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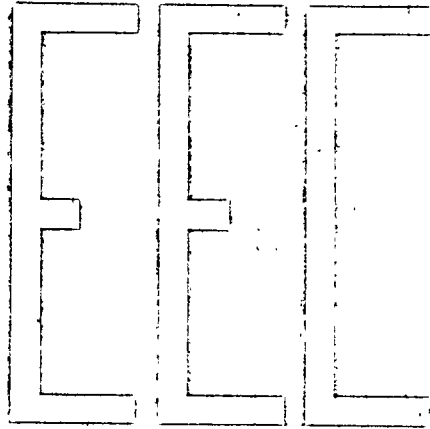
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# **BULLETIN**

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# The European Social Fund : the first phase

by M. Lionello Levi-Sandri

Member of the EEC Commission

It is a little more than two years since the entry into force of Regulation No. 9 on the European Social Fund. The interest aroused at the time by the birth of the new institution was certainly not entirely divorced from the inherent attractiveness of the idea of "a Fund" and the fortunate circumstance that Regulation No. 9 was one of the very first measures implementing the social provisions of the Treaty of Rome; but there is also no doubt that certain essentially political factors helped considerably to attract attention. It should not be forgotten, for example, that the Fund was intended to function as an instrument for redistributing Community income, in the sense that it would set up a steady flow of finance from the higher employment and income areas to those where unemployment and structural underemployment still hamper a fairer distribution of general prosperity. Here was tangible evidence of the feeling of solidarity which informed and still informs the countries of the EEC, and as such it made the Fund a matter of general interest.

Now that the initial phase of the Fund's activity can be considered as complete, an analysis of the practical results so far obtained is useful not only because it confirms the value of this new institution but also because it will provide valuable information with which to adapt the Fund's operations more closely to the requirements of Community policy in the future.

Obviously, accounting and administration cannot be omitted from a review of the Fund's activity. The recent closure of the annual accounts provides a good opportunity to outline the general situation on the basis of concrete and final figures.

At 31 December 1962, applications for contributions submitted to the Fund totalled more than 36.5 million units of account, of which 29 million were for vocational re-training and about 7.5 million for resettlement. The expenditure incurred had been defrayed by either the central Governments, decentralized public authorities, or public corporations. In accordance with Article 18 of Regulation No. 9, the Commission has already compiled a first list of these corporations which will shortly be brought up to date.

These figures cover only five of the six member countries, since Luxembourg has so far made no application for refunds. The figures show that the bulk of the refunds applied for by the five countries concerned have been for expenditure on re-training operations; this is explained not only by the greater number of schemes of this kind financed but also by the fact that per capita expenditure on re-training is generally much greater than on resettlement. Resettlement can be either within one country, or from one country to another within the Community, but the great majority of these schemes concern Italian workers re-employed in the other five countries. No application has been submitted by Italy for resettlement within the country.

Despite the Fund's initial teething troubles, more than 17 million units of account — about 47 % of the total sum applied for — has already been examined and decided on by the Commission.

This examination, which only began in the second half of 1961 — when the first batch of applications had reached the Fund — was carried out by the Commission's staff along scrupulously uniform lines, notwithstanding the wide variety of methods used by the different countries in presenting their applications. First and foremost, this called for a painstaking sifting of the documents sent in and the gradual development of an examination technique affording the fullest assurance that the applications themselves complied with the rules laid down. For this purpose, the examination of the documents was always completed by a sample survey carried out within the government departments to check on the spot that the expenditure qualifying for reimbursement had actually been effected and was justified. As a result a considerable proportion of the application examined — equivalent to 28 % of total expenditure — could not be taken into consideration because examination or checking on the spot had revealed infringements of the rules ranging from ordinary slips and clerical errors to misinterpretations of the Regulation. This was largely due to a lack of experience in this matter in the government departments and to the fact that these had had to draw up the documents post facto, since the schemes had been carried out before any specific Community rules were agreed upon.

In fact the applications examined cover only operations in 1958-59, prior therefore to the entry into force of Regulation No. 9. It should be added, however, that much has already been done to overcome these difficulties, thanks to the standard application forms devised by the Commission and to the gradual adaptation of government departments to their new duties under the Community rules.

Of the total applications examined, the Commission decided in 1962 on the reimbursement of more than twelve million units of account as a contribution to the expenditure incurred in the five countries to provide new productive employment for about 183 000 unemployed workers.

