

EUROPEAN ECONOMIC COMMUNITY

COMMISSION

**THE GENERAL SITUATION
OF THE COMMUNITY IN 1965-66**

Introduction and Chapter I of the Ninth General Report

(covering the period of 1 April 1965 – 31 March 1966)

INTRODUCTION

I. In its Eighth General Report, the Commission sketched out the main lines of activity which the Community (and particularly the future single Executive) might follow during the last stage of the transition period: rapid achievement of free circulation of industrial and agricultural products; elimination of other obstacles to trade so as to establish in the Community the conditions of an internal market; concentration on the economic union, of which the medium-term economic programmes should plot the framework and trace the main lines of advance. Finally, in conjunction with the decisions on financing the common agricultural policy, the Commission proposed recasting the Community's financial structure, providing it with independent revenues and organizing parliamentary control of their use.

The Community's "crisis" made such an impact on public opinion that many citizens of our countries may have got the impression that nothing else happened during the past year. However, despite the seriousness of the crisis and its duration, real progress was made with the programme which the Commission had presented and by which it still stands.

II. The decisions reached by the Council during the night of 10 to 11 May last represent a considerable advance for the Community. As the Commission had requested in its "Initiative 1964", a definite date (1 July 1968) was agreed for the completion of customs union for industrial products and an exact time-table laid down for the simultaneous introduction of the free circulation of practically all farm products. The Commission had suggested an earlier date than July 1968. Although the Council finally chose a rather later date, customs union will in any case be complete a year and a half in advance of the date laid down in the Rome Treaty. Furthermore, it was of decisive importance to business circles in the Community that a firm date be fixed for the completion of customs union. All uncertainty has been dispelled: European industrialists, farmers and traders can from now on make their plans for production and marketing and organize their sales networks for a market of 180 million inhabitants.

Another main feature of the decisions of 11 May is the agreement on the financing of the common agricultural policy up to the end of the transition period. This rounds off and amplifies the solidarity which the first financial regulation had instituted in the marketing of farm products and the improvement of agricultural structures. The solidarity thus established at Community level will be as close as that which existed in each of our countries between agriculture and the other economic sectors.

Finally, certain precise objectives have been fixed, particularly in the commercial, social and fiscal fields to ensure the smooth progress of the Community. In particular, the Commission will submit before the end of 1966 a proposal for completely free movement of workers in the Community by 1 July 1968.

It remains to fill out these decisions. The Commission has good reason to hope that the Council will be able in the near future to decide on the common level of the chief agricultural prices, on the market systems at present under discussion and also on further terms of reference for the Kennedy round negotiations. The will exists on all sides to deal with these matters expeditiously. They are moreover interrelated.

III. Although the discussions on agricultural financing and the introduction of customs union have long held the front of the European stage they should not make us oblivious of the advances accomplished by the Community in other spheres during the period under review. Progress towards economic union: the draft of a first medium-term economic policy programme for the period 1966-1970 has been submitted to the Council. In one year of sustained effort the Medium-term Economic Policy Committee has established joint methods of work and proposed the first guide lines and priorities for the Community's economic and social policy; these have been accepted by the Commission, which in some cases has amplified them. During the coming months this programme will be fully debated in the Parliament and the Economic and Social Committee, after which a decision will be taken on it in the Council.

IV. There has also been progress in each separate sector of Community activity. In June 1965 the Council reached agreement on the principles of a common transport policy. A Commission proposal to widen the scope

of the European Social Fund is under discussion, and specific Community action is planned to redeploy and retrain labour—the Sicilian sulphur miners—directly affected by the establishment of the common market. All the basic instruments for harmonization of turnover tax systems are now ready for a rapid Council decision and the Commission has made known its position regarding company mergers and the formation of European companies. This list is by no means exhaustive.

Advances in the Community's external relations have gone hand in hand with this internal progress. Although the crisis embarrassed the Geneva trade negotiations (Kennedy round) for several months, the Community is now in a position to play an active part in them and there is every reason to think that its determination to contribute to their success will not falter. The negotiations with Nigeria, and also an initial phase of those with Austria, have been concluded. Finally, the Council has decided to resume study of all the Commission's proposals on commercial policy.

V. If we look back on all that has been accomplished since the beginning of the second stage of the Treaty and compare it with what the Commission proposed in its "Action Programme for the second stage", the advances are sometimes impressive, although the Community was twice shaken during these four years by serious difficulties. The common agricultural system has been almost completely built up and the principles of transport policy have been decided. Intra-Community customs disarmament has advanced at the same accelerated pace as during the first stage and intra-Community trade has grown by 300% in relation to 1958. In the particularly delicate matter of measures with effect equivalent to customs duties or quantitative restrictions, most of the cases have now been examined and in many instances settled.

The drawing up of the first European development programme marks a new advance in the co-ordination of Member States' economic policies, a co-ordination whose most striking manifestation was the joint action taken in 1964 against the wave of inflation which was threatening the Community.

