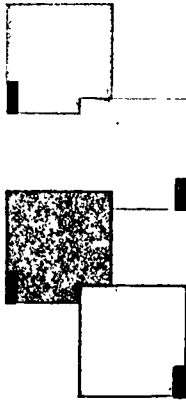


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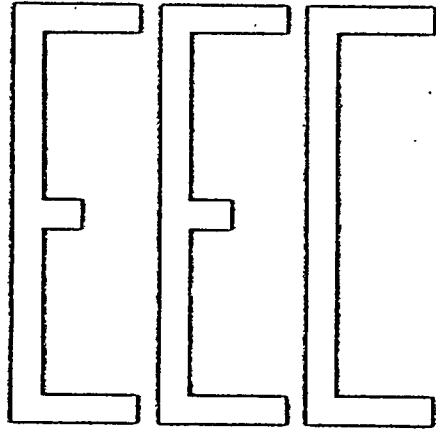
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BULLETIN

of the

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BRUSSELS - AUGUST 1962

ISSUED MONTHLY

N° **8**
FIFTH YEAR

**THE FIRST STAGE OF THE COMMON MARKET
REPORT ON THE EXECUTION OF THE TREATY**

(January 1958 - January 1962)

The Commission has just published in the four official languages, and also in English, a report on the execution of the Treaty during the first four years of the existence of the European Economic Community. The report is entitled: "The first stage of the Common Market - Report on the execution of the Treaty". The introduction is by the President of the Commission, Professor Walter Hallstein, who gives a brief account of the progress achieved in the economic and political fields. "Every balance sheet", he writes, "closes with a summing up; that of the Community must be recognized as a record of success and this was the conclusion drawn by the Council when it decided to move on to Stage Two of the Transition Period".

The work, illustrated by photographs and diagrams, has two main chapters, the first dealing with the internal development of the Community, and the second with the Community and the outside world (pp.122 - price: £0-5-8, \$0.80, Bfrs.40). Orders may be placed at the addresses indicated on the back cover of the "Bulletin of the European Economic Community".

8 / 1962

BULLETIN

of the European Economic Community

SECRETARIAT OF THE COMMISSION OF
THE EUROPEAN ECONOMIC COMMUNITY



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The European Economic Community as an element in a new world order

by Walter HALLSTEIN,
President of the EEC Commission

The following text consists of extracts from an address given to the Diplomatic Press Association in Paris on 22 June 1962 by Professor Walter Hallstein.

The first half of his address was devoted to a cursory summing-up of the first stage and the impact of the Community's success on its relations with the rest of the world.

'...The second fact I should like to stress is the fresh initiative taken by the Kennedy Administration. Technically it is known as the "Trade Expansion Act"; at the political level we speak of the "Atlantic Partnership". There is no question here of a Copernican revolution, for the United States' attitude to our work has not varied. From the outset it has been not only friendly but also helpful and to some extent it has even been the source of what we have achieved. I need only remind you that the reconstruction of Europe and consequently the integration of Europe would have been impossible without the Marshall Plan. But the step taken by the Kennedy Administration with respect to trade policy opens an entirely new phase. Europe, hitherto passive, is now becoming an active partner. I sometimes get the impression that the extraordinary significance of this change is not fully appreciated. It is true that there is an element of anticipation in all this, since to treat the Community in the making as a perfect entity is to run ahead of events. But such anticipation would not even come to mind, if it were not grounded in lucid political calculation; it is our common effort which in the last twelve years has forged the basis on which this calculation rests. Had we not done what we have done in the Community, the policy of the leading world power would not have begun to swing towards us and thus give Europe an opportunity such as no one would have dared to dream of only a few years ago. However, even these proofs — the swing round of the United Kingdom, the new Community slant to American trade policy — may still not be sufficient to sweep away all doubts as to the reality of our successes.

Now, among the reactions of the outside world there is one that I can honestly claim to have foreseen as clearly as the result of a mathematical equation. I mean Khrushchev's reaction. This is a new event which deserves all our attention.