Of the total sum approved about eleven and a half million units of account was for schemes to re-train more than 103 000 workers in the various member countries, and a little more than 800 000 units of account for resettlement schemes for about 80 000 Italian workers re-employed (48 000 in France, 27 000 in Germany and 4 000 in the Benelux countries).

When the percentages for the apportionment of contributions to the Fund's expenditure as fixed by Article 200 of the Treaty are applied to the total figures the debit and credit situations of the individual Member States at the end of 1962 are as follows :

	Credit		Debit
Italy	1 274 839 u.a.	Germany	1 933 464 u.a.
France	691 266 u.a.	Belgium	620 257 u.a.
Netherlands	612 200 u.a.	Luxembourg	24 584 u.a.
	<u>2 578 305 u.a.</u>		<u>2 578 305 u.a.</u>



The balance-sheet of the Fund's activity therefore shows an actual transfer of incomes of over 2.5 million units of account from Germany, Belgium and Luxembourg to Italy, France and the Netherlands. It is interesting to note that about half this figure goes to Italy, where unemployment has been particularly high, especially in the period covered by the refund applications.

Applications now under scrutiny total about 20 million units of account, of which more than 16 million concern re-training and more than 3 million resettlement schemes. A large proportion of these applications will be approved this year. More than 25 million units of account are available for this purpose. In addition a further sum of about 18 million units of account will be placed at the Fund's disposal to cover applications submitted this year.

This, then, in broadest outline, is the situation at the end of the European Social Fund's first period of activity. Effective work has been done, which has confirmed the usefulness of this Community instrument, even if the psychological impact of the results obtained may seem blurred by the fact that the Fund's contributions are made after schemes have been completed, and do not therefore attract the limelight. Be that as it may, these results are all the more praiseworthy since they have been achieved despite the inevitable administrative complications with which the Commission's staff and the government departments have had to cope before finalizing a procedure involving maximum effectiveness and simplicity. Credit for solving these difficulties goes largely to the Committee of the Fund, which has given the Commission valuable aid in all aspects of its activity in this field.

In view of the period covered by the applications scrutinized, it is still too early to say what impact the Fund's work has had on national employment policies. None the less, the experience gained, incomplete though it is, has provided the Commission with a certain amount of useful information and guidance, some of which has already served in drafting an amendment to Regulation No. 9, submitted to the Council last September. The main feature of this draft — on which the European Parliament and the Economic and Social Committee recently gave favourable opinions — is its limited and pragmatic approach.

It constitutes what might be called a "little reform". Pending fuller information, the Commission has deliberately restricted this first provision so that the amendments proposed affect neither the principles nor the structure of the Fund; their only objective is to provide practical solutions to the technical difficulties or the problems of interpretation met with by the Fund's staff or by the government departments when applying certain clauses of Regulation No. 9.

In addition, the results obtained supply other pointers which must be taken into account if the Fund's activity is to be steadily adapted to the changing requirements of social and economic development in the Community. In this connection, it is surprising that no country has submitted applications for contributions to conversion schemes. Though business was booming during the first stage of European integration, it would be rash to assume that no measures have been taken in the member countries for industrial conversion with financial aid from public funds. This being so, the question arises

whether the procedure and contribution arrangements in this matter laid down in Regulation No. 9 were not based on circumstances which no longer obtain, and whether they should not be re-examined in the light of more up-to-date and realistic considerations. Similarly, though it is true that the automatic nature of the Fund's aid is a constant source of encouragement for the individual countries, it is also true that it is not always equal to particular critical and sometimes unexpected situations arising, in certain Community areas, so much so that if the national or local authorities fail to act or lack the means to act, the Fund's efforts, too, may be wasted or inadequate to counter actual or potential imbalances.

There is no doubt that the Social Fund can only be fully effective if Community institutions are given a power of initiative in this field enabling them not only to remedy any imperfections in arrangements as they now stand, but also to channel part of the Fund's contributions towards the more urgent social needs arising in the process of European integration, or else to those schemes which cannot be realized without a broader approach or a bolder design than is possible within the confines of national needs and traditions, or again to schemes whose benefits extend beyond national frontiers.

