Bading submitted to the Parliament the report (1) he had drawn up for the External Trade Committee on the EEC Commission proposal to the Council for a regulation establishing a Community definition of the term "country of origin".

The rapporteur stressed that the main aim of the new regulation was to standardize the various definitions of "country of origin" and the ways they applied in practice. The External Trade Committee felt that the political importance of the regulations lay in the introduction of standard certificates of origin for Community exports which would temporarily overlap with the national certificates of origin. The certificate of EEC origin would however be compulsory when the product underwent more than one processing phase in more than one Member State.

The External Trade Committee and the two committees to whom the proposals were referred for their Opinion (the Internal Market Committee and the Energy Committee) had serious reservations about the exemptions in favour of oil products (Article 3 of the regulation). They felt that the first step should be to draw up regulations for oil products as part of a standard energy policy. In order however that the regulation might come into force as soon as possible for other branches of trade, they decided not to oppose the exemption clauses.

The External Trade Committee then examined the various articles of the draft regulation and suggested amendments, such as broader terms of reference for the committee that would be set up to deal with problems connected with origins (Articles 9 and 11) and a greater availability of information for the Parliament (Article 11) and for the general public (Article 11,5).

To date no standard system of regulations has been introduced for certificates of origin for international trade.

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Article 9,6 of the GATT for example simply reads: "The contracting parties shall co-operate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographic names of products of the territory of a contracting party as are protected by its legislation"

In its Opinion, the Internal Market Committee stresses the technical relevance at the customs, of certificates of origin for goods traded within the EEC and which attract varying increases in value through processing in more than one Member State. It approves the draft regulation but suggested some amendments to clarify one or two points - some of which were also raised by the External Trade Committee.

During the debate Mr. Berkhouwer spoke for the Internal Market Committee and Mr. Pedini for the External Trade Committee. Mr. Rey, a member of the EEC Commission said that some of the amendments represented improvements and that the Commission would bear them in mind. As to the exception clauses in favour of oil products, he said he would act on the wishes of the Parliament and intervene on the Commission to press for early solution to this problem within the framework of a common energy policy.

In its resolution, the European Parliament approved the draft regulation while calling upon the EEC Commission to accept the amendments proposed. It also stressed that the regulation ought to be conducive to fair and open trade relations between the Community and third countries. Lastly it asked the EEC Commission and the EEC Council of Ministers to contribute towards finalizing standard international regulations on the country of origin of merchandise.

11. The procedure to be followed in the Community's administration of quantitative import quotas

On 13 May 1966, Mr. Vredeling submitted to the European Parliament the report (1) he had drafted for the External Trade Committee on the EEC Commission proposal to the

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Council on a regulation whereby a procedure could be established for the Community's administration of quantitative quotas on imports into the EEC.

The rapporteur indicated that the Committee felt little enthusiasm about the introduction of import quotas, although such a policy might, on occasion, prove necessary. There were few quantitative imports in the Community whereas tariff quotas - which also called for a regulation to be drawn up by the Commission - were numerous. The rapporteur signified his agreement to setting up administration committees although he emphasized that the agricultural committees should be borne in mind.

Mr. Rey recalled the regulation on quantitative quotas and the forthcoming regulations on tariff quotas. He stressed the action taken by the EEC Commission in this sphere and indicated that government experts had so far rejected the Commission's proposals for a joint administration here. The Commission had now to advance a more limited proposal on the joint administration of tariff quotas than that on the joint administration of quantitative quotas. He expressed satisfaction at the formal statement made by the Council of Ministers on 11 May in Brussels, that it would return to the trade policy proposals made by the Commission and which had of late been neglected.

In its resolution the European Parliament approved the draft regulation as an important trade policy tool. It stressed that the proposed regulation should be directed at promoting fair and open trade relations between the EEC and third countries. It pressed the EEC Commission to exert every effort to bring out a draft regulation on the administration of tariff quotas for submission to the Council of Ministers at an early date. Lastly it asked the Council to adopt and implement the EEC Commission proposals on joint product-liberalization lists without delay.

12. Redundant sulphur mine workers

On 13 May, Mr. Vredeling (Socialist, Netherlands) submitted to the Parliament his supplementary report on behalf of the Social Committee on the amended EEC Commission proposals to the Council on special social measures on behalf

of Italian workers in sulphur mines who had been made redundant.

In 1965 the Commission made proposals to this end and asked the Council to take two decisions a) for the Community to finance measures on behalf of the redundant sulphur mine workers and for scholarships to be granted to promote the occupational training of the children of these workers; b) on a regulation granting temporary exemption from certain clauses in Regulation No. 9 concerning the Social Fund. The Parliament had endorsed the observations made by Mr. Vredeling in a report submitted at the time and called upon the Commission, in a resolution of 18 October 1965 to make certain amendments to its proposals.

In submitting his supplementary report on the amended Commission proposals, Mr. Vredeling began by noting that almost all the amendments proposed by the Parliament had been accepted by the Commission. The main points were: a) raising from 50 to 55 the upper age limit giving eligibility for a "tide-over" grant, b) raising to 50 per cent the monthly allowance for the period corresponding to early retirement, c) the possibility of this being granted to workers between 55 and 60 and d) the granting of scholarships to all the children of the redundant workers.

The rapporteur also noted that the Commission had, on its own initiative, restricted the granting of scholarships to scientific and technical training only. The Social Committee disagreed with this restrictive interpretation of the meaning of occupational training.

Lastly, and the rapporteur stressed this point, it had been suggested on the Council that an inter-governmental agreement as opposed to a Community decision should be envisaged because it was in doubt whether the second decision could legally be based on Article 128 or on the ten principles of the common occupational training policy. The rapporteur stressed the danger inherent in avoiding taking a Community decision. He felt that the legality of this intervention was beyond dispute. He concluded by asking Mr. Levi Sandri, Vice-President of the EEC Commission for an explanation on this point.

Mr. Levi Sandri expressed the hope that the Council decisions would be forthcoming before June. He too had noted that the Council had on occasion, adopted non-Community procedures. In the present case however he felt that there was a legal basis - to wit Article 128 - for using Community procedures and that there was no need for

recourse to an inter-governmental agreement. Mr. Bersani (Christian Democrat, Italy) stressed that the same Community policy line should be followed here as for that on medium-term and regional policy.

In the resolution (1) which it adopted at the close of the debate, the Parliament urged the Council to approve the Commission proposals as soon as possible and asked the Commission to submit an additional budget to the Council. It also felt that social measures in the sulphur industry should form part of a comprehensive rationalization programme. Lastly it stressed the serious adverse effects of resorting to ad hoc machinery not provided for in the Treaty and asked that such procedures should be avoided.

13. Social security for seamen

On 13 May, on the basis of a report (2) drawn up for the Social Committee by Mr. Bersani (Christian Democrat, Italy) the Parliament returned its Opinion on the EEC Commission proposal to the Council for a regulation to amend and amplify - for the benefit of seamen - certain provisions in Regulations Nos. 3 and 4 on Social Security for Migrant Workers.

This regulation had its legal basis on the text of Regulation No. 3 whereby it was subsequently to become applicable to seamen, although existing social security conventions would remain provisionally in force.

