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# I. Conference of the European Parliament with the parliaments of African States and Madagascar

(Strasbourg 19 to 24 June 1961).

An important conference of the European Parliament and 103 representatives of the parliaments of the associated African States and Madagascar was held in Strasbourg from 19 to 24 June 1961.

The parliaments of the following republics were represented: Cameroon, Central African Republic, Congo (Brazzaville), Congo (Leopoldville), Ivory Coast, Dahomey, Gaboon, Upper Volta, Madagascar, Mali, Mauritania, Niger, Senegal, Somalia, Chad and Togo. (Each associated State had one representative per 500 000 inhabitants, with a minimum of four representatives).

The co-Presidents were Mr. Hans Furler, President of the European Parliament, and Mr. Lamine Gueye, President of the Senegal Parliament, who was elected by the body of overseas delegates. The following eight European and eight African Vice-Presidents were elected: Mr. Fohrmann (EP), Mr. Ravony (Madagascar), Mr. Janssens (EP), Mr. Kemayou Happi (Cameroon), Mr. Rubinacci (EP), Mr. Mahamane Haidara (Mali), Mr. Battaglia (EP), Mr. Boubou Hama (Niger), Mr. Vanrullen (EP), Mr. Hagi Omar Scego (Somalia), Mr. Kalbitzer (EP), Mr. Mulundu (Congo, Léopoldville), Mr. Vendroux (EP), Mr. Bigmann (Gaboon), Mr. Blaisse (EP) and Mr. Savi de Tove (Togo).

A certain number of working papers had been distributed. On the African side these were the papers prepared at Ouagadougou (5 June 1961) on the political and institutional forms of co-operation, economic problems, technical co-operation and cultural matters, the functioning and administration of the Development Fund and matters of procedure; they were presented by Mr. Lamine Gueye. On the European side reports were submitted by Mr. Scheel on the criteria and aims of the Association, by Mr. van der Goes van Naters on the political and institutional forms of co-operation, by Mr. Duvieusart on economic co-operation, by Mr. Pedini on technical co-operation and cultural exchanges and by Mr. Peyrefitte on the Development Fund and its administration.

The subjects on the agenda of the Conference were the following:

- a) Institutional and political forms of co-operation;
- b) Economic problems;
- c) Technical assistance and cultural exchanges;
- d) The Development Fund and its administration.

Four committees were set up and instructed to submit recommendations :

The Political and Institutional Committee (32 members)

Chairmen : Mr. Battista (Italy) and Mr. Kalenza (Upper Volta)

The Economic and Commercial Committee (32 members)

Chairmen : Mr. Kreyssig (Germany) and Mr. Kponton (Togo)

The Technical Assistance and Cultural Exchanges Committee (32 members)

Chairmen : Mr. Bégué (France) and Mr. Bigmann (Gaboon)

The Development Fund Committee (32 members)

Chairmen : Mr. Moro (Italy) and Mr. Kone (Upper Volta)

In conclusion to its proceedings the Conference adopted five recommendations <sup>(1)</sup> to be transmitted for further action to the parliaments of the associated States and to the European Parliament.

Before dispersing, the Conference decided to set up a Permanent Liaison Committee composed of sixteen European and sixteen African and Malagasy members, to maintain contacts with a view to the second parliamentary conference, which will be held in Africa. This Committee will be composed as follows : Mr. Furler, Mr. Poher, Mr. Pleven, Mr. Birkelbach, Mr. Battista, Mr. Scheel, Mr. Vals, Mr. Dehousse, Mr. Duvieusart, Mr. Kapteyn, Mr. Kopf, Mr. Moro, Mr. Pedini, Mr. Peyrefitte, Mr. Thorn, and Mr. Hammadou Alim (Cameroon), Mr. Adama Tamboux (Central African Republic), Mr. Nouanda (Congo, Brazzaville), Mr. Amon Tanoh (Ivory Coast), Mr. Mama Chabi (Dahomey), Mr. Bigmann, L.E. (Gaboon), Mr. Kone Begnon (Upper Volta), Mr. Bakary Noro (Madagascar), Mr. Hamoud Ould Ahmedou (Mauritania), Mr. Boubou Hama (Niger), Mr. Lamine Gueye (Senegal), Mr. Hagi Omar Scego (Somalia), Mr. Charlot (Chad), Mr. Savi de Tove (Togo) and two representatives still to be appointed for the Congo (Leopoldville) and Mali.

### **General considerations**

In the course of this six-day discussion, the Conference worked out certain basic principles for a "doctrine" of co-operation between the EEC and the newly independent States. The debates took place in an atmosphere of great frankness and at the same time of perfect cordiality.

a) All the African parliamentarians expressed their attachment to the idea of association and proclaimed the intention of their countries to continue it. At the same time they stressed that such an association could only develop if the sovereignty of the associated States were fully respected : this view was shared by the European parliamentarians.



Both European and African parliamentarians emphasized the value of the links of solidarity which the Association — though its subject-matter is economic — would help to establish between Europe and Africa, with a mutual respect for sovereignty, and the importance of the contribution such links would make towards world peace. The Mali and Congo (Leopoldville) representatives, however, strongly stressed that the association of their countries with the Community could only be of an economic character and did not imply taking sides politically.

In many speeches of high quality the delegates of Africa and Madagascar as well as those of Europe spoke of the urgent need to consider the relations between Africa and Europe from an entirely new point of view from which any purely commercial spirit must be banished in favour of coherent plans jointly drawn up for the primary purpose of raising the standard of living of the peoples of Africa and Madagascar with the least possible delay.

*b)* These were the political concepts underlying the proposed arrangements for the future association. The African and Malagasy parliamentarians declared that their countries wished to be associated with the Community on an individual basis, although each convention should be drawn up on the lines of a model agreement to be drafted jointly by the African and Malagasy States and the Community.

The African and Malagasy delegates also stressed — and in this they were supported by the European delegates — that any institutions proposed must rest on a basis of parity, the African States and the European Communities being equally represented and invested with the same powers. Also, these institutions must fully respect the sovereignty of the associated countries.

It was decided in particular that the Conference of the European Parliament with the parliamentarians of the African States and Madagascar should become a regular institution and should meet alternately in Africa and in Europe.

*c)* Turning to economic matters, the African and Malagasy parliamentarians urged that the guaranteed markets from which some of their products benefited in their former mother countries be taken over and extended by the European Community. They asked for preference to be shown to the products of the associated States on the European market; in their eyes such preference would be a test of the EEC's sincerity.

The African and Malagasy parliamentarians repeatedly called for the removal of the consumer taxes imposed in European countries on tropical products; they regarded these taxes as a survival of the colonial era. Stable markets for the raw materials produced in their countries were indispensable for the expansion of their economy. The complementary nature of the European and African economies was the keynote of many speeches from African and Malagasy delegates.

*d)* Problems of technical assistance came in for much discussion. The African and Malagasy delegates spoke of the need of their countries for supervisory staff; Africans should be trained for this work and, so far as possible, they should be trained in Africa. Several practical proposals were put forward to this end.

*e)* The functioning and prospects of the Development Fund were fully discussed. The African and Malagasy delegates were of the opinion that a common fund should be set up to the financing of which the African and Malagasy states should contribute in accordance with criteria to be jointly agreed. Correspondingly, the Fund should be administered jointly by Africans and Europeans.

Emphasis was placed on the need for each of the African countries to draw up a development plan and to co-ordinate it with that of the other countries. They believed that the assistance of the Development Fund should be made available to carry out these plans in accordance with a priority scale laid down by the African states.

### **Preliminary declarations**

In his welcoming address to the delegates from the African Parliaments Mr. Furler, President of the European Parliament, said that whilst the conference would not be able to take any decisions, since they had no mandate to do so, it was of the greatest interest that "in a free and frank discussion between equal partners it should be possible to work out the most effective measures and to bring them to the attention of our Governments". Mr. Furler added that the recommendations which would be made "will serve as a working basis for the ministerial conference to be held next autumn. The clearer they are and the more reflection has gone into them, the better will be their chance of being adopted." In the evolution of Europe, Mr. Furler continued, the stage had been reached where the accession of other states and in particular of Great Britain had become "possible". Any such development, he added, would have a great impact upon the system of co-operation between us. Other African States would probably desire to co-operate with us. We must follow all these matters with careful attention but they must not be allowed to deflect us from our purpose." Whilst of course the legitimate interests of other nations must not be ignored, it must be well understood that the economic links defined by the terms of association conferred a priority position upon those states which were already fully co-operating with the EEC.

Following Mr. Furler, Mr. Lamine Gueye, President of the Senegal Parliament and joint President of the Conference, referred to the "signal honour of presiding over today's meeting in this setting" and stressed that this honour "is evidence of the will of the Africans to remain united on a certain number of principles which in themselves already constitute a positive contribution: Africa has wished to demonstrate its unity, its resolve for continued solidarity in its most essential elements at a moment of such decisive importance to its existence."

Addressing the European deputies, Mr. Lamine Gueye said: "You have created a climate, which we warmly appreciate, in which our work can proceed not only in suitable conditions, but with every chance of leading to a positive result."

Mr. Lamine Gueye then addressed the conference as the spokesman of the African and Malagasy parliamentarians who had asked him to put before the Conference in broad outline the decisions taken at Ouagadougou.

Mr. Lamine Gueye explained that there were two courses open to the newly independent African states in the matter of association with the EEC (they could decide they were not bound by anything that had been done prior to their gaining independence, or they could enter into detailed discussions on a footing of equality about new forms of association, "giving sympathetic consideration to the idea of co-operation"). "We have decided in favour of this second choice", he said.

"In Rome we asked to be given reasonable time so that we could study the reports and survey what had been done before. We consider this quite normal, especially since your Assembly, which after all has been in existence for several years, has not yet reached agreement on all points or in all fields. We cannot therefore be blamed for asking for some weeks or even months to study what it has taken you so many years to set on foot.

We have, then, passed our information on to our appropriate organizations where such information seemed to the point.

In Bonn, we thought it might be a good plan to meet somewhere in Africa before going on to Strasbourg, in order to correlate our viewpoints and if possible arrive at certain common principles so as to give you, not an impression of uniformity — which is not what we intend — but the impression of a task undertaken with all the individual characteristics and special features of the African countries in mind. For we want to keep in touch with Africa, we want to keep our feet planted on African soil.

What has been devised for Europe cannot necessarily be applied to the African situation.

Now we are not going to propose that everything which has been done should be reviewed. Do not be alarmed. It is not even a question of adapting certain formulae to meet our purely African requirements, because whatever we may feel about this or that problem, the fundamental fact remains that on 31 December 1962 the Rome agreements must be replaced by others negotiated under conditions which we must work out together.

The first thing I have to say is that we are ready to take our share of responsibility alongside you in the Association which we have decided to set up. Here again, there are two possibilities, one of which would be the joint accession of all our states after they had previously agreed amongst themselves. We prefer leaving it to each state individually to come into the association, it being understood that the guiding principles will be defined once and for all and respected by all concerned.

Apart from this question of procedure, we also wished to be clear in our minds on the whole mood of the Association and to ask you to understand that there can be no question of self-seeking, of considering only our own anxieties and interests. We must also make sure that what we call "aid" — and what in reality is mutual aid — shall not be provided in such a manner as to give the impression that one side is receiving more than it is giving or able to give.

It is said that what is given matters less than the spirit in which it is given. I, for one, should like to put it differently : it is difficult to say who gives most and who receives most.

If a man has capital which he wants to put to use, he needs the help of workers. Whether these workers are called wage-earners or given any other name matters little. The fact remains that the worker is as indispensable to the capitalist as the capitalist is to the worker. One can therefore not say of the one that he is in the humiliating position of suppliant and the other in the more exalted position of the donor.

I remember something I said when I held a press conference in Rome together with President Hans Furler. Speaking of Dakar, the capital of my country, I said : "I am very happy to be the head of the administration of the city which is regarded as one of the more important world ports. I am proud that in the city we also have an international airport, that our road system is developing, that our standard of living is rising in a way which bears witness to our resolution to succeed through common effort".

But I also said — without any polemic spirit — "as we are a great port at which vessels call we can obviously provide employment for our workers. But to whom do the vessels belong ? How much of the money paid for passenger fares or freight comes to us and how much goes elsewhere ? The same applies to the large airliners. Their earnings do not flow into African coffers. And even the motor cars are not built in Africa. The fuel they use does not come from Africa and no more do their accessories..."

"We ask you to continue the work you have begun and to extend it, but in a way which does not imply that you have a say in decisions of an internal nature. which must be in the sole discretion of the countries concerned.

People who may perhaps have the excuse of not being as responsible as you are, have been known to say : you will make your plans on such a basis and you will carry them out in accordance with such and such a time-table. I do not want to say one unfriendly word here, but I do say quite simply that on certain points it is better to leave others to decide whether they are essential or secondary. We shall make progress in our work and attain our ultimate goal if we have purely internal affairs left to us for decision.

On the matter of technical co-operation I again do not want to depart from the general tenor of our discussions. I have simply a suggestion to make as to the guiding principles of our joint action. Of course we do not have as many qualified engineers as we should like to have. We need a large number of highly qualified technicians and for many years to come we shall have to turn to countries such as yours to get them. But we do not think that the right solution is for you to send us engineers and technicians with the intention of keeping them in Africa indefinitely. Let me explain. It is not a matter of Africa for the Africans any more than Europe for the Europeans. But if all our engineers come from elsewhere, and all our teachers and all our doctors, and if they all intend to remain our instructors for evermore, what is then to become of the principle of African independence? We should prefer Africans to be taught on the spot, or in France, by those who have the experience we lack, but with a view to establishing more and more of them in our countries so that those of us who have received their education from you may remain grateful to you for this but can one day — and the sooner the better — take the destiny of their country into their own hands.

This is one of the principles which we laid down at Ouagadougou.

I would also ask you to remember that peace in the widest sense of the word, world-peace, is not a matter of continents. Africa wishes to warn all those who would like to make it the theatre of the cold war. Africa would above all things dissuade them from such a course.

Peace in Africa is peace in Europe and peace in Europe is peace in Africa.

When I say this I am not thinking of anyone arriving in Africa weapons in hand to make a new conquest because I am sure nobody has such a thing in mind. But economic war is like any other kind of war : a match in which opposing countries, as it were, outbid each other. From the customs and fiscal point of view it is you who are granting us the most favourable terms. We are grateful to you for that. Besides, economic warfare is an unworthy business and it is sufficient for me merely to mention it to be sure that everyone will banish it from his mind.

It is a proverb that some things go without saying but go even better if they are said. It seems to me that the time has come for everyone to draw the line of distinction between the good Africans and the bad. By definition the good Africans show unconditional docility; they are those who in their writings are keenest to obtain for themselves a certain number of advantages.

Our economies are complementary; our social and political circumstances are all of the same age and of the same origin. What we produce and consume in Africa must be organized and ordered in accordance with rules which will help us to reach co-operation in Africa and then, and only then, to extend that co-operation to other continents.

This brings me to our hope that the framework in which our efforts are set may be widened.

We have often been asked what our intentions are with regard to those countries whose language is not French. For most of us, as you know, French is the official language. Our answer is simple : Does the Common Market, the Europe of the Six, not include Germans, Italians, Belgians, French, Luxemburgers and Dutch ? Were these six countries which are geographically so close to one another and whose interests overlap so much forced to give up their individual characteristics and in particular their own language ? We cannot consider the difference of language as a fundamental obstacle to co-operation between the French and English speaking countries.

