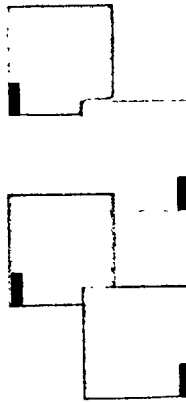


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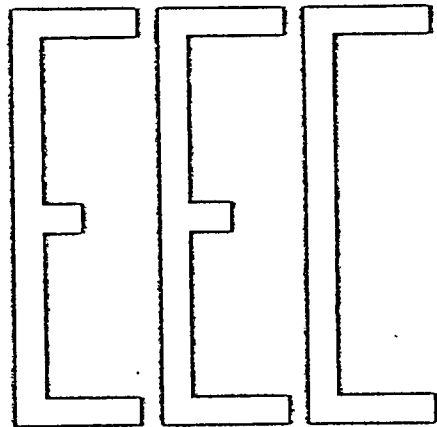
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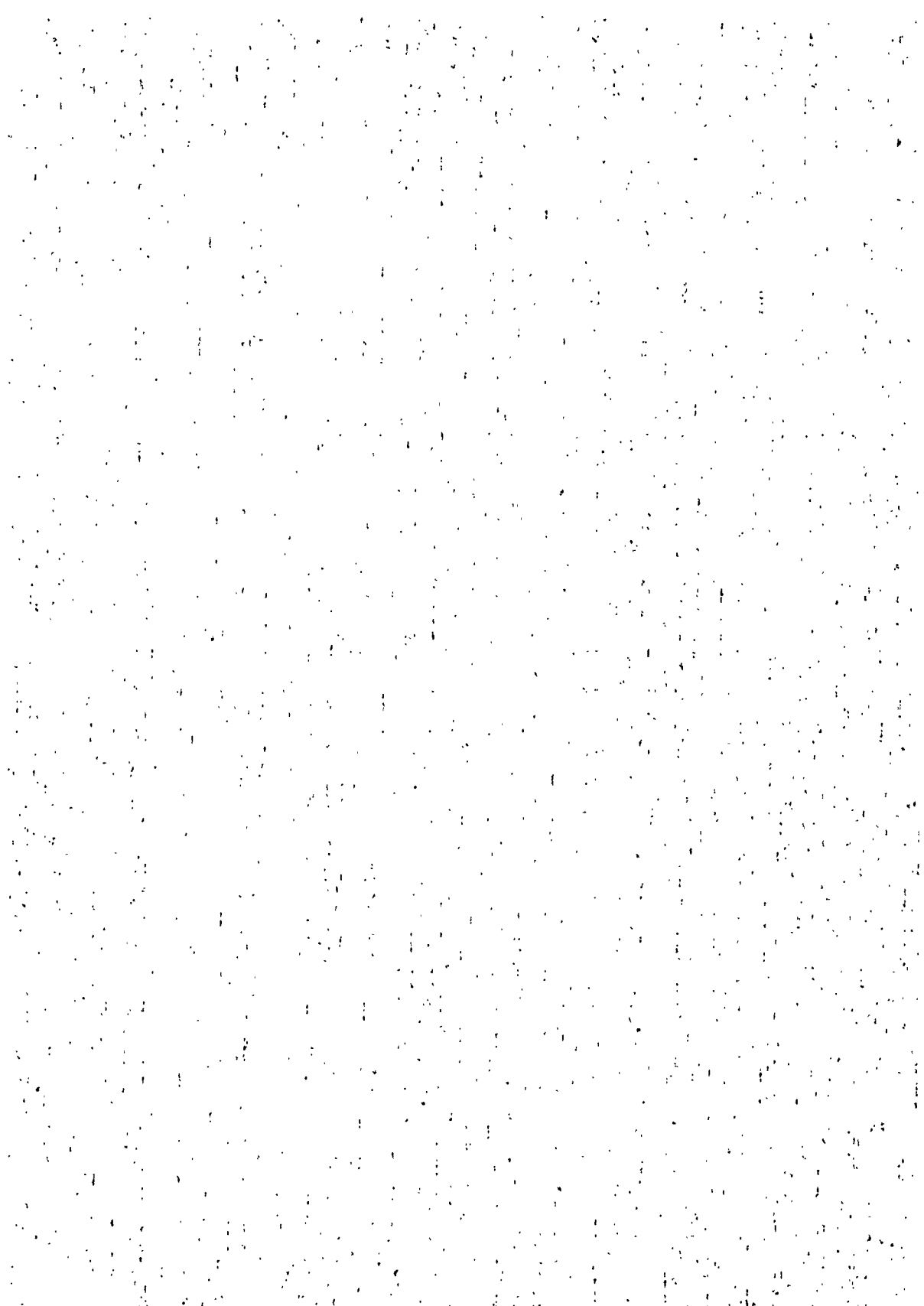
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of the European Economic Community

EXECUTIVE SECRETARIAT OF THE COMMISSION
OF THE EUROPEAN ECONOMIC COMMUNITY



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Supplement

Proposal for a Council directive on the standardization of procedures for issuing licences for road haulage between Member States

Proposal for a Council decision on the organization of a survey on infrastructure costs in rail, road and inland waterway transport

Proposal for a Council decision on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport

Proposal for a Council regulation establishing a rate bracket system for goods transport by rail, road and inland waterway

Proposal for a Council regulation on the institution and operation of a Community quota for the transport of goods by road within the Community

Introduction to the Sixth General Report on the Activities of the Community

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

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

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

2. We may briefly recall the important successes of the Community before January 1963. They are perhaps too easily forgotten today. For example, on 1 July 1962 customs disarmament within the Community was once again speeded up. Customs duties on industrial products as between member countries were reduced to 50 % of their level in 1957, the reference year.