The Community's policy on competition has been set out in detail and the machinery for implementing it put to work, particularly as regards

State aids and fiscal discrimination. The entry into force of the basic regulations on cartels and monopolies coincides with the beginning of the second stage. Successive Commission decisions on representative cases have made clear how the Commission will use the powers vested in it.

There have also been successes in the social field: adoption of the second regulation on the free movement of workers; common principles for vocational training; improvement of the system governing the social security of migrant workers; recommendations for harmonizing regulations on social benefits and proposals to the Council on industrial safety and hygiene.

VI. The association of the African and Malagasy States with the Community has been reinforced and developed and, thanks to the experience acquired during the first years of the Treaty and special efforts by those concerned, the execution of the Yaoundé Convention is proceeding smoothly and without delay, particularly as regards the European Development Fund.

Two European States—Greece and Turkey—have become associates of the Community, while Austria asked to continue negotiations for association in accordance with the application it submitted at the time of the talks for United Kingdom accession. Negotiations have been entered into with Morocco and Tunisia and exploratory talks begun with Algeria and Spain. Trade agreements have been concluded with Israel, Iran and Lebanon. There have been lengthy discussions with the Missions of Latin American countries. Finally, following President Kennedy's initiative, the trade negotiations in GATT, of which the Community is one of the chief partners, have become a major concern of the Institutions.

VII. True, there are darker sides to this picture. Progress with commercial policy is still disappointing, particularly in relation to the strict time-table laid down by the Treaty. The harmonization of customs legislation has not kept up with customs disarmament and now that the final time-limits have been set the Governments will have to display the political will to reach a solution. Progress in eliminating other obstacles to trade due to differences in regulations has been very meagre. As to freedom of establishment and freedom to supply services, the rate of

advance is now satisfactory, although it has not been possible to keep to the time-limits laid down in the 1961 General Programme. There does not yet exist in the real sense a Community capital market. Much patience and tenacity were needed for the Council and the Commission to overcome fundamental opposition to an agreement on transport policies. Finally, in the social field the Commission would have liked to see less reserve and more will to collaborate on the part of all Member States in promoting progress comparable to that in other sectors.

VIII. Despite these shortcomings, the Community, as it enters the third stage, is solidly anchored in the economic life of the six countries. The interdependence of economic sectors seems even to offer an assurance of progress in fields where it has so far been less marked.

Does what is true on the economic plane also apply at political and institutional level? Everyone knows—and recent months have abundantly demonstrated it—that there are still wide divergences between Member States in this field.

The Commission would have liked the completion of customs union to be accompanied by the creation of independent Community revenue and by some institutional progress, even if only limited. This was one aspect of its proposals of 31 March 1965, and it was in connection with institutional questions especially that the crisis of 30 June 1965 broke out.

The institutions continued to function throughout the duration of the crisis. Not only did the Parliament, the Commission, the Court and the Economic and Social Committee continue their work regularly and in conformity with the Treaty, but the Council itself met several times and took decisions on the most urgent matters.

IX. On 9 March 1966 a Commission representative addressed the European Parliament on the conclusions of the extraordinary session of the Council at Luxembourg. The Commission considered that these conclusions did not call into question the Treaty or the regulations made thereunder. It therefore welcomed a solution which, as the decisions of 11 May showed, made possible the resumption of work in common and a further strengthening of Community solidarity.

The Council's seven points concerning its relations with the Commission will have to be discussed between the Council and the Commission in order to reach the common agreement provided for in the Treaty. The Commission will thus be able to set out its own ideas or desiderata in this matter.

As to the point concerning decisions by majority, the Commission cannot but approve the intention expressed by all the members of the Council that they will endeavour to attain unanimity when very important interests are at stake. The Commission has always been concerned to do this and its power to intervene is in itself an assurance that the interests of each Member State receive due consideration.

The Luxembourg resolutions note the disagreement of the Member States as to the possibility of concluding deliberations on such questions by a majority vote. The Ministers considered that this disagreement should not prevent the pursuit of Community activity. The Commission, while holding that the Treaty must be executed, shares this view.

The only possible course for the Commission is therefore to continue to press for the full execution of the Treaty, to draw all the conclusions inherent in it, to assume all the responsibilities it confers and to watch over the proper functioning of the institutional system. At the last Council sessions the Commission was able to play its part as in the past. The fact that these meetings ended in agreement is one further proof of the effectiveness of the Community system.

X. In essentials the Council decision of 11 May 1966 and those expected in the near future are the consummation of a whole period of Community activity: the period in which trade—both intra-Community and external—and agriculture held the centre of the stage. True, day-to-day administration in these fields will continue to be a heavy burden, and many further measures will have to be taken before the Community becomes a single economic area. Nevertheless, the road is sufficiently well marked out for the creative effort of the institutions to be directed elsewhere: to the determination of the Community's economic and social policy objectives and methods to attain them. We must know how we wish to live in this new economic area and what future we desire. It is not only a matter

of working out "European" solutions to our economic problems. We must find a satisfactory answer to the problems posed by the rapid evolution of the society in which we are living and by the greater responsibilities which the Community will assume towards the rest of the world.