We are thinking of making a very large family, of collaboration without any kind of complex. We must bear in mind what Europe is doing — by means which we respect and for which we are grateful — to help us emerge from the period of underdevelopment.

A man who gives you all he possesses, though it be little, is as deserving as the rich man who gives much more in figures but much less in proportion to his possessions.

This setting could not have been better chosen to reach not only a definition of these essential formulae but also to put them into practice in such a way that it may be said that Europe and Africa and perhaps other continents tomorrow can co-operate for the good of all and that we are turning over a decisive leaf in our history to make for greater happiness and an ever-growing sense of brotherhood.

### **Statements by the European Executives**

On 19 June Professor Hallstein, President of the Commission of the EEC, made a statement on behalf of the Commission.

“Since the Treaty was concluded there has been a fundamental change in the original situation. The formerly dependent countries and territories have for the most part become sovereign states. The question that thus faced the Community was whether this change, of which it may be said without exaggeration that it is a historic event of the first order, has altered the bases of the original agreement. The answer to this question is both affirmative and negative. It is affirmative inasmuch as joint decisions and joint action must from now on replace unilateral decisions and action. At the same time, however, the answer is negative, inasmuch as the reasons which led the Community to set itself the aims expressly pursued by the association under the Treaty still exist.

Once we have answered this basic question, what questions still remain to be discussed here and now ? They are of three kinds : legal questions, economic questions — or, more exactly, questions of economic policy — and political questions.

I will not spend much time on the legal problem. The achievement of independence by the associated countries raised the question whether the legal consequences of the association were still valid . . . . The final result was general agreement that the association relationship should be continued unaltered at least until the expiry of the Implementing Agreement. . . . We consider it essential that agreement should be recorded or sought on the following points :

First, that a new implementing agreement still requires the unanimous approval of the Council of our Community as laid down in Article 136 of the Treaty;

Secondly, that there is an obligation on the Member States of our Community to bring about a new implementing agreement — which to us seems to follow from Chapter IV of the Treaty and again from Article 136;

Finally, that the agreement of the associated States must be obtained; as confirmation of this the general legal concept of Article 238 can, I think, be invoked.”

Mr. Hallstein continued : “What does this entail for our work and for the form to be given to the association ? There is certainly not — and I wish emphatically to preclude this misunderstanding — any question of imposing, much less of forcing, a particular politic-economic ideology on the economies of the associated countries. Let me explain myself more clearly. The expression “economic planning” has come to be widely employed to mean an economic system without any freedom for the individual agents of economic life. For this reason there are people who refuse all economic plans, including development plans — as though all policy were not planning instead of a lack of plans! Our reply to such people is that — quite apart from what one should think of “economic planning” — it is reasonable to draft a plan for the development of an economy which needs to be developed and is capable of development. . . . Yes, we are inclined to demand such a plan precisely as the condition for all material aid or, to put it another way, to begin all aid by aid in the drawing up of a plan.

We must ensure to the associated countries a lasting, fair outlet in our markets and not simply make gifts from the Development Fund — although we must do this too. We should further put them in a position to be able increasingly to deal by themselves with the stabilization of commodity prices. We should give them the necessary initial aid, but expect them to make their own contribution to a system of price compensation. I hope that we will succeed in working out an effective joint programme of technical assistance. The associated countries should make a contribution — even if at first it is little more than a token — to the financing of this programme. Such a contribution would give them the right to feel that they were the employers of the experts coming to them. And finally, we would welcome it if the associated countries, in exchange for their nationals who come to us, would receive nationals of the Community countries so that these may learn overseas what cannot be learnt in Europe.”

“By and large it seems to me,” Professor Hallstein continued, “that what I have said covers equally all that is essential for our future relations in the strictly political field. I can sum this up in three points. In living together we should respect : self-determination, solidarity, mutual advantage. Our task is now to maintain and strengthen the solidarity whose form was confirmed in this way. At the same time we know that even today we cannot create anything which is final in the sense that the last touch has been put to it. Development policy itself is also in a process of uninterrupted development, and so too is association policy. But this does not detract in any way from what we are doing. The task before us is, by untiring work, to make something better and better out of what has been handed down to us, to keep what has proved to be lasting and good, to give up what has not proved satisfactory, and to add the new things demanded by the changed conditions of our time. We will succeed in this if we are inspired by the spirit which presides over this whole meeting, the spirit of brotherly co-operation.”

In a general survey, Mr. Lemaigen, a Member of the EEC Commission, pointed to the handicaps with which the associated countries (arbitrary frontiers, an economy more than 90 % agricultural, etc.) and the European countries were faced from the outset. The very implementation of the Treaty of Rome, he said, caused a further difficulty in the co-ordination of the European and African economies. Mr. Lemaigen regarded the extraordinarily rapid establishment of the machinery of government and the means of a separate existence so soon after the attainment of independence by the overseas countries as auguring well for the future. He assured the African delegates that the six European governments, supported by public opinion in their countries, were firmly resolved to find a solution for the problems of association, and added that at present 90 % of the world's wealth was controlled by 10 % of the world's population — a gap which would inevitably widen if nothing was done to remedy the situation.

Mr. Lemaigen said that most of the suggestions made accorded with those of the Commission and he gave some indication of the Commission's views on the provision for financial and technical aid in the future association convention. He said : “It is certain that just as investment aid to countries lacking local capital must run for a very long period — at the moment I have not even any very clear idea about its duration — so the purely agricultural aid, the devices of agricultural policy, to get through a difficult period, must be — let us hope — applicable for a relatively short period only, their very purpose being to make themselves unnecessary.

The ideal would be to put the agricultural economies of all these countries in a position, by the end of ten or fifteen years, to thrive by their own exertions. This is the wish of all the Africans. We know this because they have told us so very frequently. That is why I think we should distinguish between the two operations : investment and production aid.”



Mr. Lemaigen concluded by saying that the economic organization to be aimed at should have as its principal purpose the increase of consumption. "In the beginning, of course, protection will still have to be given to your products, but no artificial means will ever guarantee your markets as effectively as an increase of consumption, which is already assured naturally by the growth of population."

Speaking again later, Mr. Lemaigen explained the Commission's views on the European Development Fund and technical co-operation. He said that the wishes of the associated countries were on the whole in line with the Commission's ideas on this point; the European Development Fund had already set itself the following aims :

*a)* A greater EEC contribution to pre-investment expenditure so as to relieve the administrations of the associated countries of the burden connected with the preparation of dossiers;

*b)* The stationing of technical representatives of the Fund in the main centres of the associated countries;

*c)* Special appropriations from the Fund to finance pre-investment activities. In future the resources of the Fund should be used equally for the provision of loans and grants. After 1962 the annual endowment of the Fund should be 250 million dollars.

The rule of annual accounting in applying these sums should be set aside as should be the difficult and outdated distinction made between social and economic projects. The Fund should be able to contribute to guarantee arrangements for private investments. Also, the aid provided by the Fund should fit in with the overall plans to be drawn up by the associated countries.

Mr. Hirsch, President of the Euratom Commission, spoke on the problem of the Institute for Development. He said : "Why is an institute of this kind really necessary ? Because the facts of the case show that, broadly speaking, we do not know the answers to these development problems, and by this I mean not only those raised by the newly-developing nations represented here, but also the questions bound up with the development of our own countries."

Mr. Hirsch stressed the need for two types of work : studies of a general nature and on the spot studies. He asked for the preparation of documentary material and textbooks, which would be useful for the experts in the field. Also, there was a need for training heads of missions and planning experts. "The second part of the undertaking — the work to be carried out on the spot — needs to be entrusted to mixed teams composed of experts covering a whole range of specialities. Mr. Hirsch concluded : "Indeed, there can be no real prosperity if there are some who are overwealthy whilst others have not even the bare necessities of life."

Mr. Wehrer, speaking on behalf of the High Authority of the ECSC, said that the association between the EEC and the overseas countries affected neither steel nor coal. He hoped that by the new form of association new links could be forged with the High Authority. He expressed the wish that this association would be worked out in terms of a joint effort by the three Communities.

Mr. Krekeler, a member of the Euratom Commission, spoke of the importance of the aid which the Atomic Energy Community could give to the overseas countries in the peaceful uses of nuclear energy and in the training of specialised administrative and technical staff.

## The debates

### *The institutional form of the Association* <sup>(1)</sup>

In the debate which followed Mr. Lamine Gueye's speech, Mr. Scheel <sup>(2)</sup>, introducing his report on the criteria and objectives of the Association, said that the independence of the African countries must be strictly respected.

Mr. van der Goes van Naters <sup>(3)</sup> emphasized the complementary nature of the co-operation between the Six and the associated countries.

Mr. Scego (Somalia), Mr. Corniglion-Molonier <sup>(4)</sup> and Mr. Friedensburg <sup>(5)</sup> spoke in general terms on the need for political co-operation between the European and the overseas countries.

Addressing the African delegates, Mr. Pleven <sup>(6)</sup> said: "In suggesting association to you, we are not trying in a roundabout way, to restore any political or economic advantages to Europe or the Europeans. Even less are we endeavouring to make you take sides in the disputes we may have with what is often called the East. Nor do we seek to make propaganda for this or that economic or political doctrine. We are not missionaries for any ideology.

"Well then, you may say, what is it you want? Our answer is that we are simply trying to let you benefit, to such extent as you may wish, from the centuries of effort, experience, mistakes, tribulation and sufferings which we have behind us. Our wish is to spare you the setbacks we have met with and the mistakes we have

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<sup>(1)</sup> In the following record of the debates more space is given to the contributions of the African and Malagasy delegates because this is the first time they have had an opportunity to speak officially in Europe.

<sup>(2)</sup> German — Liberal and associated Group.

<sup>(3)</sup> Dutch — Socialist Group.

<sup>(4)</sup> French — Liberal and associated Group.

<sup>(5)</sup> German — Christian-Democrat Group.

<sup>(6)</sup> French — Liberal and associated Group.

made ourselves. We want to help the African nations to step right into the realm of knowledge of the methods by which we have reached the present level of education in the countries we represent, to obtain the highest degree of productivity from our work and our savings, to organize our administration and our body politic in a way which has incontestably left its mark on civilization and has made a substantial contribution to the progress of mankind."

Mr. Dehousse <sup>(1)</sup> noted the large measure of concordance between the Ouagadougou resolutions and the suggestions in the report by Mr. van der Goes van Naters. He recommended that the European, African and Malagasy parliamentarians should meet at last once annually.

Mr. Dehousse stressed the interdependence and solidarity between the countries of Europe and Africa, adding: "Probably — I would even say certainly — the way ahead lies in the formation of broad federal units."

"If this happens, if we see this idea gain ground in Africa you, my African friends, will have achieved something remarkable, and you will have outstripped Europe because you will have bypassed the nationalist stage, which has caused us Europeans so much woe and has at times brought some of us to the brink of disaster."

Mr. Ravoni (Madagascar, said that both heart and mind should go into the building of association. He urged the conference to look the difficulties squarely in the face. As to the details of collaboration, he supported the idea of meeting at least once annually and said that it would be desirable for the preparation of business to be less centred on Europe. He suggested that the secretarial staff of the European Parliament, which would be substantially the same as that of the interparliamentary conference when it became a regular institution, should co-opt a number of specialists who had worked in the African countries and understood them, or some African officials. On the other hand, African élites were few in number and they were all needed in their own countries.

"Difficult and arduous though the economic problems might be, they are less so than the psychological obstacles which must be overcome. Do not imagine that when I say this I am thinking only of the after-effects of colonisation. They are there, certainly, and to gloss over them will not eradicate them; on the contrary, we must learn to face them fairly and squarely. But there is also, and above all, a difference in mental equipment, in personal and social ethics and in cultural values."

Mr. Promontorio (Congo-Leopoldville) said that the Congolese delegation, which was numerous and composed of representatives selected from all the areas of the Congo, wished to state in the clearest way possible that its presence at this gathering was in no way to be taken as signifying a political choice, a choice between East or West or as implying a hostile attitude towards this or that country.

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<sup>(1)</sup> Belgian senator, Socialist.

“The Congolese delegation would also stress that its participation reflects an economic choice, and its aim is victory over poverty through permanent collaboration between the partners of the Common Market united in their adherence to the principles laid down in the Charter of the United Nations. For the Congolese the association is an economic choice, but it is also a spiritual and moral choice.

We would like to draw attention to one matter which is a source of concern to the Congo Republic. Of all the associated states it is the only one which, prior to attaining independence, had no protective tariffs. . . . It follows that the economic structure of the Congo differs from that of the other associated states, but it also follows that in studying economic problems and seeking their solution these structural differences must be borne in mind and that care must be taken to ensure that the association arrangements shall not become a source of division or dissociation for the African states. This anxiety, expressed in these terms, does not mean that the Congolese delegation has any doubt or hesitation. On the contrary, it signifies the most sincere and loyal expression of Congolese adherence to the institution of the Common Market. . . . We must rule out anything which could lead to a division of Africa, even if such a division were restricted to the economic sphere. For it is precisely economic links which encourage cultural, technical or social relations between peoples.”

Mr. Promontorio said that since his country had gained independence there was only one international agreement it had expressly confirmed, and it was the association of the Congo with the Treaty of Rome. The speaker added : “Commercial and economic relations will not always be based on the supply of African raw materials to Europe and European manufactured goods to Africa. Our countries are becoming industrialized, new factories are springing up and will require large consumer markets in order to face outside competition. Quite naturally, the African states will begin to move towards an African common market. Therefore, all the partners in the present Common Market must be included in this new economic grouping. That is why we are so anxious not to cut ourselves off from those who are not yet with us.”

Mr. Armengaud <sup>(1)</sup> said that action must be twofold : price stabilisation and marketing policy. All should abide by the rule of Community preference with all its consequences for the African associated countries.

Mr. Jarosson <sup>(2)</sup> drew the attention of the conference to the part which the European Parliament could play in working out a new formula of association.

Mr. Mahamane Alassane Haidara (Mali) agreed with Mr. Scheel's proposals and said : “The new association must be built upon a new foundation between equal partners, and appropriate solutions must be found. We are dealing with an important

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(1) French — Liberal Group.

(2) French — Liberal Group.

issue and viable arrangements cannot be decided upon in a hasty fashion. In the negotiations between Africa and Europe on a new implementing convention for the association the details must be thoroughly studied. The time-limit of December 1962 is not too remote for this purpose."

Mr. Haidara said that in international policy the Mali Republic would remain faithful to its attitude of strict neutrality. In the economic sphere it had opted for a socialist planned economy. Mali would remain loyal to the policy of African unity and any agreement with the Community would be based on the assumption that assistance to Mali would not entail any impairment of its political or economic sovereignty.

In its cultural policy Mali was equally opposed to integration with Europe. It was on the contrary anxious to develop a national and African culture whilst favouring cultural exchanges with the European countries.

Speaking of the forms of association, Mr. Haidara added: "Mali believes it to be preferable to leave things as they are rather than to accentuate the multilateral character of the association by closer collaboration on all points between the Member States and the African and Malagasy countries. For this reason it will be very difficult for us to give our government's agreement to the Council of Association" . . .

"Association, though it be concluded without political conditions, political ties or political obligations nevertheless affects the political life of the countries concerned."