For several weeks now attacks on the Community have been made not only in occasional speeches of the Soviet Premier, but also daily and hourly by the Soviet press and radio, and these attacks give the impression that a vast political and psychological offensive is under way. But I think that the truth is' — and this shows the importance of the event — that Khrushchev is really on the defensive. This, by the way, would not be at all necessary if the Eastern countries could make up their minds to see the world as it is. Perhaps the

best means of getting to the heart of things is to take two of their main arguments.

One of these is that the Common Market is aggravating conflicts in the capitalist camp, is setting in train a bitter struggle of monopolies for their positions on the market splitting Europe into rival economic groups.

A curious argument. How can a process of integration be aggravating conflicts? How can the growing interpenetration of markets within the Community, which in four years brought us an increase of 73 % in internal trade with a simultaneous increase of 25 % in the Community's gross product and of 29 % in its industrial production be construed as a murderous battle of monopolies for their positions on the market? How can the manifest desire of our European neighbours — with whom, I may add, our trade has been steadily rising — to join the Community or to come closer to it in one way or another be interpreted as a division of Europe?

What we are up against here is not apparent contradictions but very real illogicalities, which it would not be very difficult to refute on factual grounds. That a competitive economy is naturally based on competition requires no explanation. The prosperity this competition has brought us is visible and tangible.

Every chapter of our Treaty shows that in the last analysis our free society is successfully engaged in organizing this competition fairly and, therefore, profitably for all its members. But we do not need to demonstrate the falsity of the arguments used against us. What is more important is that we should discern the deeper implications of the attack and draw the appropriate conclusions for ourselves.

The underlying meaning of the attacks made on us is that the Soviet leaders have realized fully, although very belatedly, that something is happening here with unexpected speed and surprising success, something which according to Marxist-Leninist theory simply cannot happen. It is not possible that the capitalist states should overcome their differences and unite. It is not possible that such a union should create the conditions for a long-term economic policy covering wide areas and thus secure stability and invulnerability to crises. It is not possible that the process of integration should set off impulses engendering steady and even sometimes tumultuous economic expansion. It is not possible that these happenings should foreshadow an economic order which may one day embrace the whole of the free world.

All this, then, is impossible, not only on theoretical grounds, but also for practical reasons. It is impossible for practical reasons, because economic development in the Eastern Bloc is now in the throes of a crisis which is apparently causing the Soviet leaders growing concern. This is not only a crisis of the Soviet economic system in itself — we only have to think of agriculture — but at the same time, ironically enough, a crisis of integration, as the painfully contrived over-subtle and arid text of the last Comecon resolution shows.

But before drawing conclusion from this, I should like, if I may, to come back to what seems to me to be the second key argument of Soviet propaganda.

It is mainly addressed to the developing countries and is an effort to play on their many misgivings and susceptibilities. It contends in very broad terms that the Community is a union of the rich to exploit the poor and — particularly for the ear of the African States associated with the Community — that the essential aim of the Community's link with these States is to keep them in subjection and to prevent them from developing their industries.

These arguments are also easy to refute but they too have a deeper meaning.

I believe that the historians of future times will record that the free world of our day was undergoing a swift and far-reaching transformation. Just as in the nineteenth century, the movement away from "laissez-faire" towards the principle of social solidarity took place in a few decades in the national framework, within the space of a few years a similar transformation is taking place today in the international field. Yesterday we became aware of the solidarity of nations, today we are becoming aware of the solidarity of the family of nations. And here again we find that this new vision of things first leads to benefaction — in our case initially by financial aid to development. This is followed by a phase of systematic social organization — in our case the establishment of a world trade and economic order which will make it possible to practice solidarity on rational lines.

Is there any need to mention the role played in this connection by the Community? Is there any need to describe how the creation of this large economic Community, the biggest trade partner in the free world, demands, facilitates and speeds up the introduction of this general new order? Lastly, is there any need to indicate all that this means for the Soviet leaders who nurtured the hope of bringing the developing countries into their sphere of political influence?