Already ideas and suggestions along these lines have come from several quarters: some people would like the Fund to be given new tasks and, in particular, they stress its usefulness for tackling problems connected with the common agricultural policy and the regional development policy; others play down its basic task of providing automatic refunds and, in more general terms, would like to see the Fund given the right to carry out certain schemes sponsored at Community level.

Obviously, if the Fund is to develop in this direction, essentially political problems lying outside the administrative sphere would arise. However, the Commission is resolved to neglect no opportunity to further the gradual extension of the Fund's powers. In its *Memorandum on the Action Programme for the Second Stage*, it has made this intention clear. In fact this is already being done — at least in so far as the interpretation of the rules in force allows, as for example with regard to the concept of the underemployed worker, which the Committee of the Fund has been called on to define with a view to the full application of Article 2 of the Regulation. On the basis of the widest possible interpretation of this concept, the Commission hopes to be able effectively to widen the scope of the Regulation, so as to be able to make more use of the Fund's resources to help areas, trades and occupations, or sectors of activity in difficulties.

Regulation No. 9 itself provides an opportunity for extension of this kind: Article 1 lays down that the Council may vest new tasks in the Fund, particularly with a view to the implementation of a common vocational training policy. The application of this provision, for which the Commission intends to submit concrete proposals to the Council during the second stage, would enable the Social Fund's future activity to be fitted into the long-term perspectives of Community policy, and this would solve the conflict arising from the ambitious objectives fixed for the Fund in Article 123 of the Treaty and the limited means of action conferred on it by Article 125.

# I. Debate on the interruption of the negotiations with the United Kingdom

The European Parliament devoted two days of its plenary session from 4 to 8 February 1963, with M. Gaetano Martino presiding, to a political debate which was opened by a statement from M. Hallstein, President of the EEC Commission, on the negotiations for the accession of the United Kingdom to the Community and the causes of their interruption.

At the close of the debate two resolutions were passed <sup>(1)</sup>.

Representatives of the European Atomic Energy Community and of the ECSC, two Ministers, and 21 members of the European Parliament spoke in the debate, which was attended by almost all members. Most speakers approved President Hallstein's statement and deplored the circumstances in which the negotiations had been interrupted. It was their opinion that the decision of the President of the French Republic was based on considerations extraneous to the purpose of the negotiations. Many speakers saw a connection between the interruption of the talks and the signature of the Franco-German treaty. Some doubted whether an agreement on advance consultation, which could distort the operation of Community rules, was to be welcomed.

All speakers, including those of the UNR-UDT group, hoped that European integration would continue despite the crisis of confidence which had arisen amongst the Member States. Many urged that the Community should preserve its open, supranational and democratic character.

The Parliament heard with great interest M. Hallstein's statement in which, after describing the substance and the course of the negotiations, he gave an account of the part the Commission had played. He drew some conclusions from the situation which had arisen after their interruption, and made a general assessment of the problems to be faced in the immediate future.

## a) **Statements by Ministers**

After a brief adjournment, M. Luns, the Minister of Foreign Affairs of the Netherlands and a member of the ministerial conference, took the floor. He outlined the questions still in abeyance when the negotiations were interrupted and said that the problems involved could have been solved. He spoke of the surprising and abrupt manner in which the French Government had unilaterally taken a decision, disregarding the wish of all its partners to bring the negotiations to a successful conclusion. In his view that decision was the outcome of a very special view of France's place in the world.

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<sup>(1)</sup> The texts of President Hallstein's statement and of the parliamentary resolutions were published in Bulletin No. 2/63.

Going into the substance of the problem, the Netherlands Minister described Europe as his country saw it.

“For the Netherlands, Europe is not a continental Europe from which Britain is to be excluded. Britain has been, is, and always will be an integral part of Europe. Membership in the European Communities must not be made conditional on either the United Kingdom or any other free country of Europe turning its back on our partners beyond the seas or cutting historical links and affinities with the United States of America.”

“Nor do we want a Europe entrenched within its own boundaries, whose ultimate economic wisdom would be to reach complete self-sufficiency.”

“Nor, finally, do we want a Europe which, turning away from its friends, seeks adventure in a chimerical independence which in the world of today is as illusory as it is dangerous...”

M. Fayat, who was chairman of the conference at the time of its interruption, also described the stage reached in the conversations. He said that the agreements reached in the negotiations were reached with the assent of all delegations. The field they covered was so wide that no one could plausibly say the talks were likely to fail.