As the initial results have shown, it is possible, under the medium-term economic programme, to harmonize and combine the steps taken in competition policy, social policy, economic and financial policy, agricultural policy and transport policy.

In this first programme the Commission placed the stress both on a danger—the rise in production costs and the risk of inflation it involves—and on certain courses of action: increase in public investment, expansion of vocational training, more intensive regional policy action co-ordinated at European level. In the year ahead other questions, such as scientific and technical research and co-ordinated action to help branches of industry in difficulties, will be studied. By pooling the experience which the High Authority, Euratom and the Commission itself have gained in these fields, the merger of the Executives will help to give these studies the necessary broad scope.

XI. This tightening up of the Community's economic structure is all the more necessary since in the near future it will have to face a twofold transformation. Internally, the removal of customs barriers in 1968 and the other obstacles at the frontiers in the following years will create increased competition in industry and services and also in agriculture, even if this is cushioned by the guarantees of the common market systems. Externally, the success of the Geneva negotiations, which is the Commission's primary aim in the commercial field, will lead to an appreciable lowering of the common customs tariff by an agreed graduation. The Community will be more exposed to international competition and it will also have better access to the world market. Dynamic economic and dynamic commercial policies therefore go hand in hand.

XII. The Commission has noted the recent declaration of the British Government, reiterating its interest in joining the Community and announcing its intention of holding unofficial talks with the six Governments on this matter.

The Commission does not intend to prejudge the results of these contacts nor the conclusions which the British Government will draw from them. It has always favoured the participation in the Community of the other democratic States of western Europe, in particular Great Britain. At the same time it must recall the position it took up in 1962 on the terms upon which these States must join. In the introduction to the Fifth General Report, it expressed itself as follows: "With the exception of the changes which the entry of new members in any case makes necessary, the measures of adaptation to be taken must be defined within the framework of the Treaty itself and the regulations made thereunder and be based on Community procedures. The execution of these measures must be ensured by the institutions of the enlarged Community exercising the powers of supervision and decision conferred on them by the Treaty". This view is still held by the Commission: Community regulations which are now tried and tested must not be called into question or the authority of the institutions impaired.

XIII. In spite of the difficulties experienced in the course of the year, the Commission takes a confident view of the future of the Community. It does not close its eyes to the extent of disagreement between Member States on the institutional content of the Treaty and on the Community's future prospects. However, too many factors militate in favour of the completion of the Community for any doubt to be possible. It is not in the interest of any European State to impair the strongest factor for cohesion existing in western Europe. To maintain the Community is an advantage for the whole of the free world and, more decisive still, the wholehearted support which all sectors of economic life—trade unions, professional groupings, agricultural federations and large sectors of the population gave the Community and its institutions in the difficult periods it has just gone through constitutes the most solid basis for European action.

CHAPTER I

THE GENERAL SITUATION OF THE COMMUNITY (July 1965 to February 1966)

1. It seems appropriate to devote a special chapter to all the events during the period covered by the present General Report that were connected with the "crisis" in the Community which began on 30 June 1965.

THE COMMISSION'S PROPOSALS

2. On 31 March 1965, the date appointed by the Council resolution of 15 December 1964, the Commission laid before the Council its proposals concerning the financing of the common agricultural policy, independent revenue for the Community, and wider powers for the European Parliament. These proposals dealt, in particular, with the way in which the common agricultural policy should be financed between 1 July 1965 and the end of the transition period. A summary of their content was given in the Eighth General Report. Regulation No. 25 stipulated that these arrangements should be decided upon before 1 July 1965.

In drawing up its proposals, the Commission had had to take into account the decisions already made by the Council, the position the Commission had already adopted with regard to the completion of the common agricultural market and customs union by 1 July 1967, and the interests considered essential by the various Member States. It had sought a comprehensive and balanced solution which would give new impetus to the development of the Community.

3. On 15 December 1964 the Council had instructed the Commission to submit proposals on the financing of the common agricultural policy

before 1 April 1965, to enter into force on 1 July 1965. At the same time the Council had asked the Commission to submit proposals on the conditions for implementing Article 2 of Regulation No. 25, which concerned the transfer to the Community budget of levies on agricultural imports.

On 15 December 1964 the Council had also fixed 1 July 1967 as the date on which the decision concerning the common level of cereal prices would come into effect. In order to ensure harmonious development of the agricultural policy, the Council agreed at the same time that the Community's financial responsibility should shortly be extended to other sectors (fruit and vegetables, tobacco). On 25-26 January 1965 the Council (meeting with the Ministers of Agriculture) agreed to move towards an overall balance resting upon single prices and free movement for all agricultural products from 1 July 1967. The same date had already been proposed by the Commission, in its "Initiative 1964", for the completion of customs union.

The Commission therefore based its proposals on these instructions and considerations. As the Council had suggested, it proposed at the same time that the Community should possess independent revenue from that date. The arrangements put forward by the Commission concerned both customs duties and levies, as was suggested in Article 2 of Regulation No. 25.