Let the facts and figures speak for themselves. During the four years since the entry into force of the Treaty of Rome, the member countries of the European Economic Community have devoted in all nearly \$ 10 000 million to development aid. But the Community as such has also set up a Development Fund from which the associated African States have received no less than \$ 581 million in the first five years of the Treaty's implementation.

But the crucial fact is that our association is a perfectly free union. You know that the current Implementing Convention expires at the end of this year. We are at present negotiating an association agreement with the African States and the reason why we are doing so is that they themselves desire it. They are free countries, sovereign States and no pressure is being brought to bear on them.

In particular, the allegation that the EEC is preventing these States from setting up their own industries is absurd. Sixty-five per cent of Community aid has been devoted to infrastructure and to boosting their economies. And the same will be true in the future under the new Development Fund, whose resources will probably be further increased. Moreover, though the Community for its part has accepted a commitment to import products from its associates duty-free, it has granted them the right to protect, unilaterally, their industries against imports from the Community. This is certainly far removed from colonialism.

In conclusion, allow me, after these rather negative reflections, to come back to a subject that I have already touched on several times when I was speaking of Atlantic Partnership and world economic order. The two are closely linked, and it could not be otherwise.

President Kennedy has several times very correctly described his new approach as an "open partnership" and this description corresponds fairly closely with the requirements of the situation and of the moment.

Partnership means constant, close and systematic co-operation, no more and no less. It is not a "Community" in our European sense, nor can it be.

As we see every day, the emergence of a new unit at the present stage of development, is possible only in a precise regional framework. It would be unrealistic to aim at a world state. But what we can do and what we must do is to introduce an order supported by two solid pillars: the United States of America and Europe. I used the word "supported" to express the idea of exercising responsibility, that is to say a function which consists as much in serving and in helping as in imposing order.

Secondly, the partnership has been described as "open". This means that it has no frontiers. Here again it could not be otherwise. It would be unthinkable that the United States and Europe should establish between themselves relationships involving discrimination against the rest of the world. On the contrary the proposed partnership is non-discriminatory, in accordance with GATT requirements. And it is only in this way that it can fulfil its function, which is becoming increasingly clear, that is, to give the free world the economic order it needs. We know today that the questions involved for us in the production of, and trade in, agricultural products, tropical products, raw materials and manufactured products from countries with differing stages of development cannot be answered unless we find solutions on a world scale which are also global in the material sense. We shall not manage this unless the leading economic powers follow a concerted and at the same time open policy. And again this means that we must move forward as quickly as possible.

This is the note on which I should like to conclude, and I could not stress it with more conviction, with more emotion, even, than in the capital of this country.

For we have not forgotten, and we shall not forget, that it was France which opened the way to a United Europe. Nor shall we cease to believe that France will never abandon its task, which is to play a decisive role in guiding this development.'

I. Towards a common energy policy

Summary of an address by M. R. Marjolin, Vice-President of the EEC Commission

On 14 June 1962 M. Robert Marjolin, Vice-President of the Commission of the European Economic Community, addressed the Institute for the Economics of Energy of the University of Cologne on the Commission's views concerning a long-term solution of Europe's energy problems.

M. Marjolin began by mentioning the vast differences between the energy policies pursued by the various Member States. Although the situations in Germany, Belgium and France might be rather similar because in these countries considerable protection was given to coal, conditions were quite different in the Netherlands, where the coal industry was much less important, and even more so in Italy, which had always been dependent on imports. The role of the executive organ of the EEC was to work for an energy policy that all Member States would recognize as the most favourable for the Community in the long run. In doing this they would have to bear it constantly in mind that the proposals they made did not concern an isolated sector of the economy but formed part of economic policy as a whole and might come to have a decisive effect upon that policy.

In the Commission's opinion, the only really defensible policy was to ensure a cheap supply of energy, an aim that could be achieved under conditions of adequate security.

In the severe competition that would soon bring the European economy face to face with the other great industrial regions of the world, a reduction in the price of energy would be of great assistance to its industries.

Apart from the aims of low cost and security, other matters must not be lost sight of, particularly the social problems, which were of such importance in the case of coal mining; but no satisfactory long-term solution could be found to any social problem if basic economic rules were flouted.