"Mali knows that its liberty is guaranteed by the European Economic Community. In practice it would like to feel this by forging the links of solidarity necessary for its economic and social development. . . . After the struggle for their political independence the African states have now resolutely set themselves on the path of economic decolonisation. Europe can help them. The European Parliament has opened the road for fruitful association between Europe and Africa. The various meetings, which we have had, have raised high hopes and it would be criminal to disappoint those who have faith in this economic co-operation between the two continents which may become a positive factor for solidarity between nations and peace throughout the world."

Mr. Rubinacci <sup>(1)</sup> said that the Council of Association, which should be an equi-representative organization empowered to take sovereign decisions, should leave the door open to non-member countries.

Mr. Nany (Madagascar) said that his country proposed to continue the association agreement and the principle of equality in administering it. He recommended flexibility of administrative procedure and emphasized the complementary nature of the relations between the African and European countries; he further proclaimed the principle of the "debalkanisation" of Africa.

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(1) Italian — Christian-Democrat Group.

Speaking of the preferential system set up by the Treaty of Rome and the association convention, he said : "We take this from the outset as a minimum and it is one of our fundamental requirements that it be maintained. Black Africa and Madagascar are a focal point of world equilibrium. If you play the game honestly with them as partners you will have in your hands the best chance of safeguarding peace."

### *Economic problems*

The conference then turned to the second point on its agenda : economic problems.

Opening the debate, Mr. Duvieusart (1), who had drawn up the working document, drew attention to two important facts the meeting of Yaoundé and its outcome, and the planning efforts made by the associated countries. He spoke of the problems of association from the tariff point of view as well as from the economic and commercial angle. One of the reasons why tariff protection might be ineffective was to be found in consumer taxes levied on tropical products, which were very high in certain EEC countries.

Secondly, stability in volume and in prices for the associated countries' trade should be maintained and fluctuations in the trade cycle can be cushioned by the use of stabilization funds.

"The first thing the Community' can do is to ensure the satisfactory functioning of the stabilization funds, perhaps by setting up a fund stabilizer, that is to say, a sort of re-insurance fund, a reserve fund", Mr. Duvieusart went on to say.

The discussion continued on Wednesday, 21 June.

Mr. Philippe Yace (Ivory Coast), surveying the political background, recalled that "when they acceded to the French parliamentary assemblies in 1945, the Africans made the mistake of dividing their forces by joining, according to their allegiances, the different parties in the metropolitan countries. In this way, former French West Africa has been shared out politically. This is a mistake the African would not wish to make in their approach to the European Parliament today". Mr. Yace stressed the need to tackle problems in an entirely new spirit and to become aware of the dangers threatening, and he added : "If European economic circles were to withhold their aid for the economic and social development of our States because it would not be immediately profitable or through fear of the counter-effects it might have, we, the Africans, would be obliged to seek elsewhere, and on what disastrous conditions for Europe, the help that had been refused us".

Turning to the question of existing consumer taxes Mr. Yace declared that total revenue from such taxes on tropical products in the Community member countries exceeded each year the five-yearly contribution of these countries to the Investment Fund.

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(1) Belgian — Christian-Democrat Group.

He deplored the reduction in protective tariffs, which was undermining the very existence of a tariff preference area.

Mr. Yace criticized the establishment of duty free import quotas, which seemed to him incompatible with the spirit of the association agreement. He went on: "Since the real aid expected by the associated States is linked with fair rewards for the producer, it is important that these deviations should be corrected with due regard to the spirit of the Treaty of Rome itself".

Mr. Yace welcomed the existence of the European Development Fund and emphasized "that this kind of assistance is destined to expand considerably in the future in order to ensure for those who are worst off an improvement, however slight, in their national incomes. And yet, whatever its importance for certain African states in particular, financial assistance remains secondary in comparison with the imperative need for effective solidarity and economic preference". . . . "Common sense demands regional economic groupings and we are well aware of this. Face to face with an organized Europe, Africa itself has struck out along the road of economic co-operation and harmonization. The establishment of the African Malagasy Organization bears witness to this."

"The renewal of the association will mark a turning point in the policy of the European Economic Community, since on this occasion the major problems of market stabilization for overseas products, of tariff protection, of cultural, technical and scientific co-operation, and of financial assistance must be seen in relation to the prospective establishment of a genuine Euro-African and Malagasy common market." Mr. Yace concluded by saying: . . . "Our European, African and Malagasy destinies are bound together by the forces of history and geography. It is not right that they should fall apart in the disorder of a Europe and an Africa separated by selfishness and lack of understanding."

Mr. Awayamo (Central African Republic) hoped that this conference would become a regular institution. He spoke of the economic situation in his country, which was such that "when one of our peasant families spent five months growing cotton, the country's main industrial crop, they receive only 6 000 to 7 000 old CFA francs, or 120 to 140 new French francs.

Mr. Awayamo concluded by expressing his firm belief that Europe would see to it that poverty disappeared from all the destitute areas of Africa.

Mr. Preti <sup>(1)</sup> commented on the working documents drawn up at Ouagadougou, noting that they were on the same lines as the European Parliament's reports. Mr. de Block <sup>(2)</sup> added a few words on the need for planning, saying: "Unless I am mistaken, our African and Malagasy colleagues want neither European capitalism nor communism."

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<sup>(1)</sup> Italy, Socialist.

<sup>(2)</sup> Belgium, Socialist.

Mr. Carcaterra <sup>(1)</sup> said that co-operation between Europe and Africa should not be political in nature but should contribute to "the self-determination of the Associated States". He expressed his regret that the tariff protection provided for in the Treaty had been partly nullified by the increase in consumer taxes.

In the view of Mr. Kapteyn <sup>(2)</sup>, the European countries must support the industrialization of the African countries during a transitional period. No basic alteration of the association was called for at present.

Mr. Kone Begnon (Upper Volta) spoke of the special problems facing his country, which was essentially a producer and exporter of livestock. He discussed investment requirements and the need for a guarantee system in connection with these investments. He also dealt with requirements in the production of cheap energy, a particularly vital problem for his country. "We are glad to see that there is no hesitation in spending hundreds of millions out of concern for the health of the African peoples, on the construction of hospitals and dispensaries. But the money is sometimes not forthcoming for less expensive schemes designed to improve the living standards of those peoples; we should not like to think that because economic investments do not pay off at once, they should not be made at all.

Mr. Boubou Hama (Niger) voiced the high hopes he placed in the association of his country with the EEC: "The men who make up our nations have been trained in your schools and know your methods."

The private sector in the West must overcome its word-phobia. "When an African tells you that he is neither a communist nor a capitalist, you must believe him". . . . "We have been asked to give an answer. My feeling is that neither Africa alone nor Europe can do this. The answer, based on what we have said, all of us, must emerge from the work of our committees. It will be the result of the work of everybody."

On the morning of 22 June the debate on the economic form of co-operation was continued.

Mr. Haidara (Mali) made another speech, in which he confirmed the intention of his government to maintain the association of his country: "The agreement we shall need to negotiate, will have to be a commercial and economic agreement." Mr. Haidara considered that, within this framework, Mali was ready to offer the same treatment to the six EEC member countries, subject to any further privileges that one or other EEC country might acquire under bilateral agreements. However, there could be no questions of an economic integration of Africa and Europe, for such integration presupposed the prior establishment of a European entity and an African entity. In this respect, Africa had not yet advanced as far as Europe.

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<sup>(1)</sup> Italy, Christian-Democrat.

<sup>(2)</sup> Netherlands, Socialist.



In the immediate future, Mali was striving towards a solution of its problems in the framework of a planned economy. When new association links were being decided on, this special situation must be taken into account, according to case.

As for the European Development Fund, Mr. Haidara felt it would be well in the future to negotiate directly with the different associated States on the volume of credit which could be placed at their disposal. The State concerned ought to be able to decide for itself on the way in which the funds were to be spent, gearing them to its national development plan. Those in charge of the plan, with full knowledge of the utilization criteria for the funds available, could allocate them directly to the various investment schemes.

Turning to the question of technical co-operation, Mr. Haidara said that his country was anxious to concentrate this effort on the training of managerial and supervisory staff. He suggested, in particular, that training programmes should be linked with the schemes financed by the Development Fund and should be paid for by the concerns with whom the contracts had been placed. The speaker also felt that bodies that might be set up in connection with technical assistance, such as the development institute mooted by the EEC, should have their headquarters in Africa.

Mr. Savi de Tove (Togo) outlined the history of African development and spoke of certain misgivings which the idea of the Common Market had aroused in Africa. He expressed his full confidence in the association with Europe.

Mr. Ratsitohara (Madagascar) took the view that harmonization of the development plans of the African and overseas countries was absolutely essential. "The diversification of crops involves prior market research, nothing less than operational research, product by product and in the different markets." Mr. Ratsitohara considered in turn the problems of investment, the right of establishment and the possible widening of the Common Market.

Mr. Batonga (Cameroon) was of the opinion that the tariff protection system needed adjustment and improvement: not only must the agreements laid down in the Treaty of Rome be maintained, but they must also be added to. Mr. Batonga, too, called for the abolition of consumer taxes, and the establishment of machinery for regulating prices. Such machinery might well make use of the experience of the national fund set up by France for regulating the prices of overseas products.

Mr. Batonga felt that prior consultation among the associated States was essential before any commitment to the EEC. As for the request by certain GATT members for concessions on the common external tariff, Mr. Makha Sarr (Senegal) said in a short speech that Senegal set great store by the association, and suggested that special attention should be given to the problem of tropical oleaginous products.

Mr. Chabi Mama (Dahomey) also urged that the principle of a Community preference in favour of the overseas countries should be respected. He gave a brief survey of the volume of the six countries' trade in tropical products, stressing that the policies of the Six were not, in this respect, homogeneous, and denouncing the insidious form of colonialism according to which "those who provide raw materials must yield to the demands of the customer without any thought for the standards of living of the peasants, who are helpless in the face of the fixed prices of the manufactured products they buy without discussion and under compulsion."

### *Technical assistance and cultural exchanges*

The conference next turned to the third item on its agenda: the Development Fund, technical assistance and cultural exchanges.

Mr. Peyrefitte <sup>(1)</sup> opened the debate and defined the objectives at which a reform of the Fund must aim: speedier operation, more funds to be made available, management on a basis of equality and diversification of aid.

Mr. Pedini, <sup>(2)</sup> following Mr. Peyrefitte, emphasized the leading role that technical co-operation was to play in the development of Africa: preoccupation with purely economic problems would not be enough to create a true association.

Mr. Bigmann (Gaboon) declared in a short speech that it was wrong for the non-associated African countries to enjoy equal treatment with the associated countries.

Mr. Battaglia <sup>(3)</sup> felt that the participation of the African countries and of Madagascar in the administration of the Fund was necessary. He also urged that an order of priority be established for financing projects.

Mr. Atangana (Cameroon) put forward a number of proposals which would make it possible to "base the association on the principle of equality": the establishment of an Association Council on an equi-representative basis with delegates from each government of the associated countries and the EEC Council and Commission: the institution of an arbitration court composed of one arbitrator appointed by the EEC, one chosen by the African States and one from a non-member country; the representation of each African Republic with the EEC and, lastly the establishment of the Strasbourg Conference as a regular institution.

At the political and institutional level, Mr. Atangana considered next the problem of the association's legal form and that of its extension to other states: such extension, he said, was possible under certain conditions.

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<sup>(1)</sup> France — Liberal and associated Group.

<sup>(2)</sup> Italy — Christian-Democrat Group.

<sup>(3)</sup> Italy — Liberal and associated Group.

Mr. Schuijt <sup>(1)</sup> was anxious to make clear the standpoint of his country vis-à-vis the association: the Netherlands wanted good relations with all the African and European countries. They felt that certain features of the association should be re-examined. This was true of the system of preferential tariffs, which might be detrimental to Netherlands trade. The Government was, however, willing to make an effort to help in the development of the associated countries and to ensure for them preferential treatment. The stabilization of raw material prices and guarantees for private investment were being given particular attention.

Mr. Hamoud Ould Ahmedou (Mauritania) said that Mauritania adhered to the principles established at Ouagadougou. Accession to independence did not prejudice good relations between the EEC and the overseas countries. It was still necessary to purge the Treaty of anything which might encroach on the sovereignty of the overseas countries. Mr. Ahmedou then examined the question of the stabilization of raw material prices, the problem of the geographical localization of regional co-operation, and finally that of the institutional relations to be established.

Mr. Bohy <sup>(2)</sup> criticized the principle of the uniform contribution to the national incomes of the countries belonging to the association: he felt that 1 % of the national income as proposed by Mr. Peyrefitte represented a much greater effort for the overseas countries than for the European countries.

Mr. van Dijck <sup>(3)</sup> felt, like Mr. Bohy, that it would be premature to fix exact figures for the national contributions to the Development Fund. He approved the principle of a minimum subscription from the African States to qualify them to share in the administration of the Fund. He recommended prudence in price stabilization, and took the view that a stabilization fund should ensure its own balance. He also referred to the possibility of collaboration between the Six and the Seven in Africa and of closer relations between English-speaking and French-speaking African countries.

Mr. Dounia (Chad) outlined the economic needs of his country and expressed his hopes concerning the stabilization of cotton prices, financial aid in the form of subsidies, systematic prospecting of the subsoil, etc.

Mr. Maurice Faure <sup>(4)</sup>, discussing a draft prepared by the European Movement of which he had just been elected International President, listed the main features which must characterise aid to Africa: it must be "egalitarian, comprehensive, multilateral and devoid of political strings". Moreover, it must remain open to other countries.

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<sup>(1)</sup> Netherlands — Christian-Democrat Group.

<sup>(2)</sup> Belgium — Socialist Group.

<sup>(3)</sup> Netherlands — Liberal and associated Group.

<sup>(4)</sup> France — Liberal and associated Group.

Mr. Faure accepted the principles agreed at Ouagadougou concerning financing. He pointed out that the subscription of 1 % remained a modest figure whatever the country in question : every country levies on its budget a minimum of 1 to 1.5 % per year for its own public investments : "All that is needed, therefore, is a book-keeping operation".

Mr. Boubou Hama (Niger) stressed the need to train managers and supervisors so that they in their turn might exert an influence upon the future sectors of production.

Mr. Feretti <sup>(1)</sup> spoke of the building in Florence of the European University and Mr. Ibalico (Congo-Brazzaville) commented on the results of Ouagadougou and also referred to the problem of consumer taxes.

Mr. Herr <sup>(2)</sup> expressed his confidence in the good will of the individual. Such good will was essential as support to the work of governments, and he gave several examples of this.

Mr. Ndounokong (Cameroon) outlined his government's views on technical assistance which must be provided against a more fully Euro-African background, on education (the schools must be equipped and kept going until such time as the African countries could recruit their own teachers), on occupational training "the basic need is to open up and develop as widely as possible this training of basic technical staff in the geographic area of the associated African and Malagasy States". Lastly, on cultural exchanges, Mr. Ndounokong recommended the creation in the member countries' universities of Chairs of African Studies and the establishment of the Euro-African Institute.

Mr. Sabatini <sup>(3)</sup> felt that there was one major problem which the countries represented at the conference had to face together : that of the use of new techniques in production and trade to improve the standards of living of the European and African peoples. In this connection he emphasized the role of those representing the world of labour, and recommended permanent liaison arrangements to improve mutual understanding.

Mr. Scego voiced his firm belief that the association of the African countries with the Common Market would have a highly favourable impact on the economic development of Africa : not only should the African countries have no misgivings about joining the European Economic Community, they should, on the contrary, see in this association a useful instrument for their economic and political development and a guarantee of their independence.