The Commission considered that such a large budget arising from independent Community revenues raised the question of parliamentary control over the use of these funds, and therefore felt impelled to propose that the budgetary powers of the European Parliament be strengthened. It also felt obliged to take into consideration the similar views expressed by several members of the Council. The Commission was aware that any decision taken by the Council with regard to independent revenue must be approved by the Member States in accordance with their respective constitutional rules (Art. 201), which meant that in several Member States the consent of Parliament would be required. Lastly, the Council itself had on 23 December 1963 said that it attached great importance to strengthening the budgetary powers of the European Parliament.

Such were, in brief, the main reasons behind the Commission's proposals.

*OPINIONS OF THE EUROPEAN PARLIAMENT AND OF THE ECONOMIC
AND SOCIAL COMMITTEE*

4. At its session of 12-13 April 1965, the Council decided in accordance with the Treaty to refer the Commission's proposals to the European Parliament. It also decided to consult the Economic and Social Committee on the economic and technical aspects of the proposals.

The Parliament debated the Commission's proposals on 11-12 May 1965. In its resolution endorsing the proposals, the Parliament stressed their political, institutional and economic importance, and the fact that they formed an indivisible whole; it was essential that the common agricultural market and the common industrial market should be completed on the same date—1 July 1967, and that common agricultural prices should therefore apply from that date. It supported, in particular, the principles and methods laid down by the Commission to ensure the solidarity of the Member States with regard to common financing of the agricultural policy and independent revenue for the Community from 1 July 1967, and the gradual transition from the payment of national contributions to the stage when the Community would have its own revenue, any surpluses being applied to Community investment. Finally, the Parliament called for a tightening of the arrangements envisaged by the Commission to increase its budgetary powers and recommended that very wide powers be conferred upon it in two stages, the second to begin on 1 January 1972, the date by which the Community would have its entirely independent revenue.

On 28 May 1965 the Economic and Social Committee approved the Commission's proposals, expressing agreement with the financing system envisaged and stressing that the Member States would have to show a spirit of solidarity if the EAGGF were to be able to cover the expenditure of the common agricultural policy and satisfy the requirements of balanced development on an equitable basis. The Committee also considered that the creation of a budget maintained by independent revenues necessitated effective control by the European Parliament.

*PROCEEDINGS OF THE COUNCIL AND THE OUTBREAK
OF THE "CRISIS"*

5. The Commission's proposals, which had been studied by the Committee of Permanent Representatives on several occasions, were on the

agenda of the Council meeting of 13-14 May for a preliminary general discussion.

The first discussion of the substance of the proposals took place on 14-15 June 1965. While recognizing the merits of the Commission's proposals, various members of the Council nevertheless expressed reservations or objections on certain essential points.

The full set of proposals was not discussed in detail until 28-30 June. Progress had been made and convergent views expressed on several points. Partial agreement had been reached, for example on fixing 1 July 1967 as the date for the realization of free movement of industrial and agricultural products, and on a time-table for interim measures. Progress had also been made on the principle that, after 1970, the whole of the Communities' budget should be financed from independent revenues (agricultural levies and other resources).

On other points, however, very serious differences of opinion persisted, especially with regard to the period of validity of the regulation to be adopted. (Could commitments be accepted at this stage for the whole of the transition period, as envisaged in Regulation No. 25, or should the Council confine itself to adopting an interim regulation for one or two years ;) No agreement had been reached on the apportionment of contributions to the Fund among Member States. Lastly, the question of the powers of the European Parliament had hardly been touched on.

This was the position when, in the night of 30 June-1 July 1965, the session was closed by M. Couve de Murville, the President of the Council, who said that the Council had not been able to reach agreement on the financial regulation by the appointed time. Speaking as the French member of the Council, he declared that a solemn undertaking had not been fulfilled and that the French Government must draw the necessary conclusions, words which he was later to repeat in public.

In the hours that followed, the other members of the Council and the President of the Commission also repeated in public the statements they had made within the Council, pointing out that, in view of the partial agreement already reached, there had been reason to expect that full agreement would subsequently be reached within a reasonable time, and that

they were willing to resume work in the Council forthwith. The Commission, for its part, announced that it would submit to the Council a communication containing suggestions to facilitate agreement, which it still considered possible in the light of the discussions.

6. On the same day, however, 1 July 1965, the French Government issued a communiqué after a meeting of the French Council of Ministers, saying that the Community was faced with a crisis which was all the more serious since it was on the basis of the financial regulation that the French Government had agreed, in January 1962, to embark on the second stage of the Rome Treaty, and since the decision on common cereal prices reached on 15 December 1964 had been accompanied by explicit assurances that the financial regulation would be completed by 30 June 1965. It therefore considered that nothing more could be done in Brussels until it had "drawn the obvious political, economic and legal conclusions from the situation thus created".