M. Marjolin then went on to say that the Commission wholeheartedly supported the principles of a common energy policy set out in a resolution adopted by the European Parliament on 20 February 1962 :

- a) cheap supplies,
- b) assured supplies,
- c) any change-over should be gradual,
- d) long-term stability of supplies,
- e) free choice for the consumer,
- f) unity of the common market.

Although the Commission was only responsible for petroleum, natural gas and electricity, M. Marjolin gave an indication — a purely personal one, since the matter came under ECSC — of the lines along which a solution to the coal problem could be sought. There were several grounds for keeping the Community's coal

output at a higher level than would be permitted by the free play of competition (without taxes, duties or quota restrictions). The first was that the future trend of the price of imported fuel was not known with enough certainty; even if it could legitimately be hoped that imported fuel prices would remain at about their current level, the fact remained that under the pressure of external events these prices tended to rise, and they might one day regret having abandoned productive capacity which, though not competitive under present conditions, might eventually become so again as a result of a general rise in import prices. Another reason was that in view of the need to assure regularity of supply, it might prove reasonable to retain sources whose costs did not allow them to be competitive. Lastly, the coalfields certainly needed time and relative security to continue the efforts at rationalization they had begun. To deny them this would be to jeopardize the entire process of rationalization.

Naturally, whatever the output decided on, it should come only from the most productive pits, and some pressure should still be exerted on the coal industry to encourage it to continue and intensify the rationalization successfully undertaken some years ago.

However, protection in the form now provided in all countries (quantitative restrictions, duties and taxes on consumption) had the effect of bringing the price of every form of energy up to that of the most expensive. In contrast, the justification for giving protection to coal being political rather than economic, it would be logical for the burden to be carried by the economy as a whole and not only by the consumers of energy, as was now the case. The support that would thus be given to coal mining should therefore in the long run take the form of an aid to the producers — by way of direct or indirect subsidies, for instance — which made it possible to pass smoothly from a protected market to a market more open to outside competition.

It was up to the High Authority of ECSC to make the proposals which would embody these support measures in practical form.

As for petroleum, M. Marjolin outlined the proposals the Commission intended to make to the Governments.

In addition to the definition of common long-term aims, which would be fully realized at the end of the transition period, these proposals contained temporary provisions which would enable existing national systems to merge smoothly into a Community system, while avoiding any repercussions that might damage the economies of Member States or the workers in particular.

For the final period, which should begin in 1970, the Commission proposed to set up a system incorporating the following provisions for petroleum :

- a) Freedom of movement for petroleum and petroleum products between the Member States without quantitative restrictions or customs duties, in accordance with the terms of the Treaty;
- b) Freedom to import crude oil and petroleum products from non-member countries, except in the case of the Eastern bloc for which there would be a Community quota;
- c) Continued exemption for crude oil in the common external tariff and low duties for petroleum products. Taxes on consumption which affect petroleum

products for industrial use (mainly fuel oil) would be fixed at the lowest uniform rate for the whole Community (considerably below the rates currently charged in most Member States);

d) Measures to secure an effective diversification of sources of supply. Products derived from crude oil of Community origin would be entitled to certain advantages, which could also be granted, in whole or in part, to products from other areas whose output the Community would like to encourage;

e) A common stockpiling policy, fixing a minimum level of stocks and working out common methods of financing them.

f) A procedure to ensure that market prices for petroleum products were published after sales, so as to bring into line the different rules of competition for coal and petroleum arriving from the application of two different Treaties. The oil companies would be subject to the rules of the Treaty of Rome which were designed to prevent the abuse of dominant positions.

In view of the vital importance to the Community of regular and cheap supplies of energy, the Commission intended to set up a standing committee including representatives of the Member States and of the Commission, which would follow market trends in respect of the movement of oil prices and the security of supplies and on the co-ordinated development of refining capacity and pipelines.

In order to achieve these aims, stages would be defined for the transition period. As a first step a procedure for prior consultation would have to be established so that the Governments did not enact new measures or amend existing ones in any way which would make it more difficult to achieve the common policy as fixed for the period when the transition is completed.