The Minister then spoke of the significance of the refusal of one delegation to continue the talks, and the repercussions of this on the life of the Community. He said that in the continual discussion going on amongst the Member States to bring about a harmonious merging of legitimate national aspirations for the benefit of the whole, there was necessarily a certain element of balance which must not be neglected. Concessions (especially on agriculture and co-operation with Africa) had been made by certain Member States only on the assumption that Great Britain would join the Community. These countries had therefore been frustrated in their hopes. The speaker went on to illustrate the “European” character of Great Britain.

In conclusion, M. Luns said that the very foundations of the Community and the Community spirit itself were at stake. Naturally the Community would proceed on its way despite what had happened. Nevertheless they must not underestimate the severity of the blow dealt to the Community spirit. The work of the Community could only be continued if it was animated by that spirit and if what had been destroyed by the violence done to that spirit was restored.

#### **b) Statements by the representatives of the High Authority of the ECSC and the Euratom Commission**

The views of the ECSC and EAEC, which were likewise affected by the suspension of the negotiations, were put by M. Malvestiti and M. Sassen.

M. Malvestiti, President of the High Authority of the ECSC, said that the High Authority had always considered that the presence of Great Britain in the ECSC would mean a strengthening of Europe. The Association Agreement of 1954 was a demonstration; it had helped to maintain cordial relations with Great Britain pending the latter's application for membership.

With regard to steel the British had agreed on 22 January at Luxembourg to abolish anything in their system that was incompatible with the provisions of the Treaty of Paris. The problem of coal, however, was still under discussion when the negotiations were interrupted.

M. Malvestiti said that the High Authority would continue to be guided by the ECSC Treaty, which in the terms of its preamble, was intended to lay the foundation for a broader and more far-reaching community among peoples long divided by bloody conflicts and for institutions capable of guiding their henceforward common destiny.

M. Sassen, a member of the Euratom Commission, recalled the statement of 30 January in which the Commission regretted that the situation created on 29 January prevented negotiations in the atomic energy field from being continued, and hoped that closer and more comprehensive co-operation would ensue from the fruitful relations which had developed between the Community and the United Kingdom since the beginning of 1959.

M. Sassen said that when the British request for membership was put forward there appeared to be no difficulties in the nuclear sector comparable with those which had arisen in other fields, and that the accession of Great Britain would mean a great increase of the atomic potential of an integrated Europe. He then turned to the three main subjects of negotiations Britain's contribution to the Community's research programme, the problem of the compatibility with the Treaty of previous agreements concluded by the United Kingdom, and the implications arising from the existence of a military nuclear programme in Great Britain.

M. Sassen went on to describe the main characteristics of the Community, one of which was the absolute equality of all members under the Treaty. Therefore, any supremacy or hegemony was incompatible with the concept and the very existence of such a Community. A common political will was needed to maintain and strengthen the structure of Europe. Everything must be done to enable that will to reassert itself, "so that they may continue together to build Europe".

### **c) The views of the political groups**

At the beginning of the general debate the spokesmen of the groups presented their views.

M. Blaisse (Netherlands), speaking on behalf of the Christian-Democrat group said that his report on the common commercial policy would have to be re-considered in the light of recent events and would be discussed at the March session. He said that the breakdown of the negotiations had caused serious disappointment in his group. It was a case of differing concepts of Europe; the Christian-Democrats wanted an economic and political integration attained by collaboration on the basis of the Treaty. They were in favour of a United States of Europe which would be an open community closely linked with the free Atlantic world. They had no desire to see any independent and neutral third force growing up and they were against any kind of hegemony. Democratic values must not be called into question. M. Blaisse said that they had every confidence that the Commission would achieve European unification on a federal

basis, and he hoped that Great Britain would one day be warmly welcomed as had been urged in the six resolutions on the subject adopted by the European Parliament since 1961.

Consequently, he was in full agreement with the views expressed by the President of the European Commission concerning the Community's relations with the United Kingdom. He had also noted that the President was ready to have Great Britain in Europe as soon as possible, as a full member and on the basis of what they had in common.

"Let us hope", he ended, "that the Community will take the reins firmly in its hands again and get things moving in the right direction".