On 6 July 1965 the Secretary-General of the Councils was told by the French Government, for the information of Council members, that the French Permanent Representative to the Communities had been invited to return to Paris. For the time being, the French Government would not be represented at Council sessions, nor at meetings of the Committee of Permanent Representatives, and the French delegation would not attend meetings of committees and working parties preparing projects or carrying out studies for economic union or continuing previous negotiations. For the duration of the crisis, however, the French experts continued to attend meetings of certain technical committees dealing with day-to-day matters, such as the Management Committees, the EDF and EAGGF Committees, etc.

The French point of view was to be expressed in greater detail by the President of the French Republic at a press conference on 9 September 1965, and later in a statement to the French National Assembly from the French Foreign Minister on 20 October 1965. On these occasions the French Government pointed out that, in addition to its concern that "the entry of agriculture into the common market" should be finally assured, it felt much anxiety as to the functioning of the Community institutions, especially with regard to majority voting in the Council, and relations between the Council and the Commission.

THE COMMISSION'S MEMORANDUM

7. On 22 July the Commission submitted its promised memorandum to the Council.

In order to facilitate agreement and meet the objections expressed at the discussions in June, the Commission put forward new suggestions concerning the Fund's revenue and the pace at which the EAGGF should take over expenditure until 1970; these replaced the Commission's previous proposals on independent revenues for the Community from 1967.

A detailed summary of this memorandum, which concerned the free movement of both industrial and agricultural products, the financial regulation and independent revenues, is given in the part of Chapter III that deals with the common agricultural policy.

On the question of widening the budgetary powers of the European Parliament, the Commission reserved its position until a later stage in the discussion.

The memorandum contained one new element that had not been included in the Commission's original proposals. In the second part, on "The balanced development of the Community", the Commission drew attention to other important matters on which decisions would have to be taken in the near future: harmonization of taxation (turnover taxes), commercial policy (including common rules on export credit as regards East bloc countries and the Soviet Zone of Germany), social policy (particularly extension of the scope of the European Social Fund) and regional policy.

*PROCEEDINGS OF THE COUNCIL PRIOR TO THE EXTRAORDINARY
MEETING IN LUXEMBOURG*

8. While the Commission continued its work in all the fields for which it is competent, the organization of the Council's work raised more delicate problems.

The President of the Council—the Italian member since 1 July 1965—sought to ensure continuity in the working of the Council, the Committee of Permanent Representatives and their subcommittees and working parties by seeking first and foremost to persuade the absent member to resume its seat.

The Committee of Permanent Representatives met on 7 July 1965 in the absence of the French representative. A Council meeting was called for 26-27 July.

At this 173rd session, the Council affirmed that it could properly meet and deliberate. If the Community were not to be paralysed, the first concern must be to solve the problems raised since 1 July, and preference would each time be given to solutions of procedure that would be acceptable to the absent member. Thus without attempting to examine in detail the legal aspects and consequences of the situation, the Council agreed, without prejudice to the future, that for the moment the most urgent decisions should be taken by the written procedure, and this was accepted by France. In accordance with Article 6 (2) of the Council's rules of procedure, the Commission gave its approval to the initiation of written procedure in these cases.

The Council's intention was to devote itself to seeking agreement on the financial regulation in order, as the Commission had suggested, to "take up the threads again where they had been broken". Instructions to this effect were given to the Committee of Permanent Representatives, and another Council meeting was called for October 1965.

During September and October 1965 the Committee of Permanent Representatives made great exertions to reconcile different points of view on the questions dealt with in the memorandum that had been submitted by the Commission on 22 July. At the same time the public statements of the French Government had amplified the political and institutional aspects of the crisis, and these were also studied by the five other Governments and the Commission. The current President of the Council, M. Fanfani, received M. Couve de Murville, the French Foreign Minister, on 29 September 1965 in New York, where the United Nations General Assembly was in session. At the end of September M. Spaak, the Belgian Foreign Minister, put forward suggestions for resolving the crisis.

9. The results of these various efforts were seen at the 174th session of the Council, which was held on 25-26 October 1965 with M. Colombo in the chair in the absence of M. Fanfani. The Council adopted:

- i) "Guidelines" on the financing of the common agricultural policy, combining the views shared by the five members present. The Commission's memorandum of 22 July had served as a basis for the discussion;
- ii) A "Council declaration" (dated 26 October 1965) on the political and institutional problems, in which some of M. Spaak's ideas were incorporated. It ran, "The Governments of the Federal Republic of Germany, Belgium, Italy, Luxembourg and the Netherlands solemnly reaffirm the necessity of continuing to implement the Treaties of Paris and Rome in accordance with the principles contained therein, in order to achieve the progressive merger of their national economies in both the industrial and agricultural sectors. This is the only policy which can enable Europe to develop, to raise the standard of living of its population and to guarantee its influence in the world. The Governments consider that the solution of the problems confronting the Communities must be found within the framework of the Treaties and of their institutions.

"They feel strongly that the negotiations interrupted on 30 June should be resumed as quickly as possible. To this end, the delegations have examined the suggestions contained in the two parts of the Commission's memorandum. They are agreed upon the fundamental principles which, in their opinion, should enable negotiations among the Six to succeed. They have instructed the President of the Council to inform the French Government of this and to appeal urgently to it to resume its place in the Community's institutions. They are convinced that it will then be possible, following Community procedures, to adopt the regulations required in order to complete the common agricultural policy within the harmonious development of the Community.