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<sup>(1)</sup> Italy — Socialist Group.

<sup>(2)</sup> Luxembourg — Christian-Democrat Group.

<sup>(3)</sup> Italy — Christian-Democrat Group.

Mr. Scego also said that under the new association system it would be advisable to provide for an adequate framework for technical and cultural collaboration between Europe and Africa.

Mr. Kopf <sup>(1)</sup> felt that the granting of Community aid should not entail the abolition of bilateral aid.

Mr. Boukar (Cameroon) dealt with a number of aspects of the Development Fund : its administration should be entrusted to an equal number of Africans and Europeans. The Fund could play a very useful role in guaranteeing private investments. Mr. Boukar requested that the EEC place at the disposal of the associated States the technical advisers who were essential for the expeditious preparation of schemes to be undertaken in connection with the Development Fund, and urged that henceforth the Fund be known as the "Common Development Fund".

Mr. Carboni <sup>(2)</sup> felt that the anxiety of the Africans to base co-operation on a footing of equality was justified. He also declared that it would be inadmissible that responsibility for this co-operation should be withdrawn from the EEC Commission and handed over to the Governments.

Mr. Carcaterra and Mr. Carboni said that the interdependence of Europe and Africa was axiomatic. They also discussed certain aspects of the political situation.

#### *Voting on the resolutions*

Saturday, 24 June, was given over to the presentation and discussion of the recommendations, in which a number of amendments were agreed to without difficulty.

Speeches by the President, Mr. Furler, who spoke of the constructive nature of the work and the friendly atmosphere which had prevailed during the discussions, and by the co-President, Mr. Lamine Gueye, brought the conference to a close. In conclusion, Mr. Lamine Gueye declared : "This agreement we have achieved in Europe is one that we have already been able to reach in Africa. When we meet again next year on African soil, we as hosts and yourselves as guests, you will see that apart from the language we have learnt in your schools and universities, we can also speak to you through our actions, using the language of friendship and of the heart."

"We shall meet then in Africa, and there not only will you be our guests but you will also be at home. Together we shall give to the world an example of how countries, differing in many ways, are able to find unity on certain methods and strive only for the freedom, friendship and prosperity of mankind."

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<sup>(1)</sup> Germany — Christian-Democrat Group.

<sup>(2)</sup> Italy — Christian-Democrat Group.

## II. The signature of the Association Agreement of Greece with the EEC

(9 July 1961)

The Agreement associating Greece with the European Economic Community was signed in Athens on 9 July 1961 : the ceremony took place in the Greek Parliament.

The Agreement was signed on behalf of the Kingdom of Greece by : Mr. P. Kanellopoulos, Deputy Prime Minister, Mr. A. Protopapadakis, Minister for Co-ordination and Mr. E. Averoff-Tossizza, Minister for Foreign Affairs.

On behalf of the Member States of the European Economic Community the Agreement was signed by : Mr. Paul Henri Spaak, Deputy Prime Minister and Minister for Foreign Affairs, for Belgium; by Dr. Gebhard Seelos, German Ambassador in Athens, for the Federal Republic of Germany; by Mr. Maurice Couve de Murville, Minister for Foreign Affairs, for France; by Mr. Emilio Colombo, Minister for Industry and Commerce, for Italy; by Mr. Eugène Schaus, Deputy Prime Minister and Minister for Foreign Affairs, for the Grand Duchy of Luxembourg; and by Dr. H.R. van Houten, Under-Secretary of State for Foreign Affairs, for the Netherlands.

On behalf of the Community it was signed by : Professor Ludwig Erhard, President in office of the EEC Council of Ministers, Vice-Chancellor and Minister for Economic Affairs of the Federal Republic of Germany.

Mr. Walter Hallstein, President of the Commission of the European Economic Community, Mr. Jean Rey, a Member of the Commission and negotiator of the Agreement for the Community, as well as other political and diplomatic figures from the Member States and Greece attended the ceremony.

Special mention should be made of the cordial reception given by the Greek Ministers to the representatives from the Institutions of the Community and from the Governments of the six countries. The ceremony took place in an excellent atmosphere.

Speaking in French, Mr. Kanellopoulos made a speech in which he stressed the fundamental importance for Greece, but also the general interest for Europe, of the Association Agreement and the political step it represents.

“The Agreement we are signing constitutes the basis of the economic union of Greece with your six countries which are economically, socially and scientifically in the van of human progress. The Hellenes are well aware of what this Agreement means to them. They know that they have a great effort before them to raise themselves as quickly as possible to that level of economic progress without which the Agreement signed today will be as valueless to themselves as to the peoples who have done them the honour of deciding to associate with them. The considerable

advances which have been made along the road of economic development in these last few years by the people of Greece are of considerable importance. I believe that they will be still more substantial in the future, and today's Agreement will make a special contribution to this work, serving as a guide and a source of inspiration.

In this solemn moment I feel it is my duty — and it is always pleasant to carry out such a duty — to draw attention to the difficult nature of the work which has been done by the representatives of the Community appointed for this purpose during the long period of negotiations which have led to the results we see today. They have shown not only outstanding personal qualities and tenacity in defending the point of view of the Community and also — as was their duty — the point of view of the States forming the Community, they have also shown true devotion to the ideal of European unity."

"The happy conclusion reached in these negotiations is no more than a great, a difficult beginning. Greece will spare no effort to appear worthy of the confidence you have shown in it by the Act signed today; for our own part, we are sure that your countries will prove themselves worthy of the great task they have undertaken in the Treaty of Rome."

Speaking in German, Mr. Ludwig Erhard said: "In signing the Association Agreement with Greece, the Council of the European Economic Community and the Governments of the Member States are conscious of accomplishing a deed of the greatest significance for Greece, for the European Economic Community and for European co-operation in general.

I am specially delighted that we are signing the Agreement at the foot of the Acropolis. This hallowed spot, cherished by all mankind, brings fully home to us the European import of our action. It is no accident that the word "Europe" has a Greek origin. From this land flowed the ideas which have made our continent what it is today — ideas which have, for more than two thousand years, enriched all the countries in Europe and in the world beyond. Your country is for us the cradle of European civilization. How could we think of a European Community without Greece? It augurs well for the future that Greece should be the first country embraced by the expansion of the Community.

For the EEC, the special importance of our Agreement lies in the fact that the widening of the Community on the basis of the EEC Treaty has been shown to be not only a possibility but a reality...

One of the essential features of the Agreement is its completeness, including as it does, alongside purely commercial arrangements, a set of provisions intended to achieve as complete an integration as possible of the Greek economy with that of the Community.

This will to co-operate very closely made itself felt from the start, when contact was established between the Greek delegation and the delegation from the Community.

It could obviously assume practical form only where the economic situation allowed and if each of the partners was willing and able to assume adequate commitments. We are particularly pleased that the negotiations should have been so successful in this direction.

For we feel that in this way we have chosen the best road to all the directives we have set ourselves, that is to say, to create favourable conditions for closer relations between Greece and the Community in all the fields covered by the Treaty of Rome, taking full account of the special features of the Greek economy, its difficulties, its present possibilities and its prospects for the future.

The Member States and the Council of the European Economic Community wish to pay tribute here to the tenacity with which the negotiations have been conducted on both sides; the Commission has negotiated this Agreement on behalf of the Community and has left no stone unturned in its endeavour to reach the necessary compromises and to find the solutions to difficult problems; again, the Greek negotiators showed themselves from the very start well aware of all these problems and of the need to devise positive solutions for them. In this connection I want to say on behalf of the six Member States how sincerely grateful we are to the negotiators of both sides. I should like to pay a very special tribute to that tireless and resourceful negotiator, Mr. Jean Rey, who strove so hard and to such good purpose to find a reasonable and just balance between the wishes of all concerned...

The Community sees in the great efforts Greece has already made to improve its economic situation every promise of its determination to continue, indeed to accelerate its economic and social progress. The Community firmly believes that the association will both facilitate these efforts and make them more effective, and that Greece will be able — thanks to the contagious desire for progress which is one of the most important elements in our Community — to shorten appreciably the time that the process would otherwise need to reduce the gap between its present economic level and that of the more favoured countries."

Mr. Walter Hallstein gave his speech in modern Greek and this mark of courtesy was highly appreciated by his Greek listeners.

After expressing his thanks for the tribute paid to the Commission and emphasizing the value of the service of Mr. Rey, who had conducted the negotiations, he went on to say that Mr. Rey had "found in the Greek delegation partners who not only energetically defended the interests of their country — as was their duty — but also kept constantly in mind the mutual interest of both parties to the negotiations. For, reversing somewhat the philosophic remark of President Kanellopoulos,



I would like to say : the future — the future of our association — has already begun in the negotiations. We did not face each other in these negotiations as opponents, but in a spirit of comradeship, in a European spirit.

“This made it possible to achieve a result, the political and economic importance of which is equally great for both sides.

The Community thus confirms its open character. It is indeed no selfish enterprise working to the advantage of its members alone, but serves the strength and peace of Europe even beyond its own confines.

Greece confirms the political principles to which she has long been true. She strengthens her security by attaching herself even more closely to her old friends. At the same time she is providing her economy with a great opportunity. This economy is still in the stage of development, but, thanks to the diligence and restraint shown by the Greek people and to the achievements of a courageous and far-sighted Government, it is a healthy economy. Under the Association it is to be brought step by step, by careful advance and without any sudden changes, into line with the level of the countries of our Community. Both industry and agriculture in Greece will benefit from this — through development aid and through access to a great market of 160 million people with a high standard of living.

We are certain that this work will succeed, but the process will not, of course, be automatic. It will be the result of close co-operation between Greece and the Community. We shall meet on a footing of equality in the Council of Association and there, shoulder to shoulder, set about the task of imparting life and vigour to our Treaty.

We are happy that today the first treaty of association between the Community and a non-member country is being signed, and we are doubly happy that it should be with Greece. This country is dear to the heart of every European as one of the fountain heads of European culture. Spiritual currents have gone forth from this land which have given their unmistakable stamp to the personality of Europe. We would not know the True, the Beautiful and the Good without the wisdom which was once bequeathed to us by Greece. It is therefore with a feeling of deep satisfaction that we give a new and contemporary form to our communion with this country.”

At a dinner attended by the representatives of the Community, Mr. Karamanlis said : “Allow me on behalf of the people of Greece to welcome you here tonight and to make you the heralds of our cordial good wishes to the allied peoples, our friends, whom you represent.

In the minds of the Greek people, the European Economic Community is not only an economic association. For us it is also a unity of much greater importance, with a political mission of far wider scope. If we are the first to have sought asso-

ciation with the Community, it is because we were inspired by the firm belief that the economic unification of Europe will lead to real European unity and so to a strengthening of democracy and peace throughout the world.....

The cornerstone of the new Europe was laid in Rome. Without wishing to exaggerate the importance of my country, I think I may say that here in Athens another event is taking place today which will make a considerable contribution to the consolidation of this new Europe. Today the family of the strong economic countries which you represent welcomes into its midst a country at the critical stage of its economic growth. This event deepens the character of the Community and is proof that the strong economic countries are moved by a feeling of responsibility in face of the problems of our time.

Through the association of Greece with the European Economic Community the Greek economy enters a new and decisive phase in its development.

The Greek people is fully aware that it is shouldering a difficult task. As it climbs the slope before it, Greece will have to make fresh efforts to expand its production and adapt itself to European conditions if it is to place its economy on a sound competitive basis in a vast market of 170 million consumers. But the Greek people also knows that the end of the road will also be the end of a long period of economic underdevelopment, bringing a better future for us and for our children.

The Agreement signed today provides the best possible conditions in which Greece can be associated with the Community. It has been the result of long and laborious negotiations. . . .

These negotiations have, of course, not been without their difficulties and disagreements. But whenever differing points of view seemed to be leading to deadlock, the spirit of European understanding and solidarity managed after all to carry the day.

Full confirmation of this spirit can be found in the decision taken by the six Governments to sign the Agreement in Athens and in the fact that you are present here.

Greece sets very great store by this event. The choice of Rome and of Athens for the signing of the two basic agreements of the Community has symbolic value, for in these two cities was born the Europe which we are striving now to consolidate on firmer foundations.

The Treaty of Rome of yesterday and the Athens Agreement of today are milestones on our journey. Further progress will be needed before the task of unifying Europe is complete. We firmly believe that the time will come when Europe will include all the free European peoples without exception.

A strong and unified Europe will be the soundest guarantee, not only of its own survival, but also for the strengthening of freedom in the world. For in the last analysis it is in Europe that the fate of free man will be decided."

Replying to Mr. Karamanlis, Dr. Erhard, Vice-Chancellor of the Federal German Republic and President of the EEC Council, looked beyond the economic import of the association of Greece with the countries of the European Common Market and stressed its political and moral significance.

*Mr. Rey's speech*

Following Dr. Erhard, Mr. Jean Rey, a Member of the Common Market Commission, said :

“Here we are at the end of a perfect day, perfect in the nobility of the surroundings in which it has been spent, perfect in the setting which the Greek Government has given to it, perfect in its deep significance.

First of all I want to thank the Greek Government for their friendly welcome and for the flattering attention of which they have made us the object.

Mr. Prime Minister, you have been good enough to pay tribute to the efforts of those who have been negotiating on behalf of the Community : now it is my turn to acclaim the work of our partners and friends — Mr. Pesmazoglou, your distinguished representative in Brussels, Mr. Christidis, Ambassador Sgourdeos, Mr. Komitsas, Mr. Gazis and Mr. Dyriazides, who have, with such notable skill, ability and tenacity — sometimes too much tenacity — defended the interests of your country. Mr. Prime Minister, Sir, you are better placed than I am to appreciate the importance of this day for Greece. What I want to tell you is how important it is for our Community.

First and foremost, it is important because it has demonstrated the vigour of the Community's Institutions. Between the Council, which decides, the Parliament, which discusses, and the Commission, which prepares and negotiates, close co-operation has developed which has enabled us to achieve today's result.

Next it is important because it has proved that our Community is not closed, that the words of the Treaty which say that it is open are not a dead letter and that on the contrary, the Community is anxious to extend itself to other European States. Once again this evening we can affirm that it is our generation which will put an end to a state of affairs by which for centuries Europe has been divided into warring States, and that our generation will bring unity to Europe. We learnt in the schoolroom that the fifteenth century was the century of the unification of France, and the nineteenth that of the unification of Germany and Italy : it is our duty and our resolve to act in such a way that in their turn our grandchildren will say that the years from 1950 to 1975 were those of the unification of Europe.

Lastly, this is a great day because it has shown our Community has no desire to remain selfishly closed in on itself and that the relatively rich industrial States of which it is made up are anxious to help the less fortunate to take advantage of our economic expansion and to raise their standards of living.

What country other than Greece, what people other than the Hellenic people was more worthy to become the first associate of the Community? Greece, Athens, the sound of these noble names, the sight of your sea, your islands, your skies, your hills clad in stately pines, stir in our hearts a deep response to the culture which was your gift to us.

You also taught us democracy, political freedom, and the rules of a system based on free discussion and the responsibility of the citizen.

Lastly, you have set us the example of valour. Full five and twenty centuries ago, down there on the plain beyond the mountains or hard by among the islands, you fought off an invader from the East. Today, too, you are willing with us to maintain and if need be to fight for the West and its concept of the freedom of man.