This draft regulation came shortly before the proposal to amend the whole of Regulation No. 3 which was to be followed by a proposal to amend Regulation No. 4, the purpose of this being to bring together, in a single text, provisions contained in several Regulations amplifying Regulations Nos. 3 and 4, in order to establish a uniform dispensation for all categories of migrant, wage-earning workers. The Regulation relating to seamen is designed to provide an immediate solution to the problems arising for them and to accelerate the adoption of general regulations.

(1) Resolution of 13 May 1966.

(2) Doc. 47/1966-67

The Rapporteur stressed the improvement over existing conventions of the present Regulation and went on to study certain special points in the new provisions: the Commission had adopted the flag as the criterion determining the law applicable; this raised the problem of the flags of convenience, in solving which the Social Committee trusted that international organizations and trade unions would assist. The rapporteur also raised the question of manpower employed on floating islands and asked the Commission to look into this so that no worker should be without protection. Lastly, the Commission, which had taken as its aim to co-ordinate the laws of the Member States, had not wished to change the present system for calculating benefits which were based not on real wages but on a fixed sum; the Social Committee felt that in future a more progressive solution would be necessary.

Speaking for the Socialist Group, Mr. Gerlach (Germany) discussed the position of certain special categories of seamen to whom social law should apply.

Mr. Levi Sandri, Vice-President of the EEC Commission, broached two problems in reply: with regard to ships flying certain flags, he indicated that there had been an improvement in Greece as a result of agreements concluded between shipowners and workers' organizations. He also undertook to make a detailed study of the problem of workers on floating islands.

In its Resolution (1) the Parliament approved the draft Regulation but pressed for a study of the possibilities of harmonizing social security benefits and for the social security provisions affecting seamen to be respected through co-operation with other international organizations and the parties concerned.

14. End of term of service of representatives

On 12 May the Parliament examined a report (2) submitted by Mr. Thorn (Liberal, Luxembourg) for the Legal Committee on the draft Resolution amending Article 5 of the

(1) Resolution of 13 May 1966

(2) Doc. 62/1966-67

Rules of Procedure of the European Parliament on the end of term of service of representatives. It was a question of amending paragraph 2 of Article 5 so that Representatives whose national parliamentary mandates have expired may no longer remain indefinitely in office pending the appointment of their successors: they might however continue to serve for a maximum period of 6 months.

In his short introduction, Mr. Thorn pointed out that the Legal Committee was unanimous that the six month period should begin, as far as the members of the European Parliament involved were concerned, on the day when the Resolution was adopted.

Mr. De Winter (Christian Democrat, Belgium) who proposed that this maximum period should be twelve months, withdrew his proposal after a discussion in which the following took part: Mr. Illerhaus (Christian-Democrat, Germany), Mr. Van der Goes van Naters (Socialist, Netherlands), Mr. Deringer (Christian-Democrat, Germany), Mr. Dehousse (Socialist, Belgium), Mr. Metzger (Socialist, Germany), Mr. Kapteyn (Socialist, Netherlands). Speaking for the European Democratic Union Mr. Drouot L'Hermine (France) called for a vote to be taken by roll-call. Since there were not enough members present to constitute a quorum, voting was put on the agenda for the subsequent session in compliance with Article 33,5 of the Rules of Procedure in this case for the plenary session in June.

Mr. Sabatini (Christian-Democrat, Italy) described the political implications of the debate. He stated that the Italian Parliament had not appointed a new delegation to the European Parliament because the political situation in Italy made this impossible. Indeed the Italian Socialists' attitude to the Communists was different to that of the French. The Italian Parliament could of course appoint a new delegation but had avoided doing so in order not to clash with the other Socialist members of the European Parliament. The speaker then asked the Socialist Group to call upon its Italian friends to adopt a more positive attitude.

b) Work of the Committees in May 1966

Political Committee (1)

Meeting of 10 May in Strasbourg: Examination of the letter of Mr. Alain Poher, President of the Parliament, on the choice of subject for discussion at the next joint meeting of members of the European Parliament and of the Consultative Assembly of the Council of Europe.

Meeting of 31 May in Brussels: Examination of those parts of the Fourteenth General Report on the activities of the ECSC High Authority coming within the terms of reference of the Committee. Representatives of the High Authority were present. Examination of the Opinion prepared by Mr. Achenbach, drafter.

Examination of the Committee's working schedule at a meeting attended by representatives of the ECSC High Authority, the EEC Commission and the Euratom Commission. Determination of priorities and procedure to be followed and, where applicable, appointment of rapporteurs.

External Trade Committee (2)

Meeting of 24 May in Luxembourg: Examination of those parts of the Fourteenth General Report on the activities of the ECSC High Authority coming within the terms of reference of the Committee. Representatives of the High Authority were present. Adoption of the Opinion prepared by Mr. Carcaterra.

Examination of the new EEC Commission proposal to the Council on approximating the laws of the Member States concerning preservatives used in foodstuffs. Representatives of the EEC Commission were present.

Discussion on questions relating to the conclusion of a world agreement on cereals.

Agricultural Committee (3)

Meeting of 2 May in Stresa: Examination and adoption of a draft report by Mr. Dupont on the setting of a common price level for milk, dairy produce, beef and veal, rice, sugar, oil seeds and olive oil.

Examination and adoption of a draft report by Mr. Vredeling on a draft regulation - upon which the Council had consulted Parliament - carrying forward certain time-limits with regard to assistance under the "guidance" section of the EAGGF for 1965.

Meeting of 17 May in Brussels: Introductory statement by Mr. Lucker on a draft report on problems connected with the conclusion of a world agreement on cereals.

Examination and adoption of an Opinion prepared by Mr. Richarts, to be referred to the Health Protection Committee, on a draft directive on the problems of health protection and control relating to imports of beef cattle, swine and fresh meat from third countries and on a draft Council decision on the creation of a veterinary Committee.

Discussion with Mr. Kriedemann on the creation of a food-stuffs committee.

Discussion with Mr. Briot on a draft regulation amending Council Regulation No. 26 (competitive conditions in agriculture).

Meeting of 25 and 26 May in Brussels: Examination of the draft report by Mr. Briot on the draft regulation amending Council Regulation No. 26 (competitive conditions in agriculture).

Examination and adoption of a draft report by Mr. Kriedemann, to be referred to the Health Protection Committee, on the creation of a foodstuffs committee.

First examination of a report by Mr. Lardinois on the Council regulation on the establishment in stages of a common organization for non-edible horticultural products.

Resumption of the examination of the draft report by Mr. Lucker on problems connected with the conclusion of a world agreement on cereals.

Social Committee (4)

Meeting of 18 May in Luxembourg: Adoption of the Opinion prepared by Mr. Hansen on those parts of the Fourteenth General Report on the activities of the High Authority dealing with social policy.

Adoption of the draft report by Miss Lulling on the draft EEC Commission recommendation on maternity benefits.

Discussion on the state of progress in the application of Article 119 of the EEC Treaty.

Internal Market Committee (5)

Meeting of 27 May in Brussels: Examination of the draft report by Mr. Kapteyn on competitive regulations and on the position of the European enterprise in the contexts both of the Common Market and international economic developments. Representatives of the High Authority and of the EEC Commission were present.