"Taking into account the statements made by the President of the French Republic on 9 September and by the French Minister of Foreign Affairs on 20 October, the delegations have also instructed the President of the Council to invite the French Government, within the framework of the Treaty of Rome, to join them in a special meeting of the Council of Ministers in Brussels. As an exception to the usual practice, this meeting could be held with only the Ministers present, as provided for by the

Council's rules of procedure. The agenda should be restricted to an examination of the general situation of the Communities.

"It is highly desirable that this meeting should be held as soon as possible".

On 27 October 1965, as requested by his colleagues, M. Colombo transmitted to the French Foreign Minister this declaration and the "guidelines" on the financing of the agricultural policy.

10. In reply, the French Government informed its partners of its views, through their ambassadors in Paris. The French Foreign Minister had talks with several other members of the Council who happened to be in Paris at that time.

At its 175th session on 20-30 November, the Council confirmed its previous position by issuing the following communiqué (dated 30 November 1965):

"(1) The representatives of the Governments of the German Federal Republic, Belgium, Italy, Luxembourg and the Netherlands, meeting at the Council session of 29 and 30 November 1965, have taken note of the reception accorded by the French Government to the letter from the President of the Council dated 27 October 1965.

(2) They have asked the President of the Council to communicate to the French Government the common position of their five Governments.

(3) They persist in their view that the problems under discussion should be resolved in accordance with the terms of the Treaties and in the framework of the institutions.

(4) They regret that the French Government has not seen its way to an immediate resumption of the negotiations broken off on 30 June. They reiterate their appeal of 27 October for the French Government to resume its place in the Community institutions and for an extraordinary session of the Council to be held in Brussels as soon as possible".

The Council also gave its approval in principle to the draft budgets of the Communities for 1966 and agreed that final approval should be given by written procedure. It planned to meet again before the end of December.

11. In accordance with the instructions, the President of the Council, M. Colombo, received M. Couve de Murville on 8 December 1965 when

the latter was in Rome for the closing ceremonies of the Vatican Council. From their conversations it appeared that an agreement was possible on the basis of the proposals of 26 October and 30 November. This impression was shortly to be confirmed by various conversations between the Ministers outside the formal sessions of the NATO Council in Paris (14-16 December 1965).

The Council met again on 20 December 1965 and surveyed the situation.

By a *note verbale* handed to the Italian Ambassador in Paris by M. Couve de Murville on 23 December 1965, France let it be known that she was willing to take part in a meeting of Foreign Ministers in Luxembourg.

M. Werner, Prime Minister of the Grand Duchy of Luxembourg, who had become the new President of the Council, then called this extraordinary session of the Council for 17 January in Luxembourg.

EXTRAORDINARY SESSION OF THE COUNCIL IN LUXEMBOURG

12. At the first part of the session (17-18 January 1966), the Council first heard the French requests concerning the application of the majority rule and the role of the Commission.

Discussion on the application of the majority rule revealed profound differences of opinion between the French and the other delegations. Various compromise proposals were, however, submitted (particularly by M. Colombo and M. Spaak). They aimed at giving an assurance that in such cases persistent efforts would be made to arrive at unanimous decisions without, however, excluding the ultimate possibility of a majority decision.

As regards the role of the Commission and its relations with the Council, M. Couve de Murville submitted a ten-point *aide-mémoire* to assist in subsequent discussions. At the last session of the meeting he also proposed a draft timetable.

On the first two points, the Council instructed the Committee of Permanent Representatives to prepare the ground for decisions to be taken in the near future. It then decided to suspend the extraordinary session and resume it in Luxembourg on 28-29 January 1966.

13. At the second part of the session, the Member States reached agreement, and the following statements were issued after the meeting:

a) *Relations between the Commission and the Council*

“Close co-operation between the Council and the Commission is essential to the functioning and development of the Community.

“In order to improve and strengthen this co-operation at every level, the Council considers that the following practical methods of co-operation should be applied, these methods to be adopted by joint agreement, on the basis of Article 162 of the EEC Treaty, without compromising the respective competences and powers of the two institutions.

“(1) Before adopting any particularly important proposal, it is desirable that the Commission should establish the appropriate contacts with the Governments of the Member States, through the Permanent Representatives, without this procedure compromising the right of initiative which the Commission derives from the Treaty.

“(2) Proposals and any other official acts which the Commission submits to the Council and to the Member States are not to be made public until the recipients have had formal notice of them and are in possession of the texts.

“The Official Gazette should show clearly which acts are of binding force. How those texts that must by law be made public are in fact published will be decided in the course of work now being done on the reorganization of the Official Gazette.

“(3) The credentials of Heads of Missions of non-member States to the Community will be submitted jointly to the President of the Council and to the President of the Commission, meeting together for this purpose.