The views of the Socialist group were expressed by M. Birkelbach (Germany). He regretted both the unilateral manner and the time chosen for breaking off the negotiations with a country whose entry into the Community would have opened broad new prospects for the latter. The Socialists could not allow the Community to deteriorate into a technical organization to do the bidding of the governments — a kind of quartermaster's store for a military third force. The Community must be sovereign and must prevent one or more of its members from gaining preponderance.

The socialist spokesman hoped that the gap separating the Europe of the Six from the United Kingdom would not be widened. An opportunity for resuming contact with that country, could, for example, be provided by a joint study of the problems raised by the Trade Expansion Act.

M. Birkelbach said that they wished to watch over the existence of the Community and to make sure that it continued to function and that the Treaty itself — its rules and the courses it laid down — was respected. They were resolved to uphold the principle of an open Community embraced by Atlantic solidarity. They knew what the Community meant to the eastern bloc, where it was referred to as an economic and political reality. They did not want the Europe they were slowly building day by day to become an instrument of power politics.

Speaking for the Liberal group, M. Maurice Faure (France) said that he, too, felt that the method employed to break off the negotiations was contrary to the European spirit. He believed it to be wrong to cut off Great Britain by a kind of outright veto for political reasons. The economic anxieties raised by British membership would remain almost unchanged if Britain accepted the Treaty as it stood. All this would not have happened if political integration of Europe had been achieved earlier. The signatories of the Franco-German treaty thought that it offered the Europeans a pattern for political union. In fact it was precisely the blind alley which the promoters of the Common Market had sought to escape from. The Common Market was essential if a European political authority was to be created, and the speaker hoped for a political rather than an economic re-invigoration of Europe. The old difficulties would crop up again if the only step in this direction was a treaty of economic association with Britain.

He hoped for a Europe with the highest possible degree of autonomy, but he also believed that if international tension was to be reduced and discussions with Moscow rendered possible, the free world needed to show a united attitude and solidarity in its relations with the rest of the world. No axis, either inside or

outside, should be allowed to compromise everything, most likely to very little profit. It was perhaps by remaining true to this idea that they could now best reap the fruits of the past.

The spokesman for the French UNR-UDT members, M. de la Malène, recalled that he had already spoken in this House against the unduly liberal and free-trade policy which some wished to impose on the Community. Whilst Britain's candidature for membership in the Common Market had not been refused outright, he felt it had been clear since last August that on essential points Great Britain had neither politically nor intellectually made the profound change which was necessary for participation. M. de la Malène said that it was impossible to belong to two or three economic systems at the same time and pointed out that France had not protested when a year ago the Benelux countries refused to follow their partners along the road of political union. He said it would be a pity to sacrifice an economic community to gain a new partner who would not or could not share their concept of Europe.

Four other representatives of the UNR-UDT (M. Terrenoire, M. Briot, M. Comte-Offenbach and M. de Lipkowski) also contended that the interruption of the conference was not due to a "diktat" but to a recognition of facts. They felt it would be wrong to judge the substance of the French decision in the same way as the form. According to these speakers there were unconditional supporters of Great Britain who made British membership a political condition for the further pursuit of European union. The UNR delegates defended the Franco-German treaty as a corner stone for European union; they also spoke in favour of Europe as a third force. From some of the reactions of their colleagues when the position of Europe in the world was discussed, they felt they could discern the beginnings of a European patriotism.

These views, some of which were shared by M. Ferretti (Liberal, Italy) were not on the whole accepted by the other members of the House. The 14th of January, the date of General de Gaulle's press conference, was described as a black day for Europe. The decision of France was an undeserved humiliation of Great Britain. Why had France waited so long to announce it? Why was the decision taken when the negotiations were on the point of succeeding? Was the Community to be governed in future by press conferences? These were questions put by M. Biesheuvel (Christian-Democrat, Netherlands), M. Carcassonne (Socialist, France), de Kinder (Socialist, Belgium), Kapteyn (Socialist, Netherlands) and Nederhorst (Socialist, Netherlands). Most members felt that the reasons for the interruption were unrelated to the negotiations. M. Pleven (Liberal, France) said that the crisis had come when the Community was about to become a political factor of the first order. The President of the French Republic had used the question of British membership in the Common Market to raise the question of the Community's foreign policy in general. He laid down, as it were, a prior condition for the geographical extension of the Community. The drama of the situation was that there was no forum in which the Governments of the Six could discuss this problem. The negotiations could not be taken up again until the responsible statesmen held a western summit meeting.