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

Anti-trust legislation has been brought into force. Firms are confronted with a novel and somewhat revolutionary development; they must henceforth

comply with directly enforceable European regulations and they come under the jurisdiction of the competent European authorities (Commission and Court of Justice) who are empowered to apply or interpret the regulations. After a certain hesitant trend, the number of notifications the Commission received by the time-limits set in the regulations on cartels and monopolies confirmed that the new arrangements were understood and accepted.

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

Lastly the initialling at the end of 1962 of the new association convention with the African States and Madagascar demonstrated that the Community not only confirmed the intentions of the sponsors of the Treaty but was willing to go even further in its commitments with its partners in Africa and Madagascar by strengthening its economic relations with them and by stepping up and diversifying its aid to them so as to facilitate the adaptation of their production to world economic conditions. The new convention should also enable the Community to participate with greater authority in efforts to organize commodity markets, which are so important to development. In this way, the Community will be able to pursue its action to help the associated States without on that account neglecting its responsibilities to the other developing countries of Africa, Latin America and Asia.

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

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

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

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

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

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

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

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

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

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

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

Speaking on behalf of the Commission, the President therefore told the European Parliament on 27 March 1963 that "a definitive judgement on the treaty from the standpoint of Community interest can hardly be reached without finding how the treaty is applied in practice [...] the position of the Community may therefore be summed up in the form of an urgent request to the legislative bodies responsible for ratification and to the governments

concerned to state as clearly and bindingly as possible when parliamentary ratification is given to the treaty that the treaty shall not be interpreted or implemented in such a way as to detract from the existence, functioning and momentum of our Community."

This appeal did not go unheeded.

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

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

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

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

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

The Commission has fixed a date for its proposals on the organization of the sugar market.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may look even further ahead. If the Community held together during the January crisis, the reason is, as we have seen, that it is the expression of a new constitutional order. The way it stood the strain and the way its

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

I. Implementation of the common transport policy

Proposals put by the Commission to the Council

In submitting to the Council a body of proposals for concrete measures, the Commission has taken an important step forward on the road towards a common transport policy. These measures constitute the basis for the common policy in this field which the Commission has been preparing in the last few years ⁽¹⁾.

The work done as a result of the "Memorandum showing the lines on which the common transport policy should be based", and the reception given to that memorandum and to the programme for action in this field have enabled the Commission to collect the necessary data to work out these proposals in the light of all the facts.

The proposals are intended to establish a transport market which will eventually cover the whole Community, integrating it closely and creating a market organization that will allow the transport capacity of the Community to be used efficiently; there would at the same time be gradual elimination of those disparities which, in competition between enterprises and between types of transport, stand in the way of the two objectives lying at the root of the common transport policy: integration and organization.

Of the five proposals submitted, the three most important are:

- i) To establish a rate bracket system applicable to the three types of inland transport;
- ii) To introduce a Community quota for road haulage between Member States;
- iii) To harmonize certain provisions affecting competition in the transport sector.

Transport rates and conditions: rate brackets

Transport rates and conditions are governed in the various Member States by systems which differ considerably from country to country and from one type of transport to another. Since transport must — so far as is possible in the light of the "special aspects" referred to in the Treaty — benefit from the advantages of a system based on competition, the Commission has proposed that there should be a system of rate brackets applicable to domestic and international transport by rail, road and inland waterway. This system would lay down the upper and lower limits of rates and so prevent both unfair exploitation of a dominant position and cut-throat competition, yet it leaves carriers a considerable margin of freedom in fixing their rates.

Since the level of rates and the width of brackets are related to transport costs, the Commission proposes that common rules be drawn up to determine these costs.

(1) See Bulletins Nos. 7/8-61 and 7-62.

Users will have at their disposal a range of bracket rates reflecting the type of transport used or service required. These rates must have the approval of the authorities in the Member States, which will be given after the users have been consulted.

To make the system sufficiently flexible to enable the transport services to adapt themselves to the economic situation, the Commission's proposals include the possibility of individual contracts (under the supervision of the appropriate authorities) at rates outside the brackets; the Member States can also, in the general interest and under certain conditions, take special measures in the tariff field.

The rate brackets will be officially published in advance, while the salient features of individual contracts must be made public after the event.

Under these proposals all transport in the Community with the exception of short-distance transport, small consignments and transport on own account will be subject to rate brackets from 1 January 1965.

Adaptation of transport capacity to requirements : the Community quota

The problems caused by quota restrictions in road haulage between Member States require urgent solution, since to allow the present conditions in this field to continue might impede trade between Member States.