“(4) The Council and the Commission will inform each other rapidly and fully of any approaches relating to fundamental questions made to either institution by the representatives of non-member States.

“(5) In accordance with Article 162, the Council and the Commission will consult together on the advisability of, the procedure for, and the nature of any links which the Commission may establish with international organizations pursuant to Article 229 of the Treaty.

“(6) Co-operation between the Council and the Commission on the Community’s information policy, which was the subject of the Council’s discussions on 24 September 1963, will be strengthened in such a way that the programme of the Joint Information Service will be drawn up and carried out in accordance with procedures which are to be decided upon at a later date, and which may include the establishment of an *ad hoc* body.

“(7) Under the financial regulations relating to the drawing up and execution of the Communities’ budgets, the Council and the Commission will decide on means for more effective control over the commitment and expenditure of Community funds”.

b) *Majority voting*

“I. Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council while respecting their mutual interests and those of the Community, in accordance with Article 2 of the Treaty.

“II. With regard to the foregoing paragraph, the French delegation considers that where very important interests are at stake the discussion must be continued until unanimous agreement is reached.

“III. The six delegations note that there is a divergence of views on what should be done in the event of failure to reach complete agreement.

“IV. The six delegations nevertheless consider that this divergence does not prevent the Community’s work being resumed in accordance with the normal procedure”.

14. In addition, “the Members of the Council propose to adopt the following decisions by common consent: the financial regulation for agriculture; extensions to the market organization for fruit and vegetables; the regulation on the organization of sugar markets; the regulation on the organization of markets in oils and fats; the fixing of common prices for milk, beef and veal, rice, sugar, olive oil and oilseeds.” These are all questions that were under discussion before 1 July 1965.

15. Finally, the Council adopted the following programme of work:

"Having reached agreement on the problem of the qualified majority vote and on co-operation between the Council and the Commission, the delegations of the Member States adopt the following programme of work:

"A. The draft EEC and Euratom budgets will be approved by written procedure before 15 February 1966 and transmitted forthwith to the Parliament.

"B. The EEC Council will meet as soon as possible to settle as a matter of priority the problem of financing the common agricultural policy. Concurrently, discussions will be resumed on the other questions, particularly the trade negotiations in GATT and the problems of adjusting national duties on imports from non-member countries.

"C. The Representatives of the Member States' Governments will meet on the day fixed for the next Council meeting and will begin discussions on the composition of the new single Commission and on the election of its President and Vice-Presidents.

"D. They will also agree on the date—in the first half of 1966—when instruments of ratification of the Treaty on the merger of the institutions are to be deposited, on condition that the required parliamentary ratifications have been obtained and agreement has been reached on the composition and on the presidency and vice-presidency of the Commission".

16. The six Governments announced that they were in general satisfied with the agreement reached in Luxembourg.

On 2 February 1966 the Commission issued a communiqué saying that it was pleased that, after the Council meeting in Luxembourg, the Community could now resume its normal activities, both internal and external. It pointed out that there was a great deal of work to be done in the coming months, and many decisions would have to be taken, to make real progress towards economic union. It declared itself ready to hold consultations with the Council, in due course, in a spirit of co-operation and in accordance with Article 162 of the Treaty, in order to make even closer collaboration possible between itself and the Council.

ACTION TAKEN BY THE EUROPEAN PARLIAMENT

17. The European Parliament had followed these developments attentively, taking every opportunity to reaffirm its confidence in the future of the Communities and its resolve that the Treaty should be respected and the institutions maintained.

At its session of 24 September 1965 the Parliament adopted a resolution reminding the six member countries that the Treaties must be complied with and implemented in full, notably in respect of the powers and the obligations of each Community institution. It stressed that no member country could evade its commitments under the Treaties, appealed to the national Parliaments to prevail upon their Governments to pursue this policy, and endorsed the action of the EEC Commission.

Similar anxieties were expressed at the Joint Meeting of the European Parliament and the Consultative Assembly of the Council of Europe, which took place after this session, on 24-25 September 1965.

The Parliament's debate on the Eighth General Report on the Activities of the Community (20 October 1965) was mainly devoted to the origin and development of the crisis. In the resolution it adopted on 21 October, the Parliament hoped that the present crisis might soon be resolved, and addressed a solemn appeal to the other Community institutions and to the Governments and public opinion of the six countries.

At its session of 23-26 November 1965, the Parliament held a brief political debate on the Council declaration of 26 October. M. Furter (Germany, Christian Democrat), M. Kapteyn (Netherlands, Socialist) and M. De Clercq (Belgium, Liberal), speaking on behalf of their groups, affirmed their attachment to the Treaty of Rome and expressed their concern at the crisis. They each spoke of the importance of the role that the Commission was called upon to play within the framework of the Treaty. M. de Lipkowski, on behalf of the European Democratic Union group, expressed confidence in the future of the Community once an inter-governmental conference had been held to dispel misunderstandings.

18. The principal trade union and professional organizations at Community level clearly expressed their hope that European integration would continue and addressed urgent appeals to the Governments of all the Member States, calling upon them to re-establish unity among the Six on the basis of the Treaty of Rome.