Examination of petition no. 1/1966-67 of Mr. Louis Worms relating to a demand for indemnification for prejudice suffered at the time of the scrap iron irregularities.

Economic and Financial Committee (6)

Meeting of 26 May in Luxembourg: Discussion of the draft Opinion prepared by Mr. Sabatini on those parts of the Fourteenth General Report on the activities of the High Authority coming within the terms of reference of the Committee. Appointment of Mr. Hougardy as rapporteur for the Opinion on the ECSC High Authority paper on General Objectives for Coal during the period up to 1970 and on the granting of financial assistance on the basis of Decision 3-65.

Transport Committee (8)

Meeting of 9 May in Strasbourg: Discussion of those parts of the Fourteenth General Report on the activities of the ECSC High Authority coming within the terms of reference of the Committee (drafter: Mr. Drouot L'Hermine). Representatives of the High Authority were present. Resumption of discussions on the draft report by Mr. Brunhes, on the EEC Commission proposal on eliminating discrimination in the matter of prices and conditions of transport (on the basis of Article 7,75 and 79,2 of the EEC Treaty) concerning which the EEC Council had asked for the Opinion of the Parliament.

Energy Committee (9)

Meeting of 12 May in Strasbourg: Appointment of a member to replace Mr. Philipp in drawing up a report on Community policy on oil and natural gas.

Meeting of 23 May in Brussels: Adoption of a draft Opinion on the Fourteenth General Report on the activities of the ECSC High Authority. Rapporteur: Mr. A. Lenz.

Discussion on Community policy on oil and natural gas. Rapporteur: Mr. Leemans.

Research and Cultural Affairs Committee (10)

Meeting of 23 May in Brussels: First examination of the draft report by Mr. Oele on technological progress and scientific research in the European Community. Representatives of the Executives of the ECSC, the EEC and the EAEC were present. Adoption of the draft report by Mr. Schuijft on technical research in the ECSC.

Health Protection Committee (11)

Meeting of 27 May in Luxembourg: Adoption of the draft Opinion by Mr. Pêtre on the work of the High Authority and of the Safety Commission in the sphere of industrial health and safety and in the sphere of safety in the coal mines. Representatives of the ECSC High Authority were present.

Adoption of a report by Mr. Hansen on EEC Commission proposals to the Council concerning: a draft directive on the problems of health protection and control relating to imports of beef cattle, swine and fresh meat from third countries; a decision setting up a veterinary committee. Representatives of the EEC Commission were present.

Adoption of the draft report by Mr. Lenz on EEC Commission proposals to the Council concerning: a draft Council decision to set up a foodstuffs committee; a draft Council directive amending the Council Directive of 5 November 1963 on the approximation of the laws of the Member States on preservatives used in foodstuffs; a draft Council directive amending the Council Directive on the approximation of the laws of the Member States on colouring agents used in foodstuffs. Representatives of the EEC Commission were present.

Adoption of the draft report by Mr. Bernasconi on industrial health departments in the enterprises in the three European Communities. Representatives of the three Executives were present.

Budget and Administration Committee (12)

Meeting of 12 May in Strasbourg: In pursuance of Article 48,3,1 of the Rules of Procedure, examination of the draft organization chart of the departments of the European Parliament for 1967.

Examination of the main factors determined by the Bureau as relevant to the preparation of the estimates for the European Parliament for 1967.

Meeting of 26 May in Brussels: Examination of the man-

agement accounts and balance sheets relating to the financial exercise 1964 and the report of the supervisory committee relating to the financial exercise of 1964 of the EEC and the EAEC. Representatives of the EEC and Euratom Commissions were present.

Examination of the budgetary and administrative annexes to the Fourteenth General Report on the activities of the ECSC High Authority. Representatives of the High Authority were present.

Legal Committee (13)

Meeting of 9 May in Strasbourg: Adoption of the report by Mr. Thorn on the draft resolution (Doc. 76/1965-66) amending Article 5 of the Rules of Procedure on the end of term of service of representatives.

Meeting of 23 May in Brussels: Examination of the note by the working party on the rationalization of the activities of the European Parliament. First discussion of the implications for the Rules of Procedure of the European Parliament of the merger of the Executives.

Committee for Associations (14)

Meeting of 10 May in Strasbourg: Mr. Merchiers elected Chairman of the Committee.

Mr. Brunhes and Mr. Metzger elected first and second vice-chairmen of the European Parliament delegation to the Joint EEC-Turkey Parliamentary Committee. Examination of the first annual report on the activities of the EEC-Turkey Association Council and discussion on preparations for the first meeting of the EEC-Turkey Joint Parliamentary Committee.

Joint EEC-Turkey Parliamentary Committee

Meeting of 16 and 17 May in Brussels: Constituent meeting. Addresses by the President of the European Parliament, the President of the Grand National Assembly of Turkey, the President in Office of the Council of Association, the Representative of the Government of the Republic of Turkey and by the Representative of the EEC Commission.

Assumption of office by the Bureau of the Committee.

Adoption of the Rules of Procedure of the Committee.

Meeting of the Committee. Submission and examination of the first annual report on the activity of the Council of Association. Statement by Mr. Mesut Erez, rapporteur for the Grand National Assembly of Turkey and by Mr. Brunhes, rapporteur for the delegation of the European Parliament.

Close of meeting and adoption of a press release.

Parliamentary Conference of the Association (AAMS)

Joint Committee

Meeting of 24 to 27 May in The Hague: Appointment of Mr. Armengaud as rapporteur to draft a report on the marketing of AAMS products in the EEC, on how this can be stabilized and on how reasonable prices may be obtained for these products. Discussion on the marketing problems currently facing AAMS exports to the EEC.

Appointment of a rapporteur to draft a report on the budget for 1965 and on the preliminary estimates for the 1966 financial year.

Statement by the Vice-Chairman on the work done in the Association context by the European Parliament since the previous meeting of the Joint Committee.

Discussion with the Council of Association and attended by EEC Commission representatives on the activity of the Council and on problems now facing the Association, to wit:

- the functioning of the institutions of the Association;
- the expansion of trade;
- co-operation in financing investments and assistance towards diversifying production.
- technical and cultural co-operation;
- right of establishment and to supply services.

Discussion on the problem of the allocation of the resources of the European Development Fund.

Discussion with the representatives of Euratom and of the ECSC on the work of these two Communities in spheres likely to be of interest to the Association.

Discussion on the future work of the Joint Committee.

c) Work of the Political Groups

1. Meeting of the Socialist Group in Stresa on 3, 4 and 5 May

Parliamentarians from the six EEC Member States took part in a meeting of the Socialist Group of the European Parliament in Stresa on 3, 4 and 5 May. The principal items on the agenda were as follows:

- discussion on the economic and political situation in Africa and Madagascar and adoption of draft guiding principles on relations between the European Economic Community and the developing countries with particular reference to the Associated African States and Madagascar (Working Document EP/GS/64/66; Rapporteur: Mr. Georges Spenale);
- discussion on a report by the Working Party on legal and political questions arising in connexion with consultation procedure and the possibility of the intervention of national parliaments;
- discussion on the points to be included on the agenda for the next joint meeting of members of the Consultative Assembly of the Council of Europe and members of

the European Parliament;

- discussion on the third five year programme of Euratom (Working Document EP/GS/60/66; Rapporteur: Mr. Hans Merten);
- discussion on widening the scope of the scientific research conducted by Euratom (Working Document EP/GS/56/66; Rapporteur: Mr. A.P. Oele).