Tomorrow we bid you farewell, but this does not mean that we shall be going our separate ways, it means that we shall begin our life together. I hope it will be a happy one, that it will fulfil your aspirations, and that as the years go by 9 July 1961 will stand out more and more sharply as a great day in the history of Greece, a great day in the history of Europe, a great day in the history of the West and a great day in the history of freedom."

### III. Statement issued by the heads of State or Government

(Meeting in Bonn on 18 July 1961)

The heads of State or Government of the Federal Republic of Germany, Belgium, France, Italy, Luxembourg as well as the Prime Minister and the Minister for Foreign Affairs of the Netherlands, desirous of affirming the spiritual values and political traditions which form their common heritage, united in the awareness of the great tasks which Europe is called upon to fulfil within the community of free peoples in order to safeguard liberty and peace in the world, anxious to strengthen the political, economic, social and cultural ties which exist between their peoples, especially in the framework of the European Communities, and to advance towards the union of Europe;

Convinced that only a united Europe, allied to the United States of America and to other free peoples, is in a position to face the dangers which menace the existence of Europe and of the whole free world, and that it is important to unite the energies, capabilities, and resources of all those for whom liberty is an inalienable possession; resolved to develop their political co-operation with a view to the union of Europe and to continue at the same time the work already undertaken in the European Communities;

Wishing for the accession to the European Communities of other European States ready to assume in all spheres the same responsibilities and the same obligations, have decided :

1. To give shape to the will for political union already implicit in the Treaties establishing the European Communities, and for this purpose to organise their co-operation, to provide for its development and to secure for it the regularity which will progressively create the conditions for a common policy and will ultimately make it possible to embody in institutions the work that has been begun;
2. To hold at regular intervals meetings whose aim will be to compare their views, to concert their policies and to reach common positions in order to further the political union of Europe, thereby strengthening the Atlantic alliance. The necessary practical measures will be taken to prepare these meetings. In addition, the continuation of active co-operation among the Foreign Ministers will contribute to the continuity of the action undertaken in common. The co-operation of the Six must go beyond the strictly political field, and will in particular be extended to the sphere of education, of culture, and of research, where it will be ensured by periodical meetings of the Ministers concerned.

3. To instruct their Committee to submit to them proposals on the means which will as soon as possible enable a statutory character to be given to the union of their peoples.

The heads of State or Government are convinced that by thus organising their co-operation they will further the application of the Rome and Paris Treaties. They also believe that their co-operation will facilitate any reforms which might seem opportune in the interests of the greater efficiency of the Communities.

To this end they have decided :

*a)* To have a study made of the various points of the Resolution of the European Parliament of 29 June 1961, on the subject of political co-operation among the Member States of the European Communities.

*b)* To associate public opinion more closely with the efforts already undertaken, by inciting the European Parliament to extend the range of its debates to new fields, with the co-operation of the Governments.

### **Declaration on Cultural Co-operation**

The following Declaration on Cultural Co-operation among the Six was adopted in Bonn :

“The Conference of heads of State or Government, meeting in Bonn on 18 July 1961 has taken note of the report drawn up by the Study Committee on the subject of co-operation in the field of higher education and research.

It has envisaged the establishment of a Council composed of the Ministers of National Education or the Ministers whose responsibilities include international cultural relations, assisted by a committee of experts, as well as the negotiation of one or several conventions on the following subjects :

*a)* Co-operation and exchanges between universities of the Member Countries of the European Communities;

*b)* The “European status” (“vocation européenne”) which could be accorded to university or research institutes in the various countries;

*c)* The establishment by Italy of a European University in Florence, to the intellectual life and financing of which the six Governments will contribute;

*d)* The possible establishment of other European institutes devoted to university teaching or to scientific research.

The Study Committee has been instructed to work out as quickly as possible drafts for the conventions and acts which are to embody this plan for cultural co-operation.”

1. This statement was favourably received in the EEC. With the Paris communiqué of 10 February it is the second document on which the future political integration in Europe will be founded.
2. The Bonn statement re-affirms the idea, already clearly expressed in the Paris communiqué, that there must be no going back on the extent of integration already attained through the Treaties of Paris and Rome. It emphasizes the political content of the Treaties of Paris and Rome and states expressly that one of the objectives of political co-operation is to further the application of these Treaties.
3. The statement also draws attention to the importance of the institutional problems in connection with these objectives. It suggests that consideration must be given to reforms which would increase the efficiency of the Communities, and recalls in this connection the merger of the Executives of the three Communities, which was once more advocated by the European Parliament in a resolution, dated 29 June 1961, to which the heads of State or Government themselves refer.
4. As a result the principle, which was also expressed in the Parliament's resolution, that the Executives should attend at discussions concerning the fulfilment of their tasks, is now on the agenda for future deliberations. The Commission of the EEC hopes that this idea will crystallize when the heads of Government examine the Parliament's resolution.
5. Finally, there is reason for particular satisfaction because the statement expressly places political co-operation within the competence of the Community's Parliament, which is invited to extend its deliberations so that they shall embrace the new fields of co-operation.

## IV. Memorandum showing the lines on which the common transport policy should be based

In the editorial of Bulletin No. 4 (April 1961), Mr. Lambert Schaus, President of the Transport Group in the Commission, described the Memorandum on the common transport policy and defined its scope and salient features. There has meanwhile been an initial exchange of views on the Memorandum at the 49th session of the Council of Ministers in Strasbourg on 26 June 1961.

The following detailed summary of the Commission's Memorandum may be of use to readers of the Bulletin.

In its common policy on transport the Community must endeavour to create the conditions necessary for the development of an efficient transport system capable of satisfying, at minimum cost to the public and under the best conditions, the requirements which will result from the economic expansion occurring in the six countries and from the establishment of the Common Market.

Having thus fixed the general aim of the common transport policy in its introduction, the Memorandum of the Commission is then divided in three parts :

Part I deals with the economic basis for the common policy and contains an analysis of the Treaty provisions on transport

In Part II the general direction to be given to the common policy is deduced from these basic considerations.

Part III, finally, contains the outline of the provisions to be put into effect to implement this common policy and also deals with the procedure and the time-table for the application of these measures.

The Annexes contain information on the present situation in the national transport systems, the most important statistical data, and an alphabetical index of the subjects dealt with.

### **The basis of the common transport policy**

#### *Economic considerations*

The Commission has found that the liberal spirit which in general characterizes the economy of our six countries does not on the whole prevail in the transport field, where more often than not an imperfect system of competition obtains. Though the Treaty does not give any precise indication on the content of the com-



mon transport policy, its general trend certainly points to the establishment of a system of healthy competition. For this reason the Commission has felt justified in proposing that the common transport policy should aim at introducing into this sector the greatest possible degree of competition consonant with the special features inherent in transport.

These special features include in particular :

- i) The intervention of public authorities in infrastructure matters, especially the financing and construction of roads and waterways;
- ii) Certain peculiarities in the structure of transport supply and demand. (Enterprises which vary widely as to structure and techniques employed are providing similar services; the transport market is notable for definite inelasticity in the supply and demand of services);
- iii) The obligations incumbent upon public services, and the unequal positions of the various types of transport in this respect;
- iv) The imposing of tariff reductions.

It seems that some of these special features can be eliminated in part or mitigated and that where this is not possible certain of their effects can be appreciably attenuated and thus the disturbances which they cause on the transport market remedied.

To this end, infrastructure costs must be equitably distributed, the administrative and operational organization improved, and some of the obligations incumbent on public services relaxed (those which continue must be compensated and the charges resulting from tariff reductions equitably reimbursed).

As and when these corrective measures are applied and produce their effects, the conditions of competition in transport will come closer to those existing in the other sectors. It will therefore be possible to allow transport to benefit to a greater degree from the advantages flowing from competition.

#### *Provisions in the Treaty of Rome applicable to transport*

After recalling in detail the Community's obligations to introduce a common transport policy, the Memorandum goes on to analyze the contents and the scope of Articles 74 and 75, which serve as a basis for the measures necessary to implement such a policy. This analysis has shown inter alia that the authors of the Treaty intended to vest wide authority in the Community institutions, leaving them great latitude to determine the general direction of their common transport policy.

The provisions of the Treaty expressly applicable to transport are to be found in Title IV. They concern in particular the establishment of common rules for international transport and services, the elimination of certain discriminations, of

unjustified measures of aid and support, and the reduction of charges or dues collected at the crossing of frontiers.

Over and above the provisions of Title IV, the Commission feels that the general rules of the Treaty, especially those on the right of establishment and the rules of competition, are equally applicable to transport insofar as they do not conflict with the requirements of the common transport policy.

Where the facilities for derogation laid down in the general rules themselves prove inadequate, other derogations may, if necessary be made under Article 75, without however infringing the fundamental principles of the general rules.

### **General pattern of this common transport policy**

#### *General objectives*

The common policy must have three general objectives :

- i) To eliminate obstacles which transport may put in the way of the establishment of the Common Market as a whole;
- ii) Integration of transport on the Community level, that is to say the free movement of transport services within the Community;
- iii) General organization of the transport system in the Community.

These three objectives and the measures required if they are to be attained influence each other.

The *first* objective includes :

- a) The elimination of any form of discrimination in the rates and conditions of transport;
- b) The elimination, with due regard to the exceptions provided for under Article 80 (2) (regional requirements, competition between modes of transport), of transport rates and conditions involving an element of support and conferring artificial advantages on certain enterprises or industries.

This action is linked with that to be taken in the field of transport aids also forbidden in principle under the Treaty.

- c) Adjustment of the charges or dues collected by a carrier for the crossing of frontiers (Article 81) which are only justified where the carrier has to bear genuine expenditure, and which, moreover, every possible effort should be made to reduce.
- d) The application to transport, with due regard to its particular needs, of the Treaty rules relating to understandings, monopolies and state aids and to divergences of legislatives and administrative nature likely to hinder the establishment of the Common Market as a whole.

From this angle an enquiry must be undertaken into all factual situations in the transport field which create obstacles to the free movement of goods.

The *second* objective includes :

a) The establishment of common rules applicable to international transport effected from or to the territory of a Member State or crossing the territory of one or more Member States [Article 75 (1a)];

b) The establishment of conditions for the admission of non-resident carriers to national transport services within a Member State [Article 75 (1b)];

c) The establishment of conditions under which the carriers in one Member State shall have permanent access to all the transport activities in another Member State on the terms applied by that Member State to its own nationals (Right of establishment : Articles 52 and following).

With regard to the *third* objective, for which the action to be taken is not explicitly laid down in the Treaty, the Commission suggests, on the basis of the economic considerations and legal data referred to above, that a more competitive transport system be introduced, but that nevertheless certain limits be set to the free play of competition where special conditions continue to exist.

Moreover, the system advocated by the Commission makes it possible to take into account certain requirements of general economic policy, particularly in connection with regional and commercial policy and, more especially, agricultural policy, in respect of which the Commission has already made proposals.

### *The guiding principles*

If the objectives set out above are to be reached, the common transport policy must ensure that the following principles are put into practice :

i) Equality of treatment between enterprises and means of transport on the one hand and users on the others;

ii) Financial autonomy of the enterprises;

iii) Freedom of action for the enterprises in fixing rates and in access to the various transport markets;

iv) Free choice for the users, which implies the freedom of transport on own account under certain conditions;

v) Co-ordination of investments in the light of European economic integration.

## **The implementation of the common policy**

The Commission is of the opinion that, especially at the beginning, it will be possible to limit the common solutions to the most important problems and that no common rules should be devised which are not necessary to attain the objectives of the common policy. It would only be possible to carry out these measures progressively by stages fixed according to a time-table subject to periodical review. From this angle the Commission proposes a procedure for permanent confrontation of results obtained and of developments to be envisaged.

### *Implementing measures*

The measures to implement the common policy can be classed in three categories corresponding to the general objectives enumerated above.

The measures to promote the establishment of the overall Common Market and those for the integration of transport will have to be taken in the sectors indicated when these objectives were set. Some of these measures are under preparation at the moment. They include in particular the abolition of discrimination in the case of transport rates and conditions, unjustified support and aid measures, adjustments of charges or dues collected for the crossing of frontiers, rules concerning understandings and monopolies, and so on. They relate, moreover, in particular to the establishment of uniform rules for international transport and the admission of non-resident carriers.

With more special reference to organization of transport, the Commission envisages the following measures :

With regard to rates a distinction must be made between passenger and goods transport. For regular passenger traffic, which is normally subject to strict rules, rates will remain fixed but open to review in the light of changes in cost prices components or economic circumstances. For irregular services and tourism a system related to that applicable to goods transport might be adopted.

For goods transport the Commission envisages the progressive establishment of a system of rate brackets coupled with checks and a certain form of publicity. Rate brackets are to be understood as any system obliging carriers to respect previously fixed maximum and minimum limits. The adoption of a bracket would allow enterprises to enjoy a certain liberty in fixing rates within limits chosen to avoid excessive competition or monopoly. Only the limits of the bracket will have to be made public in advance. The knowledge of the market ensured by these publications could be completed by the issuing of price lists. The prices operated could be checked by means of the transport document introduced under Regulation No. 11.

A gradual relaxing of quotas is provided for on the national level in order to ensure a greater freedom of transport. This is of direct interest to road transport and, to a lesser degree, to inland waterways transport. The adoption of common provisions will ensure the harmonious implementation of the successive measures called for in this field.

As for access to the profession, the public authorities will have to make sure that the enterprises concerned offer the requisite professional qualifications.

Among the peculiarities noted in the transport field is the different organization and administration of enterprises belonging to the various types of transport. This peculiarity, which has very marked repercussions on the structure of the transport market, should be classed among those whose effects can be mitigated.

The railway networks must be given sufficient freedom to enable them to introduce a more efficient commercial administration closer to that of enterprises in private industry.

Measures will also be taken to mitigate certain disadvantages noted in inland waterways transport and in particular in road transport, such as excessive division into small enterprises, and inadequate vocational training.

Consultations on the Community level are envisaged in order to bring about, by means of recommendations to the Member States, some co-ordination of investments. In these consultations it will be possible to deal with both the infrastructure investment programmes and the financing programmes.

In the fiscal field the overall policy of the Community will be applicable to transport enterprises. But with regard to the special taxes to which transport enterprises are liable, the Commission feels that the basic principles of the common transport policy will entail the application of measures aimed at tax neutrality (elimination of double taxation on international transport, coverage of infrastructure costs, harmonization and approximation of the various tax elements and systems in force in the six countries).

In the social field the provisions envisaged by the Treaty in the setting of the general policy of the Community are applicable to transport. But the special requirements of harmonization and co-ordination of transport, as well as the problems connected with international transport on the Community level, may make a more rapid implementation of certain measures necessary. The Community must act in the field of social security, vocational training, safety and hygiene, and hours and conditions of work.

Measures will have to be taken to eliminate the distortions which may result from the existence of understandings and dominant positions. They must also aim at the abolition of aids which are not justified by the need to co-ordinate transport or by certain obligations inherent in the concept of a public utility (Article 77).

Finally, certain measures will have to be envisaged in connection with the development of the common commercial policy.

#### *Collection of the data required for the common policy*

These measures of implementation have shown the need for the institutions of the Community instructed to work out the common policy, to have at their disposal the economic data which will enable them to take their decisions in full knowledge of the facts. Thorough knowledge of cost prices and economic costs in transport is essential, and it is also necessary to be able to draw on sufficiently detailed statistics.