M. Duveusart (Christian-Democrat, Belgium) felt that the French analysis of the Bahamas Conference was behind their decision. He believed that at Nassau Mr. Macmillan had sought to preserve his nuclear independence by treating

unilaterally with the United States. , In such an important matter the United Kingdom, he felt, should have put its future European partners in the picture.

The former Belgian Prime Minister said that major international decisions were always taken in disregard of rules of co-operation (EDC, Suez, Cuba, Bahamas); he felt that something should be done to prevent the affairs of Europe from being settled by another Yalta. Whilst he agreed with many other speakers that there should be no hegemony in Europe, we also had the right to demand that no hegemony should be exercised over Europe.

Without going into any detailed consideration of the designs attributed to General de Gaulle, many other members of the House were hostile to the notion of a more or less insular continental Europe, called upon one day to play the part of a third force in world politics under the leadership of one or two countries. All this, it was frequently said, was incompatible with the characteristics of a supranational, democratic and open Community stressed in particular by M. Luecker (Christian-Democrat, Germany) and M. Biesheuvel.

The Franco-German treaty was mentioned by most speakers. Except for some, including M. Furler (Christian-Democrat, Germany) they generally saw a causal relationship between the interruption of the negotiations and the new agreement between two of the leading Member States of the Europe of the Six.

Nobody doubted the beneficial nature of Franco-German reconciliation (which, it was recalled, had been the main concern of the sponsors of the ECSC). But to some this new agreement seemed either pointless (M. de Kinder) or harmful in that it threatened to change the Community character of the Europe of the Six or might mean the break-up of NATO and the permanent rejection of Great Britain (M. Kapteyn).

M. Dehousse (Socialist, Belgium) wondered whether this treaty was not unlawful. It was disputed whether this form of Franco-German collaboration was conducive to the political union of the Six. Several speakers following M. Faure noted with regret that at any rate not one of the steps taken by the Parliament with a view to political union had met with any success.

Speakers hoped that despite the crisis of confidence which had arisen amongst the Member States European integration would continue and that any idea of obstructing the Community's work by way of reprisals against France would be dropped. M. Margulies (Liberal, Germany) and M. Dehousse were particularly insistent that the associated countries of Africa and Madagascar should not be the victims of a European quarrel, and that the new convention linking these countries with the Community be signed without further delay.

M. Turani (Christian-Democrat, Italy) pointed out that in five years the Community had achieved great economic success and had set up an autonomous structure of its constituent States. The present crisis (which was reminiscent of that over the European Defence Community) could be the starting point for a new drive in Europe. Many members of the House felt that this could with confidence be left to the Commission, pending more favourable circumstances for the extension of the European Community through the inclusion of new members, especially the United Kingdom.

At the close of the debate on M. Hallstein's statement, the European Parliament considered three draft resolutions.



The first, presented by M. Pleven on behalf of the three political groups of the Parliament, requested the Commission to report to the Parliament within three weeks on the state the negotiations had reached on 29 January 1963. This proposal was adopted, the UNR-UDT delegates abstaining. Their spokesman, M. de la Malène, said that the proposal appeared to ignore the terms of the problem and that such a report would only multiply by ten the statement presented the previous day by M. Hallstein.

The second draft resolution was put forward by members of the three groups. It had reference to the interruption of the negotiations and was adopted paragraph by paragraph, — the UNR-UDT delegates again abstaining, mainly because they objected to the definition of a United States of Europe as a supranational Community. The debate closed with the adoption of a socialist amendment to the resolution, calling for regular exchanges of views within the conference, so as to facilitate the accession of other States.

The Parliament finally rejected, on a tie of 38 votes to 38 a third draft resolution, standing in the name of the Socialist group and also endorsed by two Netherlands members of other groups. It contained a solemn protest against the method chosen to cause the breakdown just as the course of the negotiations gave rise to the hope that a successful conclusion could be reached. The resolution also expressed the Parliament's conviction that the negotiations had been broken off for reasons which were largely extraneous to the matters under discussion. It ended as follows: "The European Parliament ... rejects as incompatible with the security of Europe any attempt, bilateral or other, which has as its purpose or effect the weakening of the Community machinery and thereby the hegemony of one State or a group of States."