At the close of the meeting Mrs. Kate Strobel (West Germany), President of the Socialist Group, made the following statement to the press:

"Meeting in Stresa the Socialist Group dealt inter alia with the composition of the Italian Delegation to the European Parliament. It noted with regret that after the two chambers of the Italian Parliament had been reconstituted in 1963 they had omitted to renew this delegation. The Socialist Group had therefore noted with great satisfaction that the Italian Parliament envisaged appointing a new delegation on 11 May 1966. The designation of new Italian members to the European Parliament ought at last to ensure appropriate representation in the European Parliament of the socialist democrat forces in Italy.

The Socialist Group also examined the prospects which had become clearer in the last few weeks with regard to the accession of the United Kingdom and other democratic states to the EEC. In this connexion they noted with particular satisfaction the ground constantly being gained by those circles in Britain whose political and institutional ideas went a long way towards meeting those of the continental advocates of a further expansion of the European Economic Community. The Socialist Group of the European Parliament has further decided to table a proposal in Strasbourg in a few days time to the effect that the European Parliament should hold a joint meeting with the Consultative Assembly of the Council of Europe this autumn. In this way it should be possible for the parliamentarians of 17 European countries to debate the necessary and possible practical measures that could and should be taken to improve economic relations in Western Europe."

2. Meeting in Amsterdam of the Liberal and Allied Group of the European Parliament

Several resolutions were adopted by the Liberal and Allied Group of the European Parliament when it met in Amsterdam from 27 to 29 April.

Current and future aspects of Liberalism in Europe.

The Liberal Group is convinced that the Treaties of Paris and Rome "which instituted the European Communities must remain the basis of a united Europe. It regards it as urgently necessary for there to be a new impetus to widen the scope of the organization of the solidarity of the democratic states of Europe so as to embrace scientific research, defence and foreign policy and asks that further efforts should be made, consistent with the spirit of the Treaties of Paris and Rome, whose authors desired that they should be open to subsequent accession, to bring into the European Economic Community the United Kingdom and the States associated with her in EFTA."

The Liberal Group considered "that any real and lasting easing of tension between East and West depends upon the affirmation among all the peoples of Europe of a desire for security. This still calls for the greatest possible material and spiritual solidarity on the part of the member nations of the Atlantic Alliance. This is why the party is opposed to anything liable to impair the cohesion of the alliance, especially as regards defence and calls upon all the countries involved to try in a spirit of a mutual goodwill to find a reasonable solution to the difficulties that have recently made their appearance."

The Liberal Group "endorses the spirit of the initiatives taken by the late President Kennedy in proposing a customs dismantlement on an international scale for the expansion of world trade and co-operation between industrialized states with a view to helping the developing countries.

The Group is convinced that if European integration is to be successful, it is essential a) for Europe to become a more "transparent" for the European citizen than it has been so far; b) for much more attention to be directed therefore to measures and provisions affecting the greatest possible number of European citizens rather than to specifically technical problems and in particular to the

satisfaction of their ordinary needs and to their mutual relationships so that in this way a Europe may be built up that is a living reality for all; c) to build a Europe that speaks more directly to the citizen involving him by giving him a much greater say by means of stronger powers vested in a democratic parliamentary representation elected by direct suffrage both as regards controlling the executives and in the matter of European legislation.

To achieve these objectives the Group calls upon all the parties in Europe that have a liberal outlook to gather their forces together and to act in conjunction with one another as far as possible. It approves the moves made with this end in view to constitute a European Liberal Party which is based on the principles of democracy, individual freedom, social justice and tolerance."

European Agricultural Policy. The Liberal Group, after affirming that agriculture is one of the principal components of the European economy and that European farmers have a right to a fair and steady income notes "that it is impossible to guarantee such farm incomes by market machinery alone and that it is something that all modern states have learned by experience that there can be no agricultural policy without guaranteed prices for the main products and without intervention by the public authorities at specific junctures to ensure that minimum prices are respected.

The Group therefore considers that the levies and interventions as laid down in the common agricultural policy are fundamental."

For the Liberal Group "the policy of guaranteed prices and levies will not, on its own, constitute an adequate farm policy for Europe. Even though the necessary adjustments may be made easier, it is impossible not to feel concerned about the balance between Community production and Community markets. Nor can unjustifiable production be allowed to continue; nor can the risk be taken of undue surpluses for these would raise insuperable financial problems for all the member countries. Although farm incomes depend, especially in the immediate future, on prices, they also depend (and this will be even more to the point in the future) on an improvement in production and marketing structures in which the contractual economy would play its full part.

The Group therefore feels that additional measures are now necessary to achieve these objectives and to maintain

the transformation of animal production on family farms: in this connexion the professional organizations will have to play the important part that falls to them and to give advice to farmers in terms of the market economy.

It also stresses the need to speed up progress towards complete harmonization in the fiscal, financial, economic, monetary and social spheres, failing which there can be no genuine Community agricultural policy and affirms that the common agricultural policy needs must culminate in an infinitely greater measure of international co-operation than at present in order that, through the use of suitable methods, all the possibilities of agricultural production are turned to good for the benefit of all peoples and especially those that suffer from food shortages."

The common scientific policy. The Liberal Group considers that the European Communities should adopt a scientific policy to encourage or promote research. To this end appropriate institutional measures should be taken as soon as possible in view of the forthcoming merger of institutions of the European Communities. This is why the Liberal Group points out "the desirability of entrusting to Euratom, because of its special competence and experience, the general responsibility for co-ordinating and stimulating scientific and technical research, with the help of a consultative committee comprising scientists from the member countries of the Community and by means of financial contributions made by the respective Governments, while not encroaching upon the specific responsibilities assigned to the different Communities in this sphere by the Treaties of Paris and Rome.

Taking into account the favourable trends of public opinion in the United Kingdom and the Six towards British involvement in European unification, the Liberal Group hopes that the United Kingdom will be invited immediately to accede to the European Atomic Energy Community so that to take part from its inception in the common scientific and technical research policy thus creating, inter alia, a valuable premise for its ultimate integration in the unitary construction of Europe."

(Documents of the Liberal and Allied Group)

II. THE CONSULTATIVE ASSEMBLY OF THE COUNCIL OF EUROPE

Session of 2 - 6 May in Strasbourg

At its first session, the Consultative Assembly of the Council of Europe elected its President, Mr. Geoffrey de Freitas (Labour, United Kingdom) to succeed Mr. P. Pflimlin, who did not stand.

At the beginning of the session, the Assembly was addressed by Mr. Thant, Secretary-General of the United Nations, who laid stress on the work done and to be done by the Council of Europe and on the need for close co-operation between the United Nations and the Council of Europe. He also spoke of the changes that had come about in world political alignments over the last two decades and of the positive trends that had emerged from these developments. He also emphasized the need for sustained and unremitting efforts to preserve peace and he recalled the importance of the rôle played by Europe in this sphere and in that of helping the developing countries.