Under the Commission's proposals the change-over from the present bilateral arrangements governing the greater part of international relations in this sensitive field will be made by progressively reducing bilateral quotas and at the same time introducing a Community quota. From January 1970 all road haulage between Member States will be done exclusively under licences issued within the Community quota.

The Commission's proposals also provide for the liberalization of transport on own account.

The Commission's formula includes the establishment of a Special Committee in which Commission and Member States will collaborate closely in determining and allocating the overall quota. On the basis of transport forecasts and statistical data it will be possible to adjust the Community quota to the economic situation and to give the system the required degree of flexibility.

Harmonization of competition in transport

The principle of equal treatment, which has the unanimous approval of carriers, of users and of the Community's Institutions and organs, entails the elimination of major disparities in the conditions under which types of transport and individual firms compete with each other.

The Commission's proposals are intended to harmonize provisions affecting competition in this sector. They are meant to ensure that jobs will be allocated to the most suitable and most efficient undertaking.

The measures suggested by the Commission deal with the system of taxes. They are intended to do away with double taxation on motor vehicles used in international transport and their main feature is that by recasting transport taxes proper they will force the various users to pay their due share of infrastructure costs. It is also intended to make all transport services subject to the general turnover tax system.

Harmonization is also proposed for insurance and for certain forms of intervention by the State, especially those connected with the public service character of transport. The Commission further proposes to standardize railway accounting and to harmonize the rules governing the financial relations between States and railways. In the social field, it is proposed that working conditions peculiar to transport, such as the composition of teams, hours of work and rest, and overtime arrangements be harmonized upwards.

Other proposals

The Commission felt that it must put forward concrete proposals on the issue of licences for road haulage. It has also asked that an inquiry be organized into the cost of transport infrastructure (1).

These various proposals were put before the Council on 20 May 1963. At its session of 14 June the Council will forward them to the European Parliament and to the Economic and Social Committee for their views. Both these bodies have already shown their interest in all matters relating to transport when the Memorandum and the Action Programme were made known to them. The Commission hopes that the Council, despite the number of problems before it, will be able to decide on these proposals before the end of this year.

(1) The Commission's proposals to the Council in this field are published *in extenso* in the supplement to this Bulletin.

II. Association with Greece

On 5 April the EEC-Greece Council of Association held its second session with Ambassador Tranos, Permanent Representative of Greece with the Community, in the chair, and adopted decisions and recommendations drawn up by the Association Committee.

The first of these decisions, based on Article 71 of the Athens Agreement, is to set up a Parliamentary Association Committee composed of 14 members of the Greek Parliament and 14 members of the European Parliament. Article 2 of the decision states that "each year the Council of Association shall submit a report on its activities to the Parliamentary Association Committee to help the latter in its work". This decision therefore completes the institutional framework of the Association.

A second decision adopted by the Association Council under Article 70 of the Agreement authorized Greece, by way of exception and on account of weather conditions, to suspend until 15 April 1963 the duties in its customs tariff on potatoes under heading 07.01 A.

The Council also addressed two recommendations to Greece requesting that country to apply to third countries the export arrangements accorded them by the Community for certain categories of raw hides and skins and for wood. These recommendations were necessary because, under Protocol 6, the Community States had extended to Greece the measures for the removal of customs duties and quantitative export restrictions which they apply between themselves under Articles 16 and 34 of the Rome Treaty.

III. Activities of the Community

EXTERNAL RELATIONS

Austria's application for association

1. In the second half of March the Austrian Government informed the Member States and the Commission of its desire to open negotiations to associate Austria with the Community. The Council is at present studying the matter.

The Community and GATT

Preparations for the GATT ministerial meeting

2. Various subsidiary bodies of the Contracting Parties met in March and April to prepare for the ministerial meeting of GATT (16 to 21 May). The Community took part in all these meetings.

★ The Working Party on Procedures for Tariff Reduction held its third meeting from 22 to 27 April and drew up its report for the ministerial meeting.

At this meeting the Commission's representative dealt in some detail with the problem of tariff disparity in connection with the working out and application of an automatic arrangement for reducing tariffs. He pointed out that one of the possible solutions to this problem would be an arrangement which, whilst reducing tariffs, would help to bring them more into line with one another and so help to create comparable conditions for all exporters.

An arrangement for reducing tariffs and narrowing the disparities between them was included in the Working Party's report and submitted to the Ministers, together with the general formula for a uniform linear reduction. In the first part of its report the Working Party outlined a number of general principles for future negotiations, principles on which it was unanimously agreed.

The second part of the report deals with the practical application of these principles, but it is clear that here the members of the Working Party still do not see eye to eye. The Ministers will have to take all these factors into consideration when taking their decisions.

★ Committee III met in March. It had been instructed to give effect to the conclusions of the ministerial meeting of November 1961 concerning the trade of the developing countries and to draw up a specific action programme for abolishing obstacles to their exports. The Committee found that some advance had been made in this direction in 1962. However, the Governments of the developing countries felt that the progress made was inadequate in November 1962 and submitted an action programme setting deadlines for the gradual removal of obstacles to their exports.