#### *Consultation procedure and implementation of the common policy*

As for procedure, the Commission considers it necessary that the Memorandum should be the subject of wide consultation within the Community, in order to lay down the basic principles. Amongst the first steps to be taken it will be necessary to apply a consultation procedure leading to a standstill, which should not be confused with a stoppage of all legislative initiative. The measures to be taken will have to come within the framework of a general programme of action according to a certain time-table. It is proposed to hold periodical reviews of the situation every two years. A more detailed study will be made at the end of the second stage of the transitional period and at the end of the final stage. The Treaty attaches particular importance to these two dates. Proposals for the further development of the programme will then be made in the light of the results of those reviews.

It is the Commission's wish that the programme explained in the Memorandum be the subject of the widest possible exchanges of views with the Governments and the Community institutions as well as with all circles concerned.

The results of such discussions will be of great value to the Commission when it comes to formulate concrete proposals for the actual implementation of the common transport policy.

## V. Activities of the Community

### EXTERNAL RELATIONS

#### Association of Greece with the Community

1. The Council, the Member States of the Community and Greece have decided to sign, in Athens on 9 July 1961, the Agreement on the Association of Greece with the Community.<sup>(1)</sup>

#### Netherlands Antilles

2. The work on the problems raised by the inclusion of petroleum products in the arrangements which may be adopted for the association of the Netherlands Antilles with the Community is being carried on, in conformity with the Council's wishes, by a working party which includes the Permanent Representatives of the Member States. The chairman is Mr. Rey, a Member of the Commission. The Council has also entrusted to this working party the task of dealing with the details of a general and Community safeguard clause covering imports of refined oil products.

When the Council of Ministers meets on 24 and 25 July it will be informed of any solutions already devised.

#### Surinam

3. The Government of the Netherlands has made known its desire for Surinam to be associated with the European Economic Community in conformity with the Declaration of Intention concerning this territory annexed to the Treaty of Rome.

The memorandum of 7 June which it submitted to this effect is now being studied by the Commission and the results of this study will be passed on to the Committee of Permanent Representatives.

#### The Community and GATT

##### The Tariff Conference

4. At its session of 3 and 4 July the Council adopted a decision approving the results of the re-negotiations under Article XXIV (6) of the General Agreement. This decision constitutes Community approval of the agreements signed so far with

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<sup>(1)</sup> See Chapter II.

the following countries : Ceylon, Chile, Czechoslovakia, Finland, India, Indonesia, Japan, New Zealand, Pakistan, Peru, Federation of Rhodesia and Nyasaland, South Africa, Sweden, Switzerland, Uruguay.

After the first phase of the Conference (re-negotiations under Article XXIV (6) of the General Agreement) had been concluded, the second phase, the so-called "Dillon" negotiations, opened on 29 May 1961 <sup>(1)</sup>. This new phase has made it possible to open negotiations with the United Kingdom and the United States, as well as with Israel, Finland, Pakistan and Switzerland.

The other work GATT

5. Committee III of GATT (dealing mainly with the trade problems of developing countries) met from 5 to 9 June to carry out a detailed examination, in accordance with the decision taken at its March meeting, of trade and payments in the framework of India's third five-year plan. This was the first time that the Committee had examined the prospects in the commercial field opening up before a Contracting Party, and the difficulties it was encountering, because of its development programme and of the requirements stemming from that programme. The Committee concentrated on the aspects of the plan affecting the maintenance or the increase of India's export earnings.

The Committee felt that the discussions had been extremely useful and that the lessons learned from them will be of value when other development plans are studied from the point of view of international trade and payments.

#### **Problems concerning imports of cotton textile products**

6. The Commission took part in the meeting of the GATT Council of Representatives held in Geneva on 16 June. This meeting took place at the request of the Government of the United States, which submitted to the GATT Council a proposal for the convening of a meeting of high-level officials of countries substantially interested in the import and export of cotton textile products; it was the hope of the United States Government that agreement would be reached on arrangements for the orderly development of trade in such products, so as progressively to increase the export possibilities open to less-developed countries and territories and to Japan, while avoiding disruptive conditions in import markets.

Having considered the request by the United States Government, the Council came to the conclusion that this question required urgent action by the Governments concerned on a multilateral basis. The GATT Council agreed that the most appropriate procedure to attain this objective seemed to be the convening



of a meeting of representatives of the countries substantially interested in trade in cotton textile products, and instructed the Executive Secretary to convene such a meeting in Geneva at the earliest possible moment.

The exceptional expansion of United States' imports of cotton textile products from low-price countries induced the American Government to take the initiative in convening in Washington a conference of the representatives of the six EEC Member States, of the Commission, of the United Kingdom, of the United States and of Canada. This meeting was held from 21 to 23 June; its purpose was to seek out a method of opening up more widely the markets of the industrialized countries to the cotton textile products of low-price countries which also avoid the disturbances that such imports are apt to engender.

Before this meeting the EEC Member States, brought together by the Commission in the Central Working Party of experts on trade policy, had agreed on the principle that the opportunities for importing articles restricted by quota should be progressively expanded. They had recognized the need to stipulate a safeguard clause for liberalized products.

Moreover, they felt it was necessary to place under the auspices of GATT all the deliberations stemming from the action taken by the United States of America.

The Washington meeting made possible an agreement based on these principles.

7. The EEC Commission was represented at a conference of the International Wheat Council, which was held in London from 27 to 29 June. <sup>(1)</sup>

The Commission's staff has followed with special attention the work of the International Lead and Zinc Study Group which met in New York from 31 May to 10 June. The group considered a proposal for an intergovernmental agreement based on the principle of buffer stocks and on a system of price floors and ceilings, supplemented by quota restrictions on output and exports.

#### **Establishment by the associated countries of missions at the seat of the Community**

8. On 13 June the President of the Commission, Mr. Walter Hallstein, received Ambassador Gaston Fiankan in his capacity as Ivory Coast's representative with the EEC.

The competent Institutions of the EEC have taken note of the appointment of Ambassadors Adoum Agawaye, Albert Rakoto-Ratsimamanga and Amadou Seydou as representatives with the EEC of the Governments of Chad, of Madagascar and of Niger. They will be received by the President of the Commission in the near future.

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<sup>(1)</sup> See Chapter V, Agriculture, p. 71

## **Establishment of missions from non-member countries at the seat of the Community**

9. The competent Institutions of the EEC have given their agrément to the appointment of Ambassador Thomas L. McDonald as Head of the New Zealand Mission to the Community, replacing Ambassador Robert Laking. Mr. McDonald will shortly present his letters of credence to the President of the Commission.

## **The meeting of the EFTA Council**

10. The following are extracts from the official communiqué of the London meeting : The Council of the Free Trade Association met at ministerial level in London from 27 to 28 June 1961 under the chairmanship of the President of the Board of Trade, the Rt. Hon. Reginald Maudling.

Ministers agreed that a generally increased awareness of the dangers of the present split in Europe has led to signs of willingness to make a new effort to bring to an end the division which during recent years has become an obstacle to European economic co-operation. An ending of this division will enable the European countries to give their full attention to the serious problems of economic relations between Europe and the rest of the world and in particular the relationship between Western Europe as an industrialized region and the developing countries of other continents. A new effort to bring to an end this European division will necessitate a readiness to make some modification of policy on all sides, but it must respect the basic political positions not only of the several states of Europe but also of the European Economic Community. Experience gained in recent years has provided a basis for a re-examination of the problems of European integration.

This re-examination has shown that while some EFTA countries could not accept obligations of a political nature, all members of EFTA are willing to undertake, in order to achieve an integrated European market, obligations which go beyond those which they have accepted among themselves in the Stockholm Convention.

Ministers considered whether their common objective — a single European market embracing all the Members of EFTA — could be achieved by way of negotiation for membership of, or association with the European Economic Community.

Ministers agreed that if such a course should appear possible, the members of EFTA should co-ordinate their actions and remain united throughout the negotiations.

## **ECONOMIC AND FINANCIAL AFFAIRS**

### **Quarterly Report on the economic situation**

11. On 30 June the Commission of the European Economic Community published its quarterly report on the economic situation of the Community during the first

months of 1961 and the outlook for the future. After spotlighting the essential features of the economic trend in the Community, the report analyzes the outlook for the coming six months and the policy which this calls for.

The Commission notes that the expansion of economic activity was again very marked during the first half of 1961 despite the retarding effect of sluggish demand from abroad and — in certain countries and sectors — the lack of productive capacity and the acute shortages of manpower.

At the beginning of the year, there was a slight downturn in exports to non-member countries and the overall figures of the first quarter of 1961 were not higher than for the same period of last year. This was due to the considerable fall in the Community's sales to certain areas, especially North America and the overseas countries and territories.

Internal demand, on the other hand, continued to grow rapidly. Consumption by households was particularly stimulated by large wage increases, while there was no sign of any falling off in the rate at which investment by enterprises has been growing. In certain countries this consisted largely of investment for rationalization in reaction to the increasingly serious shortages of manpower. Elsewhere, improved general business prospects led to considerable investment for expansion. Public investment has continued to expand.

The overall industrial output of the Community countries even increased in the first quarter of 1961. In some countries, particularly the Federal Republic of Germany, but also to some extent in the Grand Duchy of Luxembourg, this was partly due to improved productive capacity being brought into operation. In other countries, where the factors of supply do not represent an obstacle to more vigorous expansion, i.e. in Italy and — somewhat later — in France, this increase may be put down essentially to the speedier growth of demand, particularly for exports and investment.

The Community's overall industrial production in the first quarter was 8 % up on the first three months of last year. In addition, the figures show no continuation of the reduction noted during 1960 in the rates at which output per man-hour was expanding.

Despite the fairly rapid expansion of overall demand and the persistence of cyclical strains in some member countries, the expansion of imports from non-member countries showed a further slight loss of momentum early in the year. This trend is largely attributable to the fall in imports of farm products as a result of the good 1960 harvest. However, the trend of raw materials imports also remained hesitant.

If we take the Community as a whole, the balance of trade continued to deteriorate, mainly under the influence of fortuitous and seasonal factors. However, this deterioration is not completely reflected in the overall balance of payments, which continued to show a large surplus, owing, in the main, to the inflow of short-term

private capital following the revaluation of the German Mark and the Guilder, and despite the large debt repayments to the United States and Great Britain by the Federal Republic of Germany.

During the first months of 1961 the increase on Community markets of supplies resulting from internal production, the buoyant trend of intra-Community trade and the deterioration of the balance of trade with the outside world made it possible to keep prices stable in most member countries. However, in the Federal Republic of Germany, price strains resulting essentially from the development of external trade and of the underlying economic trend of recent years, have remained relatively serious, although revaluation has brought relief in certain sectors.

The Commission of the European Economic Community considers that prospects for the coming months remain favourable. They have even improved, now that doubts concerning the maintenance of a lively pace of investment in the Community seem to be dispelled, and that the elasticity of production is seen to be greater than had been expected. In these circumstances, and taking into account the first signs of an improvement in world economic conditions recently observed, satisfactory expansion of demand seems to be ensured, and it is probable that production will even increase a little more rapidly than indicated in the forecasts established at the beginning of the year.

### Policy relating to economic trends

#### 12. Note on economic trends at the end of June 1961

##### COMMUNITY

		Dec.	Jan.	Feb.	March	April
Industrial production <sup>(1)</sup>	1959/60	115	116	117	117	118
	1958 = 100 1960/61	125	125	126	127	127
Imports from non-member countries, cif <sup>(2)</sup>	1959/60	1 590	1 535	1 610	1 703	1 576
	in millions of \$ 1960/61	1 846	1 659	1 546	1 825	1 710
Exports to non-member countries, fob <sup>(2)</sup>	1959/60	1 722	1 481	1 626	1 787	1 563
	in millions of \$ 1960/61	1 876	1 493	1 574	1 830	1 653
Trade balance <sup>(2)</sup>	1959/60	+ 132	— 54	+ 16	+ 84	— 13
	in millions of \$ 1960/61	+ 30	— 166	+ 28	+ 5	— 57
Trade between member countries <sup>(2)</sup> <sup>(3)</sup>	1959/60	824	723	795	886	828
	in millions of \$ 1960/61	904	837	881	1 063	938
Gold and foreign exchange reserves <sup>(2)</sup> <sup>(4)</sup>	1959/60	11 555	11 453	11 584	11 860	12 246
	in millions of \$ 1960/61	14 555	14 453	14 507	15 119	14 559

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) The German Mark and the Guilder were revalued by 5% at the beginning of March 1961.

(3) Calculated on the basis of imports.

(4) Amount held by the monetary authorities at end of month.

In April there was only very slight expansion in industrial output. The somewhat slower growth in the Federal Republic of Germany was probably due in the main to shortage of manpower. It does not seem to have been very rapid in France either, although account must be taken of the fact that the French production index because of the way it is weighted is not quite an exact mirror of the actual situation. On the other hand, a further considerable increase was registered in Italy.

Exports to non-member countries again rose, but since imports increased faster, a deficit reappeared in the trade balance for the first time since January. Trade between the member countries continued to expand vigorously.

The official gold and foreign exchange reserves, which had fallen in April as a result of advance repayments of debts by the Federal Republic of Germany, resumed their upward movement in May. The rather less favourable development of the trade balance was much more than offset by net income from services and particularly by imports of capital.

#### FEDERAL REPUBLIC OF GERMANY

		Jan.	Feb.	March	April	May
Industrial production <sup>(1)</sup>	1960	117	118	118	119	120
	1958 = 100	1961	128	129	130	—
Orders received	1960	125	129	147	137	147
	1958 = 100	1961	142	136	152	—
Number of unemployed	1960	627.0	529.6	256.6	188.8	153.2
in thousands	1961	390.1	292.5	163.2	131.2	111.5
Turnover in retail trade	1960	95	92	107	116	111
	1958 = 100	1961	102	101	126	121
Prices to consumers	1960	102.1	101.9	101.9	102.1	102.8
	1958 = 100	1961	103.6	103.8	104.1	104.8
Imports cif <sup>(2)</sup>	1960	742	778	873	817	854
in millions of \$	1961	830	761	916	911	934
Exports fob <sup>(2)</sup>	1960	807	873	1 041	893	948
in millions of \$	1961	929	964	1 082	1 092	1 009
Gold and foreign exchange reserves (net) <sup>(2)</sup> <sup>(3)</sup>	1960	4 261	4 339	4 539	4 800	4 988
in millions of \$	1961	6 531	6 588	6 983	6 405	6 478

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) On 6 March 1961 the German Mark was revalued by 5% (\$1.- = 4DM).

(3) Held by the Deutsche Bundesbank at the end of the month.

Despite signs here and there of a certain easing of strain the boom is continuing

In May exports decreased appreciably and were little above the level of the previous year. Despite the downward trend in orders from abroad noted since March, order books have lengthened further. The high turnover in the investment goods industries and the particularly sharp increase in orders for construction in recent months are evidence that investment activity continues buoyant. Private consumption again rose, with retail trade turnover 9% (by value) above the corresponding level of the previous year.

The growth of industrial production has slowed down in recent months, probably owing in the main to shortages of manpower. The index of national production was nevertheless 6 % higher in May than in May 1960. Imports again increased.

In May industrial producer prices again showed no increase. Against this, consumer prices were 0,6 % over the previous month — partly because of seasonal influences it must be said. At 74 million dollars, the surplus on the trade balance was lower, in particular, when compared with April 1961, but also when compared with May 1960. Freely convertible gold and foreign exchange reserves increased by an almost equivalent amount, i.e., by about 73 million dollars.