There were two questions, of special interest to the ETC, which also held the attention of the Assembly: the pursuit of European unification and the rapprochement between the EEC and EFTA and European economic problems.

All those who took part in the debate on the general policy of the Council of Europe stressed the need to pursue the unification of Europe. The first step towards this unification had to be the United Kingdom's entry and, in gradual stages of her EFTA partners, into the Common Market. It was high time to end the division of Europe into two economic blocs. The unification between the EEC and EFTA had to be speeded up.

The British speakers stressed the United Kingdom's need to safeguard her interests, those of the Commonwealth and those of her EFTA partners. This be as it may, political discussions should be held at an early date between the EEC and the countries wishing to accede to the Common Market.

Mr. Stewart, British Secretary of State for Foreign Affairs felt that a real improvement in relations with the East presupposed the unification of Western Europe and, if it were to achieve this end, it should cease to be divided into two economic groups. The British Gov-

ernment did not conceal that there were a certain number of problems concerning Britain's entry into the Common Market. These had to be drawn up in a list and an effort made to resolve them in a spirit of mutual understanding.

Mr. Broglie, the French Secretary of State for Foreign Affairs, then took the floor to stress that his country wished to create a real Europe and that it was directing its efforts towards the gradual consolidation of European unity. Western Europe had to recognize and realize where its interests lay and what its *raison d'être*.

The French Government hoped that the United Kingdom would enter the EEC and that the trade division across Europe would be eliminated. This presupposed that the spirit of the Treaty of Rome be extended to EFTA; a successful conclusion to the Kennedy Round would be helpful towards this end.

To bring the two Europes of East and West closer together he said that Western Europe should try to function as a magnet, to consolidate its own prosperity and solidarity and develop a policy, even though this might be on bilateral lines for the present, of contact with the East European countries. It was by offering to these countries an alternative, however modest it might be to the policy of blocs that a trend, soon to become irreversible, towards the resurgence of Europe, could be initiated.

This presupposed that European unification should not only function as a defence system or as a refuge but as a group of states whose identity and potential would contribute to world peace, co-existence and development and which would act together to provide a perfectly legitimate defence and above all to promote the political and peaceful resolution of world tension.

With reference to relations between East and West Europe, several speakers stressed the need for the western countries to perfect a system of two-way consultations to preclude one-sided moves liable to prejudice their common interests.

In the recommendation adopted at the close of the debate the Assembly trusted that an agreement would shortly be reached between the Six on a common agricultural policy, on the way in which the merger of the Executives of the three Communities was to be carried through and on a common attitude to the Kennedy Round. The Assembly felt it

was essential that a new drive be made to enlarge the EEC so that other member countries of the Council of Europe, including the United Kingdom, which had intimated their intention of joining it under certain conditions, might do so as soon as possible and repeated that the surest road to European unity was via the European Communities.

The Assembly was convinced that differences of opinion about defence did not mean that the countries of Europe could dispense with holding talks on how political co-operation between them could be organized. The Assembly noted that it was increasingly difficult for the European states to keep up their competitive position vis-à-vis the United States and the Soviet Union in the development of advanced technology and science-based industries: it also noted that Europe was becoming increasingly dependent on the United States in the aircraft industry, in the manufacture of computers and in other sectors calling for large-scale investment and opportunities for research on a similar scale.

The Assembly recommended to the Committee of Ministers of the Council of Europe to ask the Governments of the members of the EEC and those of other European countries ready and able to assume the responsibilities involved in accession to or association with the EEC, to keep more closely in touch with each other so as to tackle problems that had to be resolved if the EEC were to be enlarged and political co-operation initiated between the states of Europe;

- to promote without delay and at the European level multilateral co-operation on advanced technology and science-based industries.
- to exchange information concerning moves affecting the East European countries and to organize regular consultations to promote the expansion and improvement of economic, political and social relations with the East European countries and in order that fresh initiatives did not run counter to the general interest of the member countries.

The Assembly discussed European economic problems on the basis of a report given by Mr. de Préaumont (France) on this subject. He and other speakers laid particular stress on the need for the Kennedy Round to be brought to a successful conclusion. At the close of the debate the Assembly adopted a resolution in which it recalled the

possibilities of trade expansion that would be lost to world trade if the Kennedy Round failed. The Assembly declared its awareness of the fact that the Kennedy Round would have little chance of success if the EEC Commission were not given a new mandate for these negotiations at once. Bearing in mind that such a mandate could not be forthcoming until the EEC had agreed on its agricultural policy and on the financial regulations that it presupposed, the Assembly considered that an all out effort should be made by the EEC Member States to achieve the necessary agreement on agriculture in order to allow for the Kennedy Round to continue in Geneva.

The Consultative Assembly was also addressed by members of the United States Congress who spoke mainly about defence policy and relations between Europe and the United States in the NATO context. In a final recommendation, the Assembly emphasized the need for European co-operation in space research and asked that a Ministerial Conference be called to set reasonable objectives that Europe might pursue in this sphere.

III. NATIONAL PARLIAMENTS

a) Belgium

Belgium's European policy.

During the debate on the Minister of Foreign Affairs' budget held in the Chamber of Representatives on 20, 21 and 26 April, several members discussed European issues.

Mr. Delwaide (PSC), rapporteur, considered that "the question of majority vote decisions has not been settled. Yet the European Community is inconceivable without a system of majority decisions. It goes without saying that one should always try to obtain a unanimous decision. But the Community will become impossible if one of the partners has a right of veto. The five have acted wisely in not giving way on this point." Mr. Delwaide thought that the proposed "Europe of Nation States", which involved no political integration and which meant standing outside the Atlantic partnership, was not a sound solution. But he added "moves towards political integration should be adjourned until we know the plans of the United Kingdom". He felt that "political integration might compromise British accession. At first sight it would appear that the United Kingdom would accede more readily to a European union which consisted simply in a Europe of non-integrated states."

Mr. Perin (Walloon Party) thought "it is distrust that prevents Europe from uniting because it is not known what the policy of Europe will be. The Europe that is now in the making is one which leaves the working masses fairly cold. Yet nothing on this scale can be achieved unless it fires the imagination of the people. The lack of general enthusiasm can be explained by the fact that the Europe in the making is that of businessmen and diplomats. The Europe of the businessmen is progressing well but it arouses no enthusiasm among the people." He felt that there could be no real Europe until each European country had become "desatellized" from the United States.

With reference to the political aspect of European integration Mr. Bohy (Socialist) observed "it is better to do nothing than to do the wrong thing which one is subse-

quently obliged to undo. We therefore cannot go back to any arrangement like that of the Fouchet Plan".

Mr. Harmel, Foreign Minister, recalled that Belgium would not submit the instruments of ratification of the Treaty merging the European institutions until every point had been cleared up. "There seems to be little prospect for the political Europe at present, he said, even though General de Gaulle is advocating political co-operation. The climate would appear inclement because of the NATO crisis." The Belgian Government furthermore considered as both necessary and desirable the accession of the United Kingdom to the European Community.