19. At the annual joint meeting between the European institutions, on 20 January 1966, a discussion was held on "The present situation of the Communities". This was of particular interest because it took place between the two sessions of the extraordinary meeting of the Council in Luxembourg (17-18 January and 27-28 January 1966). The discussions dealt mainly with two institutional problems: co-operation between the Commission and the Council, and decisions by majority in the Council. The meeting showed above all that it was the unanimous desire of the members of the European Parliament and the representatives of the other institutions to remain faithful to the letter and spirit of the Treaties.

After speaking of the efforts made by the Council in the past six months to keep the Community working and find a solution to the crisis that began on 30 June 1965, M. Pierre Werner, Prime Minister of Luxembourg and current President of the Council, gave the general purport of the two questions raised by the French delegation, and these were also discussed by subsequent speakers.

M. E. Martino, on behalf of the Christian Democrat group, expressed concern at the proposal made in Luxembourg to institute a "two-way traffic" between the Council and the Commission prior to the majority vote, and feared that such a procedure might not encroach on the prerogatives of the European Parliament. He emphasized the need to ensure that the balance created between the institutions by the Treaty was maintained.

Speaking for the Socialist group, Mme Strobel said that to impose the unanimity rule in cases other than those specified in the Treaty would be to introduce a right of veto, which would be inadmissible. Moreover, she considered that the ten points presented by the French Government on the subject of relations between the Council and the Commission would impair the independence of the latter.

M. G. Martino, for the Liberal group, said he feared that the plans concerning the Commission would provide an excuse for transforming the latter from a political body into a technical body. He added that he was in favour of maintaining the procedure of decision by majority vote, even though it was not used in practice, because it constituted a safeguard against recourse to veto.

Speaking on behalf of the European Democratic Union group, M. de Lipkowsky declared, on the other hand, that it would be well to limit the application of majority rule because political integration had not kept abreast of economic integration. He justified the ten points presented by the French Government by the need to enable the Commission to resume its proper role as conciliator.

The members of the Council present at the meeting, M. Luns, M. Spaak, M. Lahr and M. Storchi, clarified the positions of their respective countries, pointing out that the majority vote could not be used except in the common interest without negating the existence of the Community, and that the necessary attempt to improve relations between the Council and the Commission must not impair the responsibilities and authority of the latter. They pointed out that majority vote was the rule of the Treaty, whereas unanimity constituted an exception; but it could be agreed, without prejudice to this principle, that decision by majority vote should only be used as a last resort.

Members of the Parliament and members of the Council alike recalled that collaboration between the Council and the Commission should be the outcome of mutual agreement, as stated in Article 162 of the Treaty. Finally, several members of the Parliament recommended that some kind of parallel relationship should be maintained between the deposit of instruments of ratification of the Treaty merging the Executives and the agreement on the composition of the new single Commission.

20. At its session of 9 March 1966, the European Parliament considered the results of the extraordinary meeting of the Council in Luxembourg as summarized in a report from the Political Committee presented by M. Metzger. After hearing the spokesmen of the various political groups,

and M. Levi Sandri on behalf of the Commission, the Parliament passed a resolution, which read in part:

"The European Parliament,

...

1. Welcomes what it considers the most important result of this meeting, that is to say, the agreement between the members of the Council on a resumption of the normal course of the Community's work, in conformity with the Treaty—a resumption whose first practical manifestation was the elaboration of a programme of work and the adoption of the budget of the European Economic Community...;
2. Is concerned nevertheless at the uncertainties which still prevail as to the interpretation of certain points in the documents published after the session of the Council concerning the ideas and decisions of the latter—uncertainties which call for certain reservations on the part of the Parliament;
- ...
4. Considers that the Council should not renounce the possibility of taking decisions by majority vote;
5. Is concerned at the incalculable consequences which might follow if the Council, in a given situation, were to note the existence of "overriding interests" preventing the application of the majority rule;
6. Welcomes the Council's declaration that the principles of future co-operation will be drawn up by agreement with the Commission on the basis of Article 162 of the EEC Treaty, and that the powers and attributions of the two institutions must not be impaired;
7. Considers it indispensable that the rules which will govern relations between the Council and the Commission should be agreed to jointly when the Executives are merged;

...
9. Urges that these procedures should not in any case curtail the rights of the Parliament as an institution exercising—in conformity with the Treaty—political control over the Executive Commission;

..."

Implementation of decisions of the extraordinary session of the Council

21. The Permanent Representative of France returned to Brussels on 7 February 1966, and on the following day, 8 February, he attended a meeting of the Committee of Permanent Representatives.

The draft budget was adopted by written procedure on 15 February 1966 and transmitted forthwith to the European Parliament.

The Council met on 28 February and 1 March 1966, all its members being present. There were two points on the agenda: the financing of the common agricultural policy and the trade negotiations in GATT. Since that date the Council has held several meetings, and progress has been made on the principal problems still outstanding, as is recounted on later pages of this report.