At the beginning of May the Bundesbank reduced the discount rate from 3.5 % to 3 %; with effect from 1 June the minimum reserve ratios were also reduced again.

#### FRANCE

		Jan.	Feb.	March	April	May
Industrial production <sup>(1)</sup>	1960	112	110	109	110	110
	1958 = 100	1961	118	118	119	119
Number of persons seeking employment <sup>(2)</sup>	1960	114	138	132	130	126
	in thousands	1961	123	120	112	108
Turnover of large retail stores	1960	127	82	124	120	117
	1958 = 100	1961	141	99	148	123
Prices to consumers (Paris)	1960	109.4	109.7	109.7	109.9	109.6
	1958 = 100	1961	112.0	112.0	112.0	111.9
Imports cif	1960	505	547	568	540	538
	in millions of \$	1961	485	527	653	577
Exports fob	1960	592	607	609	556	575
	in millions of \$	1961	543	557	679	563
Trade balance (with foreign exchanges areas)	1960	+ 11.3	— 9.3	— 12.6	— 16.2	+ 6.5
	in millions of \$	1961	+ 17.6	— 9.9	— 6.1	— 22.3
Gold and foreign exchange reserves <sup>(3)</sup>	1960	1 738	1 781	1 854	1 932	2 026
	in millions of \$	1961	2 143	2 235	2 398	2 472

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) End-of-month figures, seasonally adjusted.

(3) Amount held by the monetary authorities at end of month.

Rising demand has continued to be the outstanding feature of the economic situation, but the margin for expansion of production seems to have narrowed somewhat.

Demand from abroad again rose in May; in particular exports to the franc area picked up. However, the strongest impetus is still being provided by internal demand. As reserve productive capacity is running low and manpower shortages are beginning to be more noticeable, there is a steady increase in investment. The rates of retail trade turnover show that private consumption continued its growth in May.

According to such figures as are so far available, the seasonally adjusted index of industrial production, which in April had remained at the level of the previous month, seems to have gone up again in May. So far agricultural production has been greatly favoured by the weather.

On the whole prices to the consumer yielded a little ground in May, as there were seasonal price reductions for several foodstuffs and heating and light. In order to curb the persistent tendency for prices of consumer durables to creep upwards, the added-value tax on certain products was reduced on 1 June.

The improved trade balance and probably also capital inflows led to a more marked increase in the gold and foreign exchange reserves of the monetary authorities (+ 134 million dollars in May.)

### ITALY

		Dec.	Jan.	Feb.	March	April
Industrial production <sup>(1)</sup>	1959/60	121	123	124	126	127
1958 = 100	1960/61	132	133	134	135	136
Number of unemployed	1959/60	1 774	1 870	1 805	1 710	1 580
in thousands	1960/61	1 608	1 718	1 604	—	—
Internal trade turnover <sup>(2)</sup>	1959/60	117	117	116	120	120
1958 = 100	1960/61	129	138	125	139	130
Cost of living	1959/60	101	102	102	101	102
1958 = 100	1960/61	103	104	104	104	105
Imports cif	1959/60	320	350	396	405	387
in millions of \$	1960/61	411	423	410	468	429
Exports fob	1959/60	301	233	307	335	304
in millions of \$	1960/61	324	284	318	367	322
Official gold and foreign exchange reserves <sup>(3)</sup>	1959/60	2 953	2 900	2 869	2 835	2 863
in millions of \$	1960/61	3 080	2 972	2 928	2 936	2 948
Yield on fixed-interest- bearing securities	1959/60	5.37	5.33	5.29	5.29	5.27 <sup>(4)</sup>
in %	1960/61	5.30	5.11	5.00	5.02	4.92 <sup>(4)</sup>

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) Calculated on the basis of revenue from turnover tax.

(3) Amount held by the monetary authorities at end of month.

(4) May 1960 and 1961: 5.20 and 4.97 respectively.

In April there was no slackening of the speedier economic growth noted in previous months; investments and demand from abroad continued to be the most vigorous motors of business activity.

Exports were up 6 % in value on the corresponding period of last year, equipment goods being probably once again in specially strong demand. The lively growth of investment in equipment and construction continued, and there was also a further unmistakable increase in purchases of durables by households.

At the same time there was another considerable rise in the trend of industrial production as a whole. Thanks to the rapidly growing demand for equipment goods at home and abroad, advances in the output of investment goods were particularly vigorous. In the case of motor vehicles the brisk internal demand was such that order books even began to lengthen again and full use was made of productive capacity. But imports — especially those from the other EEC countries — also rose sharply; in value they were up 11 % on the level of April last year.

Total gold and foreign exchange reserves of the monetary authorities and banks, which had fallen on the average by 20 million dollars monthly during the first quarter of the year, remained practically unchanged in April as a result of greater official imports of capital.

### NETHERLANDS

		Jan.	Feb.	March	April	May
Industrial production <sup>(1)</sup>	1960	121	123	125	128	128
	1958 = 100	1961	132	133	133	—
Number of unemployed	1960	92	81	61	51	38
	in thousands	1961	63	52	38	26
Retail sales	1960	108	95	104	115	112
	1958 = 100	1961	114	101	119	—
Prices to consumers	1960	103	103	103	104	103
	1058 = 100	1961	104	104	103	—
Imports cif <sup>(2)</sup>	1960	353	348	409	351	372
	in millions of \$	1961	441	370	483	418
Exports fob <sup>(2)</sup>	1960	287	331	359	312	330
	in millions of \$	1961	353	319	402	347
Trade balance <sup>(2)</sup>	1960	— 65	— 17	— 50	— 39	— 42
	in millions of \$	1961	— 88	— 51	— 81	— 71
Gold and foreign exchange reserves <sup>(2)</sup> <sup>(3)</sup>	1960	1 337	1 354	1 376	1 374	1 364
	in millions of \$	1961	1 641	1 613	1 644	1 641

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) On 6 March 1961 the Guilder was revalued by 5% (\$1.- = 3.62 Fl.).

(3) Held by the "Nederlandsche Bank N.V." at end of month.

Shortages of manpower and productive capacity again handicapped economic development in April and May.

It is true that the value of exports — expressed in dollars — was slightly above the corresponding level of the previous year; calculated at the old rate of exchange, however, it barely reached the level of April and May 1960. Against this, building investment remained lively. At least the number of building permits for housing in April and May — converted to an annual figure — was more than half as great again as the total of completed dwellings planned for 1961. The growth of private consumption has slackened a little.



The progressive exhaustion of reserve productive capacity is increasingly hampering expansion of industrial production. There was a further sharp increase in imports in May.

For this reason the aggravation of the deficit on the trade balance in May compared with corresponding figure for last year was considerably greater than had been estimated in the Central Economic Plan for 1961. However, net income from services and the influx of short-term capital limited the fall in official gold and currency reserves to 4 million dollars.

### BELGIUM

		Jan.	Feb.	March	April	May
Industrial production <sup>(1)</sup>	1960	108	109	110	111	111
1958 = 100	1961	113	113	—	—	—
Number of unemployed	1960	147	138	126	115	104
in thousands	1961	128	122	106	93	84
Number of non-residential buildings put in hand	1960	286	290	492	492	530
	1961	317	458	532	551	—
Turnover of large retail stores	1960	97	95	108	115	109
1958 = 100	1961	93	102	121	110	—
Prices to consumers	1960	102	102	102	101	101
1958 = 100	1961	102	102	102	102	102
Imports cif	1960	315	340	343	314	323
in millions of \$	1961	329	361	375	337	—
Exports fob	1960	319	304	341	326	309
in millions of \$	1961	240	316	364	336	331
Gold and foreign exchange reserves <sup>(2)</sup>	1960	1 216	1 240	1 256	1 277	1 261
in millions of \$	1961	1 166	1 142	1 158	1 089	1 079

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations. According to the IRES index the annual growth rate in April was almost 5%. During the first four months, on the other hand this index did not change.

(2) Held by the Banque Nationale de Belgique at end of month.

In Belgium, too, the business trend seems to have improved somewhat, exports to the other Member States having no doubt been an important stimulating factor.

In April and May as a whole the value of exports from B.L.E.U. was up 4.5 % on the same period of the previous year; for May alone the rise was 7 %. Investments seem to have resumed their upward movement. In May, too, the number of non-residential buildings put in hand was again considerably above the level at the same period 1960.

Industrial production expanded fairly strongly. In April the national IRES index was almost 5 % higher than a year previously. Outstanding advances were achieved in iron and steel and metal products and in the building industry. There was another quite considerable rise in imports — particularly of equipment goods — in April.

Despite a further appreciable decline in unemployment in May, the labour market in general remained exempt from strain. Only in certain parts of the country was there a scarcity of specialist workers.

Although retail trade prices hardened somewhat in May, the price level remained stable on the whole.

## LUXEMBOURG

		Jan.	Feb.	March	April	May
Industrial production <sup>(1)</sup>	1960	113	114	114	114	114
1958 = 100	1961	115	116	117	118	—
Output of pig-iron	1960	312	301	322	308	305
in thousands of tons	1961	311	301	335	322	327
Output of crude steel	1960	336	332	359	338	331
in thousands of tons	1961	333	326	367	341	349
Prices to consumers	1960	101	100	100	100	100
1958 = 100	1961	102	101	101	101	101
Short-term credit to firms and individuals	1960	4 266	4 316	4 167	4 239	4 563
	1961	4 872	4 719	5 162	—	—

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

In April and May the general economic trend was again unmistakably upward.

Exports — particularly to the other member countries — were once more very high during these two months. Private consumption may well be expanding more rapidly than before, since mass incomes have gone up fairly sharply. The bonuses paid to employees and workers of the iron and steel industry at the beginning of May, for example, were almost 1/3 higher than a year earlier.

In April there was a further improvement in the trend of industrial production. With the exception of textiles almost all branches shared in this progress.

In April and May the index of food prices hardened slightly as a result of the seasonal rise in prices for various foodstuffs. Several branches of industry reported rises in production costs following the revaluation of the DM early in March. Not only did imports of blast-furnace coke and machines become more costly, but the wages of German workmen in Luxembourg were also put up.

### The Committee of Experts on Economic Trends

13. The Committee of Experts on Economic Trends met on 9 June 1961 and, on the basis of the draft for the second Quarterly Report on the economic situation prepared by the Commission's staff, examined both the more recent trends in world economic activity and the economic situation and outlook in the Community.

The discussion brought out general agreement on the analysis of past developments and forecasts of the trend to be expected in the coming months.

### **Organization of a conference on the regional economies**

14. The Commission has settled the details concerning the organization of a conference on the regional economies, which had been decided on in principle by the Commission in November 1960. This conference is planned for the end of 1961.

The conference will concentrate on the examination of concrete cases in the Community, and from this examination it will be possible to draw conclusions of fairly general validity.

One of the tasks of the conference on the regional problems will be to clarify the Community aspects of regional problems, including the impact of the Treaty of Rome and the establishment of the common market on these problems and their possible solutions, and it will also have to finalize the guiding principles on which the Commission will base its regional policy. The conference will also decide what help the Commission can give the Member States in this field.

The conference will be attended by representatives of central or local bodies (public, semi-public and private) in the Community with responsibilities in regional matters. Other leading figures from academic life, from the ECSC, from the European Investment Bank, from workers' and employers' organizations and international bodies such as OECD and the International Labour Organization will also participate.

### **Group for the co-ordination of policy on credit insurance**

15. The fourth meeting of the Group for the co-ordination of policy on credit insurance, guarantees and financial credits was held on 28 June. The Group examined first the problem of implementing a consultation procedure between the Member States for the granting of guarantees and finance under more favourable conditions than those usually allowed in commercial credit. Representatives from UNICE (Union of Industries of the European Community), whose views it had been agreed to seek, put before the Group certain considerations on the attitudes of the industrial federations to this question.

The discussion ended in unanimous agreement that co-operation within the EEC in the field of export credit should be improved.

One point agreed on was that no Member State should grant credit guarantees on exceptional terms without first consulting the other Member States. This procedure will come into force forthwith, it being understood that consultation may take place through informal channels or at the meetings of the Group.

The Group also discussed the financial situation of certain countries which have recently requested new credit facilities from the member countries. Another subject of discussion was whether it was possible to give a Community slant to the activities of member countries in the financing of certain projects.

The results obtained by the sub-group instructed to examine the harmonization of export credit insurance methods used in the six countries, which had met the day before, were also examined by the Group. The subgroup's work included a draft convention on co-insurance to be made binding between the credit insurance institutions, the uniform definition of political risk and a common classification of the importing countries for the purpose of fixing the rates of premium.

### **Group of petroleum experts**

16. The Group of petroleum experts held its fifth meeting on 27 June 1961.

At this meeting it finalized its report on imports of crude petroleum and of petroleum products from non-member countries, particularly those of Eastern Europe.

This report has been drawn up on the basis of information from the Member States and it analyzes the problems of Community petroleum imports under the following four heads :

- a)* The import system;
- b)* The distribution of imports by country of origin;
- c)* Imports from Eastern Europe : effects on prices;
- d)* Future development of imports from Eastern Europe.

On 7 July 1961 this report will be submitted for examination to the senior civil servants responsible for petroleum in the various countries.

The Group of experts also carried out a preliminary examination of a report on investment in the Community petroleum industry. Various delegations have been asked to give further information; a revised version of the report will be drafted for the next meeting of the Group, which will probably take place in September.

### **THE SPEED-UP IN THE IMPLEMENTATION OF THE TREATY**

17. At its session of 3 and 4 July 1961 the Council conferred on the question of speedier attainment of the aims of the Treaty. On this occasion it reaffirmed the intention it had expressed on 12 May 1960 to push forward as rapidly as possible the implementation of the Treaty, not only in the sphere of the customs union, but in parallel with this, in other sectors of economic integration. At the end of

its discussion the Council agreed that before the end of 1961 it would, in the light of the progress made by the Community, decide what measures should be taken to speed up the Treaty.

With this in mind, the Council has called on the Permanent Representatives to draw up, in collaboration with the Special Committee for Agriculture, a programme of work which will be studied by the Council at its session of 24 and 25 July 1961.

At the end of the meeting the President of the Council made a verbal statement to the press.

## THE INTERNAL MARKET

### Customs problems

#### Granting of tariff quotas

18. At its session of 12 June the Council of Ministers extended to the whole of 1961 and increased to 900 metric tons the 650-ton quota of worsted yarn (53.07 A) granted to the Federal Republic of Germany for the first quarter of 1961.

The Council also came to a decision at its session of 4 July 1961 on a proposal of the Commission to increase the size of the tariff quota for newsprint (48.01 A) granted to the Federal Republic of Germany.

The Council also approved the Commission's proposals for the granting under Article 25 (1), of tariff quotas to the Netherlands for 24 000 kilogrammes of hydrobromic acid (28.13 F) and 2 500 kilogrammes of crystalline sodium borohydride (28.57 A), and to the Federal Republic of Germany for 500 metric tons of flax yarn (54.03 A I) at the reduced duty of 3 % ad valorem.

The Commission has granted to Italy under Article 25 (2) four tariff quotas for 1961. They concern four products intended for the manufacture of synthetic rubber.

ex 29.08 D	P-menthane hydroperoxide	120 metric tons
ex 29.31 B	Sodium dibutyldithiocarbamate	14 metric tons
ex 29.31 B	Tertiary dodecylmercaptan	150 metric tons
	Ethylbenzene	6 000 metric tons

It has also granted a duty-free quota to Italy for 1961 for 175 metric tons of dichlorodiethyl ether (ex 29.08 A I a), also to Italy a 60-ton quota of tetraethyl diaminoacetate of sodium, and lastly to Germany an 80-ton quota for 6-alpha-methylprednisolone (ex 29.39 D II).