Within the EEC the free movement of petroleum products and the gradual abolition of customs duties were clearly defined by the Treaty of Rome and by the speed-up decision. As regards trade restrictions between Member States, certain special import systems would have to be amended or dispensed with.

Duties for petroleum products in respect of non-member countries still remain to be settled. The Commission, as directed by the Treaty, would no doubt make its proposals to the Member States in the course of this year; the lines laid down for energy policy implied that duties would be at a low level.

These provisions, however, did not yet apply to the Federal Republic which had the right — under the special protocol on mineral oils — to maintain until January 1964 the customs duties applied before the entry into force of the Treaty.

It was proposed to maintain freedom of imports except for products from the Eastern bloc for which a global quota was to be introduced. From 1963 this could be allocated among the Member States in the light of existing conditions and of any new needs that might arise.

The other means of protection now being applied was the tax on consumption. Because of the protective effect of these duties and their importance to user industries, the Commission considered that at any rate the taxes on energy products of concern to industry should gradually be harmonized, even if this was

not formally prescribed in the Treaty. The unified rate of tax for the end of the transition period should be very moderate but an intermediate stage at a higher level could be fixed for the beginning of the third stage (1 January 1966).

Tax on motor fuels would gradually be harmonized in view of the effect the price of these fuels might have on the level of consumption and consequently on the structure of the refining industry.

Once the transition period was under way, the brunt of the work would fall on the Standing Committee on Petroleum Policy. The senior officials responsible for the oil sector in the Member States already met regularly on the initiative of the Commission to keep an eye on the situation. They had set up the machinery for exchanging information on investment in refineries, transport and distribution, and on imports mainly those from the Eastern bloc. These contacts would have to be amplified and extended to other aspects of the market, particularly to prices and the security of supplies.

II. Accession of other countries to the Community

Negotiations with the United Kingdom

The eighth ministerial meeting held in Brussels on 28, 29 and 30 June 1962 under the chairmanship of M. Colombo, the Italian Minister for Trade and Industry, dealt mainly with temperate agricultural products and with association under Part Four of the Treaty of Rome.

a) *Temperate agricultural products*

For agricultural exports from Commonwealth countries in the temperate zone, the British delegation had requested "comparable outlets" to those at present enjoyed by those countries on the British market and that of the Community.

The meeting brought out the fact that the British delegation and the Six consider that a final solution of this problem must be sought by way of world commodity agreements.

As for the transitional arrangements that would have to be made if the United Kingdom joined the EEC, a distinction should be made between products on which there was tariff preference and those having no such advantage on the British market.

Moreover, the problem of moving forward from the transition period to the final stage arises in respect of products for which world agreements have not yet been concluded or products that will not be subject to world agreements. Although procedure for consultation with the countries concerned has been envisaged, no decision was taken at the ministerial meeting.

The Ministers instructed the Committee of Deputies to study these points and submit proposals for the next ministerial meeting.

b) *Association*

Problems relating to the association of certain Commonwealth countries had not yet been discussed in very great detail at the Conference, pending the outcome of current negotiations with the African countries now associated with a view to renewing the Association Convention under Part Four of the Treaty of Rome. However, the meeting agreed to draw up a list of the Commonwealth dependent territories that might be considered suitable candidates for association. These comprise countries having similar social and economic structures to those of the countries already associated. The Six also declared their readiness to examine before the accession of the United Kingdom, applications for association presented by independent members of the Commonwealth in Africa and the West Indies.

The deputies were instructed to examine the problems of association so that the matter could be included in the comprehensive review to be made by the end of July.

The ministerial meeting cleared up a number of points and defined the respective positions of the negotiating parties. But a general review of the chief problems involved in the negotiations could not be attempted until the next meeting, so that the British Government might inform the Commonwealth Conference of the arrangements envisaged for Britain's entry into the Community.

Negotiations with Denmark

The negotiations with Denmark continued at ministerial level in Brussels on 19 June. The most important issues raised during the present negotiations were examined; the chairman of the Committee of Deputies also reported on progress to date.