Mr. Laloux (Democratic Front of French-Speaking Citizens of Brussels) said he was "in favour of the political and economic unification of Europe to the exclusion of any hegemony. It will be difficult for Belgium to take part in any European union if France does not do so. The Government should state its attitude quite clearly to this effect and take the initiative in bringing about a rapprochement between France and her partners."

(Chamber of Deputies, Summary of Proceedings, Session of 20, 21 and 26 April.)

b) Italy

The Senate ratifies the treaty merging the Executives of the European Communities

On 28 April the Senate concluded the debate which had begun the day before by adopting the Bill ratifying the merger of the European Executives; only the PCI and the PSIUP members voted against it.

Senator Ferretti expressed the support of the Italian Social Movement for merging the institutions of the Community which constituted "the first step of a long journey towards the unification of the three Communities and ultimately to the political unity of Europe." He further stated that the European Parliament's authority should be increased because there was an ever-increasing number of matters attracting Community decisions and which were consequently not subject to the control of the

national Parliaments.

Senator Mencaraglia (Communist) stated that Europe could be united but in security and in the abandonment of any discrimination against certain states and certain political movements; he added that the renewal of the structures of the Community, which his party hoped to see effected, could not be achieved through the changes proposed in the Treaty under examination which tended to concentrate a maximum of political power in the hands of the technocrats in the same way that the maximum of economic power was concentrated in the monopolies but only through the initiation of serious political discussions with the Socialist countries and with the countries of the "third world". He then dwelt on the crisis in the Community which was aggravated by the breach in NATO. The deep-seated cause for this crisis, he thought, lay mainly in the growing pressure of monopolies in Europe and in the influx of big American industrial and financial groups. Hence it had to be asked what were the main lines of Italian foreign policy to be if she wished to pursue an independent national policy designed to transcend military agreements and directed at the creation of a non-nuclear zone and at the spread of the idea of Europe.

Senator Battaglia said that the Liberals would support the Bill; but he called upon the Government to act decisively in taking all necessary measures to accelerate the process of political integration in Europe. Merging the Executives, he thought, had to be related to the need to rationalize the Community institutions; it should however be regarded above all as the necessary prelude to the merger of the Communities, towards which gradual but steady progress should be made. He feared that the political attitudes of the French Government had had a decisive influence on the Treaty merging the Executives in that it left unsolved certain important problems (the problem of the location of a single seat, that of strengthening the powers of the European Parliament, which had lost its limited powers of control over the financial administration of the ECSC). In his view therefore the aim of the French Government had been not so much to foster European unification but to curtail the authority of the EEC Commission and to bring about the replacement of its present members in order to change the Commission itself from a political body acting as a stimulant to the Council of Ministers into a bureaucratic instrument completely subject to the Council of Ministers itself. This evaluation was borne out by the French request to

which the other Member States had tacitly acceded whereby the Commission was to submit its proposals first to the Council of Ministers rather than to the European Parliament. Senator Battaglia concluded however by saying that under the present situation the ratification of the Treaty was a lesser evil. Financial, functional and psychological advantages would derive from the merger and these would foster the unification process. Yet it was essential, if this end were to be achieved, for the Governments to withhold their instruments of ratification until a political agreement was reached on the composition of the new single commission.

The Socialist Party for Proletarian Unity took the opposite view and this was expressed by Senator Lussu. He said that his party's view was based on the absurd discrimination against parties of the left which were excluded from the Community bodies and on the content and political ends of the European Communities. In voting against the bill, his party was voting against the foreign policy of the Government which, faced with the alternatives of war and peace, had chosen the part of war by coming to terms with American policy. Senator Lussu repeated that the PSIUP was in favour of Italy's withdrawal from NATO and of neutrality and he justified the positions adopted by General de Gaulle with reference to the EEC and NATO in that they represented a reaction against the all-powerfulness, both economic, political and military of the United States.

Senator d'Andrea for his part confirmed that the Liberals would support the Bill because it meant progress albeit gradual and cautious towards the unification of Europe. He went on to stress the importance of the problem of the Italian representation on the single Commission and the need to avoid any aggravation, once the services were rationalized, of the lack of Italian personnel. He concluded by recalling that the Liberal Party supported elections to the European Parliament by universal suffrage but he added that in the present situation the inclusion of Communists in the Italian Delegation to that Parliament was unacceptable because the Italian Communists had openly stated their intention to take advantage of their presence in the Community Assemblies to make substantial changes in their very nature and structure.

Senator Bitossi (Communist) dealt with the question of the Italian presence in the Community bodies. He pointed out that its composition was still far from being consistent with the elementary principles of democracy and he called for an end to be put to the discrimination

against those who represented the majority of Italian workers i.e. the Italian General Labour Confederation (CGIL). Senator Bitossi recalled the memorandum which the CGIL and the CGT (General Confederation of Labour) had submitted on this subject to the EEC Commission in Brussels and the letter addressed by the CGIL to Mr. Moro, President of the Council, requesting that the CGIL be adequately represented in the Community institutions in order that it might fulfil its responsibility in watching over the vital interests of the workers.

Senator Jannuzzi stated that the Christian Democrats would support the bill; he pointed out that the merger of the Executives was a natural development in the three Communities and in the process of European integration with a view to which they had been set up. In his view the merger would even lead to stronger powers for the European Parliament because under this Treaty it would be able to censure the functioning of the single Commission in every sphere and at any time, whereas at present it held this power only with respect to the EEC and Euratom Commissions. Finally Senator Jannuzzi trusted that there would be more co-operation between the five other countries for this was the best way of bringing France back to full solidarity between the six countries of the Community.

Senator d'Angelosante also took the floor on behalf of the Communists. He had reservations both about the form and the content of the merger of the Executives. He asserted that the Treaty under examination was not a genuine merger of the Executives but involved entrusting dissimilar responsibilities to the same groups of people. In his view therefore this was not a real institutional merger; it represented the introduction of a technocratic and bureaucratic centralization which was coupled with a reduction in the powers of the European Parliament. Not only, he said, did the merger Treaty represent no progress towards the merger of the Communities or towards European unity; the supranational features would also disappear through the abrogation of certain articles in the ECSC Treaty. Senator d'Angelosante also stressed that France's failure to apply the regulations instituting the European Treaties had undermined the principles both of "domestic" legality and of "external" legality in relations between the Member States, with the result that other Member States too could violate the Treaty. The speaker said that the Community area was to an increasing extent assuming the structure of a strong monopolistic concentration and he criticized the attitude

of the Government to the common agricultural policy. He concluded on behalf of the Communist Party by proposing that the Government should abstain from doing anything that would accelerate or promote European integration and exercise its right of veto - given the uncertain future of the Communities; he also said that the Government should respect the rights of the national Parliament by keeping it informed about Community initiatives.

Senator Banfi said that the Italian Socialist Party would vote for the bill and he put forward a series of suggestions which the Italian Government should take into account. Firstly it should ensure that the Council and the Commission be guided in all that they did by the basic purpose of the Community which was to culminate in a supranational organization. Secondly it should ask for a more frequent system of rotation of the office of the President of the Council of Ministers. Thirdly it should put an end to the discrimination against Italians in the Community institutions. Lastly Mr. Banfi trusted that the CGIL might assume its place in the consultative bodies of the Communities and that the Italian representatives to the European Parliament would be elected.