M. Krag, on behalf of the Danish delegation, explained the problem of the Faroe Islands and Greenland and emphasized the need for a common fisheries policy within the EEC.

Agriculture was also on the agenda of the meeting. The Danish delegation reaffirmed that it accepted the provisions of the Rome Treaty and the agricultural regulations adopted by the Community but hoped to be kept regularly informed by the Commission on the regulations still to be adopted, and that negotiations with Denmark would be to some extent geared to the British negotiations.

On the subject of the agricultural regulations already adopted, M. Krag voiced Danish misgivings concerning their agricultural exports to the Community while the negotiations were going on. He suggested that ways and means be sought of easing any difficulties that might result from the entry into force of these regulations.

For their part, the Six — though they expressed their understanding of the problem — thought it preferable to wait and see what practical effect the regulations had on trade relations with Denmark.

As for economic union, M. Krag declared that his Government accepted the provisions of the Treaty of Rome, though certain problems such as the Nordic labour market and the free movement of capital called for more thorough investigation. It was agreed that the Danish delegation and the Commission should pursue their inquiries on the basis of questionnaires submitted by the Danish delegation.

At Denmark's request, the Committee of Deputies suggested that a progress report might be drawn up by a similar procedure to that adopted in the negotiations with Britain.

The Norwegian request for membership

On 4 July the first ministerial meeting for the purpose of providing the EEC Member States with further information on the problems connected with the Norwegian Government's request for membership took place in Brussels (1).

(1) See Bulletin 6/62, Chap. III.

M. Emilio Colombo, the Italian Minister of Industry and Commerce presided over the meeting. The Norwegian delegation as led by M. Halvard Lange, the Minister of Foreign Affairs, supported by M. O. Gundersen, Minister of Trade and Shipping, and M. H. Engen, State Secretary in the Ministry of Foreign Affairs.

M. Lange stated the Norwegian Government's grounds for seeking to join the EEC and in due course the ECSC and Euratom and dwelt on certain specific features of Norway's economic and social structure.

Norway is an exceedingly elongated country; as the crow flies, the distance from its northern tip to its southern limit is equivalent to that from Oslo to Naples. Only 4 % of its total area is arable land and 23 % exploitable forests. The rest mainly consists of mountains.

The country has 3.6 million inhabitants; of these, a small proportion is thinly scattered in the north, subsisting mainly on agriculture and fishing, while the majority is concentrated in south-eastern districts where there is a good deal of industrial and commercial activity based on a lively exchange of goods and services with other countries. To cover its imports, Norway exports 40 % of its total production. The merchant navy, the third largest in the world, accounts for much of Norway's foreign exchange earnings. The countries of Western Europe take about 75 % of its exports and supply over 75 % of its imports.

M. Lange said that by and large Norwegian agriculture was in line with the objectives laid down in the Treaty of Rome, though its adaptation to the common agricultural policy was bound to give rise to certain practical problems, mainly because for many commodities production costs were higher owing to climatic and topographical conditions (long winters, very small holdings, the combination of farming with other occupations, and so on...).

Similarly the improvement of farm structures would be a long-term undertaking. M. Lange gave some particulars of the Norwegian fisheries, one of the country's chief industries. Norway is Europe's leading exporter of fish and about half of its exports go to Western Europe. He stated Norway's aims in this respect, which would have to be fitted into the EEC's common fisheries policy, as and when it is drawn up.

M. Lange said that the Norwegian economy's growth prospects mainly lay in fields calling for major capital investment, such as the exploitation of water power. Regional development figured prominently in the country's economic policy. He felt that what they were doing in this field was compatible with the provisions of the Treaty of Rome concerning credit, finance and fiscal policy.

M. Lange concluded with some remarks on customs matters. In 1959 Norway had technically readjusted its tariff to suit the Brussels Nomenclature. He spoke of his country as one of the five Nordic countries "united in an ardent feeling of solidarity", and hoped that the political importance of the Nordic treaty of co-operation would be recognized by the EEC.

The Governments of the Member States and the Norwegian Government agreed that a further meeting would be held in Brussels in the second fortnight of October.