Mr. Carboni (Christian Democrat), rapporteur, pointed out that the aim of the Treaty was to stimulate the work of the three Communities and in this respect it was indisputably a step forward, albeit a small one, towards Community unification. He also said that the Brussels Treaty had considerably increased the power of the European Parliament to censure the work of the Commission and had in no way diminished its power with regard to the examination of the budget. On the single seat of the Community institutions, Mr. Carboni trusted that the Governments would select a location consistent with the new anatomy of the Community which had, through the association of African States, Greece and Turkey, lost its Northern European character. He rejected Senator Lussu's criticisms about the influence of the United States and he rejected the procedural criticisms of Senator d'Angelosante. Senator Carboni concluded by saying that he supported an increase in the powers of the European Parliament, its endowment with a legislative power and its election by universal suffrage, and lastly its being endowed with a kind of power of investiture of the new members of the Commission and the power to ratify treaties.

Mr. Fanfani, Foreign Minister, wound up on the debate on the merger of the Executives by stressing the brighter

prospects that had now emerged for the development of the Community. It was therefore politically advisable that Italy should ratify the merger Treaty especially since the six Governments had agreed to withhold the instruments ratifying the Treaty itself until an agreement was reached on the composition of the future single Executive. He then said that the merger Treaty represented a step forward towards the unification of the work of the Community and was a prerequisite for the reorganization which was to be carried through with the merger of the Communities and of the Treaties. He also said that the Italian Government had always maintained that it was necessary to widen the powers of the European Parliament and that this problem should be tackled as part of the planned revision of the Treaties and of the Communities. As to the problem of renewing the Italian Delegation to the European Parliament, Mr. Fanfani said the Government felt that this problem, which had to be solved without delay, came within the terms of reference of the Parliament. In reply to Mr. Lussu and Mr. Mencaraglia, Mr. Fanfani stated that representation on the Economic and Social Council was being examined by the responsible authorities i.e. the presidency of the Council and the Ministry of Labour; he trusted however that the representativeness of this delegation would not give rise to criticism.

Before voting on the bill to ratify the Treaty merging the Executives, the Senate approved an order of the day tabled inter alia by liberal Senators Battaglia and Bergamasco calling on the Government not to depose of the instruments of ratification of the merger Treaty before the six Governments had reached agreement on the composition of the future single executive.

(Senate of the Republic - Summary of proceedings, 27 and 28 April 1966)

c) The Netherlands

I. Report of the Dutch Government made to the Second Chamber on the implementation of the Rome Treaty during 1965

On 15 April the Dutch Government submitted its annual

report on the development of the EEC and Euratom to the Second Chamber; this gave an account of the crisis in the Communities. Although the Luxembourg "agreement" was not to be regarded as a victory for the five or for France but rather as a triumph for the Communities, time alone would tell to what extent the effects of the French boycott on Community activities and on mutual confidence could be repaired. It was likewise impossible to say to what extent the divergent views on the majority voting principle on the Council might compromise the successful operation of the Communities in the future.

With regard to Euratom the main feature of the period covered by the report was the recasting of the second five year research and investment programme which had not however undergone any fundamental change. Funds had been re-apportioned and this had allowed for their allocation on a more selective basis to certain important projects.

In compliance to the wishes of the Second Chamber, the report also included a Chapter on the ECSC which had been much concerned in 1965 with industrial redevelopment (Article 56 of the ECSC Treaty). The financial independence of the High Authority had assumed a great significance in this connexion. The report went on to deal with developments in different areas of Community policy.

II. Note on fiscal harmonization in the European Community

The basis for a discussion with the Parliament on what Dutch policy should be with reference to fiscal harmonization in the EEC was provided by a report by Mr. Vondeling, Finance Minister, and by Mr. Hoefnagels, his secretary of state, which summarized the state of progress on fiscal harmonization in the Community and made special reference to the approximation of laws on turnover taxes.

Fiscal harmonization had far-reaching implications, given the nexus between taxation and public policy and its bearing on financial policy in particular. This connexion is manifest not only in the size of the taxation burden but also in the way it is spread out.

Taxation also plays a part in short-term economic policy, structural policy and social policy. The economic and social situation of a country is likewise a decisive factor in taxation.

Differences between EEC countries

The considerable differences between the taxation systems of the Six involve not only the total taxation burden and the number of taxes but also their relative incidence and the ratio between those taxes raised by the central authority and those levied by local authorities, provinces and states in those countries which have a federal structure and by other institutions.

Differences as to the overall tax burden are generally contingent on differences as to the volume and type of public expenditure and on the relative scale of other financial resources available to the state, such as social insurance premiums and funds borrowed. The multiplicity of taxes often denotes certain difficulties relating to fiscal discipline and of means of control but is also indicative of a relatively low standard of living. A multiplicity of taxes may also derive from the large measure of fiscal independence enjoyed by local authorities. The variations in the rate of taxation on income, turnover taxes and excise duties are also quite considerable from one country to another. These differences are not due to chance or to an artificial design; they stem from the diversity of conditions in the different countries.

Yet it is worth noting the trend towards fiscal harmonization internationally which has been due to the much larger scale of international relations and to the growth in the tax burden.

The EEC Treaty and taxation

Theoretically the Member States remain fiscally independent unless the Treaty provides otherwise. This is the case for the provisions on the Customs Union. The in-

troduction of the Common Customs Tariff naturally means that the Member States may not subsequently modify them and that they must abolish internal customs duties. Articles 95 - 98 of the Treaty furthermore are designed to ensure that the Member States shall not impose internal charges so as to afford protection for their market against imports or in order to promote their exports. Lastly there are Articles 99 and 100. Article 99 deals with harmonizing indirect taxation. Article 100 has a very general application which may include direct taxation. These Articles cover almost the whole field of taxation. Decisions by the Council of Ministers on fiscal harmonization or adaptation must be taken unanimously.

Different approaches to fiscal harmonization

In practice fiscal harmonization may be envisaged from two more or less opposite standpoints. The first is geared to the need to effectuate free movement of goods, services, capital and persons and to the implementation of competition policy and the policy applicable to certain sectors; it is directed principally at harmonizing taxes which in their present form preclude the attainment of these objectives. The second is based mainly on a concern to standardize taxation systems and aims above all at ensuring a fair spread of the tax burden, bearing in mind the budgetary, social and economic functions of the various taxes.

Approximation can therefore be seen as involving either the abolition of taxes or the introduction of a standard system of rates or exemptions or indeed the rapprochement of the tax systems of the Member States.

The Treaty makes no reference to harmonizing public expenditure so that in principle the Member States are free to determine its scale and kind. Standardizing tax rates and exemptions within the Community may cause budgetary difficulties since this would presuppose "freezing" the total amount of the harmonized taxes at a given level without it subsequently being necessarily possible to raise or reduce other taxes. In this respect the danger of such difficulties arising would be much less if taxation systems were harmonized than if rates and exemptions were harmonized.

Taxation harmonization procedure

The EEC Council takes its decisions on EEC Commission proposals after consulting the European Parliament and the Economic and Social Committee. To date the EEC Commission has always opted for directives although this is not specifically prescribed by Article 99. The more detailed such directives are, the less freedom Governments and national Parliaments have to choose how the directives shall be effectuated and what form their decisions shall take. The European Parliament has no power of decision so that the Council is assuming a heavy responsibility when it issues a directive and this is naturally shared by the national Parliaments.

Standpoint of the EEC Commission

The EEC Commission has come out in favour of introducing an economically neutral system of turnover taxes which will allow for the elimination of fiscal frontiers; in other words it has adopted the first of the options outlined above. The note then goes on to analyse the two draft directives introducing the added value taxation system which the EEC Commission has submitted to the Council. It also records the Opinions of the European Parliament and of the Economic and Social Committee and outlines the national viewpoints.

National viewpoints

Of all the EEC Member States it has been the Federal Republic of Germany which has adopted the most constructive attitude to the Commission's proposals to harmonize turnover taxes. At the national level, the German Government has already taken one important step by moving a bill to replace the present cumulative waterfall taxation system by the added value taxation system. This bill is at present before the Bundestag. Germany's competitive position in relation to France in particular was one of the major factors behind this move. By introducing an added value taxation system, Germany hopes that the pro-

ducts she exports will no longer be subject to turnover taxation. If necessary she would even be ready to agree to a settlement at the frontier. In this connexion it should be remembered that Germany normally exports more than she imports.

France already has an added taxation system and is in favour of a Community system of this kind, but she has serious reservations about the abolition of fiscal frontiers. The French system was recently modified to bring it closer to the turnover taxation system proposed by the EEC.

Italy is on the whole in favour of harmonizing turnover taxes but it would appear that Commission proposals would run into serious difficulties in Italy. Italy has announced a reform of her whole taxation system which, while providing for the introduction of an added value tax, also provides that this shall be coupled with a special consumption tax.

Luxembourg is on the whole in favour of the Commission's proposals.

It is not yet known what the point of view of the present Belgian Government is.

The Dutch Government feels that an attempt should be made before harmonizing the major sections of the taxation system to draw up a plan of the points on which a rapprochement of the national fiscal systems is desirable; this should also lay down the freedom of action to be left to the Member States. The approximation of certain parts of the fiscal system would furthermore be a step towards general harmonization. Account could also be taken of the national and, of course, the political implications of the European fiscal systems envisaged. Any decision on standardizing rates and exemptions under the new added value taxation system would have to be coupled with a decision on the ratio between direct and indirect taxation. Since this is primarily a political decision, an agreement on the conditions for a rapprochement between national provisions would appear to be indicated.

ther taxes

Lastly the note reviews the state of progress in harmonizing excise duties, transport taxes, indirect capital accumulation taxes, indirect taxation of insurance policies and direct taxation.

The implications for the Netherlands of the measures proposed

The introduction of an added value tax, which was not initially coupled with the abolition of fiscal frontiers, would have the following main effects:

- it would change the respective positions of the various sectors and even of enterprises;
- it would raise the problem of the advantages and disadvantages of this tax being applicable in the retail trade.
- it would improve the position of exporters but it would place a heavier burden on imports.

The abolition of fiscal frontiers in the second stage would mean:

- the disappearance of fiscal frontiers with respect not only to turnover taxes but also excise duties;
- a major change in all probability in the ratio of direct to indirect taxation in the Netherlands where the fiscal structure is further from the average among the Six than that of any other EEC country.
- that the Member States would be unable unilaterally to change the system of rates and exemptions.

(Session of 1965/66 - 8556)

III. The Netherlands and Community policy on cartels

The report of the Second Chamber on the application of the law on economic competition during the period 1 January 1965 to 1 January 1966 makes mention of the Act of 2 December 1965 ("Staatsblad" No. 565, 1965) of the law implementing Article 88 of the EEC Treaty of 5 December 1957. ("Staatsblad" No. 528, 1957). According to the grounds given in the preamble to the Act of 2 December 1965 the abrogation was decreed to confirm, in legal form, that, as a result of Community legislation coming into force, former provisions of Dutch law had become null and void.

Similarly a bill to implement Article 14,6 of EEC Council Regulation No. 17 was shortly to be submitted. The new Act would allow the necessary assistance to be given to the agents of the EEC Commission entrusted with control functions.

A certain number of international agreements to which the Netherlands was party had been adapted to the satisfaction of the EEC Commission, whose intervention had furthermore led to a stay of execution with respect to two other agreements.

(Report on the application of the law on economic competition during the period 1 January 1965 to 1 January 1966. Session of 1965-66 - 8558)

IV. Common transport policy

The EEC Commission has exercised its right to draw up proposals in such a way that the agreement reached on the Council on the common transport policy may be called into question. The main points in the Commission's proposals which are in conflict with the said agreement are as follows:

- the Commission again provided for a maximum or minimum rate to be applied where freedom to set prices (reference rates) was planned;
- it proposed exactly the same criteria for obligatory fork-rates and reference fork-rates;

- it provided for the retention of the freedom to set rates for domestic traffic during the second stage.

Mr. Posthumus, Secretary of State at the Ministry of Transport and Waterways, pointed out both to the Member States and to the Commission that the amended Commission proposal incorporated views that were unacceptable to the Netherlands.

(Written parliamentary answer on the bill passing Chapter XII (Minister of Transport and Waterways) of the state budget for 1966, First Chamber session of 1965-66 - 8300 (Second Chamber Session of 1964-65)).

V. The Luxembourg Agreement

In the written parliamentary answer relating to the bill of 16 May enacting the budget for the Foreign Ministry, Mr. Luns, Foreign Minister, stated that the difference of view between the Six delegations mentioned in the minutes of the EEC Council session of 29 January were not concerned with the interpretation of the Articles of the Treaty. The Council's statement dealt solely with the machinery for putting into application the principles of qualified majority voting on the part of the Six partners.

The preliminary talks that the Commission was to have with the Governments on particularly important proposals in no way compromised the political autonomy of the Commission, said Mr. Luns. There had as it were always been contacts of this kind. Under the Luxembourg Agreement the Permanent Representatives would henceforward be associated, not necessarily as a Council committee but as representatives of the Member States to the Communities. It would be for the Commission to decide whether or not to make contact with the Member States and it would act quite independently in drawing its own conclusions from these contacts.

(First Chamber, written parliamentary answer on the bill enacting Chapter V (Foreign Ministry) of the state budget for 1966, 8300 (Second Chamber))

VI. Subsidies to the collieries

"On 16 December 1965 the Minister for the Economy informed the High Authority of the action that the Dutch Government intended to take on behalf of the mining industry; the measures in question are outlined in the "note on the mining industry and the industrial redevelopment of Southern Limburg"; the Minister asked the High Authority to examine these measures and authorize them in pursuance of its decision No. 3 - 65.

Some of the support measures have still to be finalized so that it has not yet been possible to give the High Authority all the details that it asked for."

This is the reply given on 29 April by the responsible minister to Mr. Vredeling (Labour Party) who asked if it was true that the Dutch Government had not informed the High Authority of any differences in amount between the assistance actually given to the collieries and the estimated figures.

(Second Chamber, Session of 1965-1966, Annex)