Acting under the protocols annexed to the Rome agreement of 2 March fixing the customs duties to be applied to various products on List G, the Commission

has revised for 1961 the amounts of the provisional quotas granted last December to Member States for silk (Germany), salt (B.L.E.U.), cork (Benelux), ferro alloys (Italy, Germany, Benelux) and unwrought magnesium (Germany, Benelux).

#### Processing traffic

19. The working party of government experts on questions of customs legislation carried out a final examination of the arrangements to be applied to goods re-imported into a Member State after processing in another Member State.

There was an initial discussion on the tariff system to be applied to tools, instruments and equipment used in Member States for the execution of civil engineering work of all kinds, both private and public (subject, in the latter case, to the award of contracts). A preliminary list has been established covering those items which, it would seem, can be harmonized under Article 27.

Further the working party examined the conditions under which the decisions of 28 June and 5 December 1960 taken pursuant to the second sub-paragraph of Article 10(2) of the Treaty will be implemented in the Member States. It fixed the arrangements for collecting the levy established by these decisions.

Finally, the working party provided for the possibility, under certain conditions, of exempting from the production of the free circulation certificate (DD1), samples of goods imported from one Member State into another Member State under cover of E.C.S. carnets (the carnet for customs clearing of samples is a document established by an international convention and recognized by the customs authorities of all the Member States).

#### Amendments to the common customs tariff

20. In view of a fresh recommendation to amend the Brussels Nomenclature made by the Customs Co-operation Council on 8 June 1961, the Commission's staff organized on 27 and 28 June 1961 a meeting of government experts to study the effects the amendments would have on the common customs tariff. The various delegations reached agreement on most of the alterations to the common customs tariff proposed by the Commission's staff. On the question of the Brussels Nomenclature, then, Member States will follow a concerted line in the Customs Co-operation Council.

In addition, various requests submitted by the Governments of member countries on certain amendments to sub-headings in the common customs tariff were favourably received by the experts attending the meeting.

The results of the discussions will make it possible to submit proposals to the Commission in the near future.

## Rates in the common customs tariff for unmanufactured tobacco

21. At its session of 3 and 4 July the Council decided on the amendment of the 30% duty in the common customs tariff for unmanufactured tobacco and tobacco refuse.

The rates are the following :

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No. in the tariff	Description of products	Rate of duty
24.01	Unmanufactured tobacco; tobacco refuse :	
	A. Tobacco of a value per package, equal or greater than 280 units of account per 100 kg net weight	15% with maximum charge of 70 u.a. (a) per 100 kg net weight
	B. Other	30% with minimum charge of 29 u.a. (a) and minimum of 42 u.a. (a) per 100 kg net weight

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The system fixed for tobacco exceeding in value 280 u.a. per 100 kg will be open to review at the end of a period of two years.

## General programmes for freeing the right of establishment and the supply of services

22. In accordance with the provisions of the Treaty, the Council of Ministers had referred the Commission's draft programmes to the Economic and Social Committee and to the Parliament for their opinions. These opinions were formulated on 2 February and 10 March 1961; as soon as they were received, the Council's experts began their work, in which the Commission's staff is co-operating.

On 29 June the Council's group of experts finished its work on the programme for abolishing restrictions on freedom of establishment. Agreement was reached on the set of problems causing difficulties for one or other of the Member States. None the less two difficulties are still outstanding in agriculture and transport for any solution adopted in these fields should take into due account the common agricultural policy or the common transport policy. The Council will therefore have to give an opinion on these two points when it rules on the general programme.

The Council's group of experts will begin very shortly its examination of the general programme for abolishing restrictions on freedom to supply services. This examination will in all probability take much less time on account of similarities.

with the programme on freedom of establishment already studied. The first meetings are planned for July, and the work will certainly be finished in time for the Council to formulate decisions on the two general programmes by the end of 1961, as required by article 54 of the Treaty.

In the light of the opinions expressed by the Economic and Social Committee and the Parliament, and of the work done by the Council's group of experts, the Commission's staff are at work on a new text for the general programme on freedom of establishment. This text, which will be submitted to the Council, is to be the final version of the Commission's proposals. As the work in the Council's group of experts progresses, a new text for the general programme on freedom to supply services will also be worked out.

Moreover, though the delay in the adoption of the general programmes is slowing down the work of preparing the implementing directives, this work is nevertheless being pursued by the Commission's staff in close liaison with the national administrations. The work has concerned more especially the following sectors: co-ordination of the guarantees required from firms; entry and residence (elimination of restrictions and co-ordination of rules still in force); handicrafts and manufacturing industries; insurance and other ancillary services used by industry and trade; cinematography; wholesale trade; payment and transfers of money (services); the professions.

## **Quota problems**

### **Abolition of quantitative restrictions**

23. A meeting was organized on 20 June by the Commission's staff to study abolition of quantitative restrictions on exports of non-ferrous metal scrap and waste. The Member States' delegations described the repercussions that total liberalization of the markets from 1 January 1962 might have and outlined the tariff and commercial policy measures that would need to be taken in trade with non-member countries. Proposals will be prepared in this connection by the Commission's staff and consideration has been given to provisions which would widen export quotas from the second half of 1961.

A meeting also took place on 21 June with the Member States' experts on import quota disarmament.

The problems raised by the implementation of Article 33(4) were examined and a review made of the list of products to which the Article is, in principle, applicable.



## COMPETITION

### State aids

24. A meeting of government experts held at the end of May to discuss export aids closed the first phase of the work done in working party A (financing of exports and connected guarantees) and working party B (other means by which preferential treatment is awarded to exports) <sup>(1)</sup>; these working parties had been instructed to complete the basic documentation and to draft a preliminary opinion concerning the impact of the export measures on the functioning of the common market. The discussions which have taken place will enable the Commission to decide its attitude to the continuation of the procedure, taking into account the judgement of the measures considered from the point of view of their effects on intra-Community trade.

25. On 8 and 9 June the multilateral discussions on aid to shipbuilding now granted in certain member countries were continued. This meeting gave the Member States' experts the opportunity to exchange views on the general situation in this branch of industry. The scope and practical application of the decision taken by the Commission in March of this year concerning alterations to the aid system in Italy were also discussed. The French experts reviewed the measures taken by their Government to put the shipbuilding industry on a sound footing and to provide at the same time for a reduction in state aids. All the delegations stressed the need for regular consultation and for an improvement in the documentary material on which a sound appraisal of the measures still being applied depended. The discussions will be continued in the second half of the year.

26. The French Government has informed the Commission of a number of changes made in the aid system to shipbuilding established by the law of 24 May 1951.

The schedules on which payments are calculated have been scaled down from 1 January 1961. The French Administration is also drawing up a fresh schedule taking as a basis the situation on 1 April 1961, to take into account the effects of new customs disarmament measures taken on that date.

The French Government has just decided on an experimental special reduction (15%) in the rate of aid.

27. The Commission organized on 13 June the first multilateral meeting of governmental experts on systems of aid for economic development. The discussion was devoted to the problems raised by the prior or subsequent registration of individual decisions taken under general systems of aid and to the method of examining the measures in question. At the end of this meeting it was decided to set up a

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<sup>(1)</sup> Set up at the end of 1960.

working party whose job would be to examine the different aid systems, to define their content and to assess their effects in relation to the provisions of the Treaty. The working party is to meet for the first time on 19 September 1961.

28. On 14 June a multilateral meeting was held on problems of aid to the cinematographic industry. A study was made of the aids granted to the technical side, to newsreels and to the cinema owners, and the help given by the State to publicise the cinema. The discussion on these points provided the experts with an opportunity to formulate a preliminary opinion on the measures in question and on the supplementary information that would be needed for a more exact appraisal of certain of these measures.

### **Rules applicable to enterprises**

The regulation implementing Articles 85 and 86 on understandings

29. The Parliament having decided to postpone till the October session its debates on the draft regulation implementing Articles 85 and 86, its Internal Market Committee will hold a further meeting on 11 July 1961 on this subject.

The Council will not deal with the question before it has received the opinion of the Parliament.

The senior officials of the six countries who deal with competition will meanwhile continue their meetings on the draft regulation. At meetings in May and June they continued their discussions with the Commission's staff. The meeting held on 15 June was mainly devoted to the legal problem of understandings being "null and void", and to the problems of penalties to be applied when understandings are found to be incompatible with the Treaty. The experts will hold a further meeting on 12 and 13 September.

### **Examination of particular cases**

30. On 29 June 1961 the officials of the Member States who deal with cartels and understandings met in Brussels to take part in the fourth meeting the Commission has devoted to the examination of certain particular cases.

The discussions bore on three concrete cases in which enterprises have to all appearances disregarded the prohibitions contained in Articles 85 and 86 of the Treaty.

The first case concerns an understanding, organized both vertically and horizontally, which controls access to the market for national buyers and national and foreign sellers through an admission system combined with understandings on exclusive rights. The second case concerns an organization operating in two Member States which issues a quality label: the enterprises affiliated to the organization

are expected to maintain minimum prices. In the third case an enterprise enjoying a dominant position is suspected of resorting to improper practices to keep foreign competitors off the market.

#### Article 85 and the letting of public contracts

31. On 30 June 1961 the Commission held its ninth conference with the experts on understandings delegated by the six Governments. This conference was devoted to a discussion of the possibility of detecting or preventing, in connection with public contracts, practices which restrict competition within the meaning of Article 85 of the Treaty (international understandings on the submission of tenders); it also dealt with the scope that would be provided for the detection of understandings by a comparative study of the reports of the competent national administrative services on their activities. The conference then discussed the state of progress in the general inquiries into certain contracts already begun by the Commission. The experts also resumed the discussion begun in 1959 concerning the interpretation of Article 90 of the Treaty. The conference finished with the examination of a few special points on the interpretation of Article 85 (1)

During the examination of the first item on the agenda the experts described the arrangements in their respective countries for ensuring compliance with Article 85 in the letting of public contracts. It became clear that the harmonization of rules for letting contracts in the Member States is an important stepping stone on the road to the attainment of the principles set out in Articles 85 and 86. The Commission gave the experts an account of its preliminary work undertaken in order to assist in the harmonization of these legal provisions. It has been decided to draw the attention of the authorities letting public contracts to the provisions of Article 85 and the immediately following Articles, and to continue the examination of this problem.

32. The comparison of the reports on their own activities by the administrations dealing with cartels and understandings in the various countries has revealed that there is sufficient *prima facie* evidence to justify opening investigations in six branches of the economy. In this connection, the experts have informed the Commission of the progress made in the inquiries they had undertaken as part of the general inquiries into certain contracts begun by the Commission.

33. The discussion of Article 90 has been provisionally suspended. It has been found that, even on the basis of the contributions made by the Member States, it was not possible to give a more exact theoretical definition to the notions of "measures", of enterprises "charged with the management of services of general economic interest" and enterprises "having the character of a fiscal monopoly." It was decided to go further into the interpretation of these notions during the examination of concrete cases which the Member States will submit to the Commis-

sion. The problem of the particular arrangements suitable for certain categories of public enterprise will be examined during the discussions on Articles 90 and 92.

### Dumping

34. In an investigation being made under Article 91 (1) of the Treaty, the Commission has, at the request of the firms on either side, discussed the matter with the parties to the dispute and with the representatives of the ministries concerned; the facts of the case were elicited and agreement reached on a certain number of points at issue.

As part of another investigation into a case of dumping, the Commission has addressed a recommendation, in compliance with Article 91 (1), to the originator of the dumping with a view to putting an end to these practices.

### **Reciprocal recognition and execution of judicial decisions and convention on bankruptcy**

35. The government experts on laws concerning bankruptcy and the execution of judicial decisions <sup>(1)</sup> held, as planned, a further session in Brussels from 12 to 16 June 1961.

On the subject of the execution of judgements, the experts examined the first part of the preliminary draft of a convention drawn up in the meantime by the sub-committee on law of execution. This draft suggests a compromise solution on the crucial point in any convention on execution, which is that of choosing between the adoption of the "direct execution" system or the "indirect execution" system. Opinion had been divided at previous meetings of the experts. Although the proposals put forward in the draft are quite different from the systems generally laid down by bilateral treaties now in force, the meeting of the experts gave a warm welcome to the suggestions put forward. The government experts declared their readiness to continue their deliberation on the basis of the preliminary draft. Reservations were however made and amendments presented on points of detail.

The government experts will deal with the second part of the preliminary draft at their next meeting in October. This part provides for a much simpler and more flexible procedure, the legal decision being declared enforceable in the State in which it is to be executed. Before the October meeting, the sub-committee on the law of execution will revise the preliminary draft in accordance with the results of discussions held so far. It has also been instructed, in connection with certain matters such as the law on insurance, to make contact at once with the organizations working in this field.

On the subject of a convention on bankruptcy, the committee examined the fundamental problems which the sub-committee on law of bankruptcy had formulated in the shape of a questionnaire. For a number of problems agreement can already be discerned; other questions still require more thorough analysis. On the most important points still outstanding it was agreed that the delegations would submit their views to the Commission in writing and that the sub-committee on the law of bankruptcy would then examine them. A meeting of government experts, devoted solely to laws on bankruptcy, has been fixed for mid-January 1962.

### **Fiscal problems**

Italian measures on export drawbacks and countervailing charges on imports

36. All the Member States have accepted the proposal drawn up by the Commission for a broad settlement of the problems raised by the measures in the field of export drawbacks and countervailing charges on imports taken by the Italian Government in September 1960.

It is useful to recall the origin and development of the matter :

In three decrees promulgated in July and August 1960 the Italian Government had increased for about 800 customs items the countervailing charges on imports and the export drawbacks in connection with the turnover tax. Though the measures were in principle consonant with the provisions of the Treaty, it was open to question whether they were so in practice, since the new rates seemed too high.

As stated in previous Bulletins <sup>(1)</sup>, the Commission's staff undertook the examination of these measures in order to check that the rates did not exceed the ceiling provided for in Articles 95 and 96 of the Treaty. Meetings were held with government experts from the different countries at which a number of customs items were subjected to very thorough examination and it became clear that it was very difficult to prove with accuracy to what extent the new provisions went beyond this ceiling.

On the basis of the calculations made, however, both the Commission's staff and the government experts came to the conclusion that the ceiling had been exceeded, particularly for the items for which the rates were fixed at about 6%. Consequently the question was discussed at the political level and talks were held with the Italian Minister of Finance. After a meeting on 10 May 1961 at which the Member States were represented either by the Minister or by the Under-Secretary of State for Finance, the Commission made final proposals to the Member States for a broad settlement of the problem in question. These proposals were accepted by all the Member States.

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(1) See Bulletins N<sup>os</sup> 3/61, Chap. III, Sec. 25; 4/61 Chap. IV, Sec. 18; 6/61, Chap. I, Sec 32.

Under the terms of this compromise the Italian Government undertakes to reduce as soon as possible the rates affected by the measures in question. The changes are as follows :

The rates of 8 and 7.5 will be reduced to 6.5;

The rate of 7 will be reduced to 6.25;

The rate of 6.5 will be reduced to 6;

The rate of 6 will be reduced to 5.5;

The rate of 5.5 will be reduced to 5.25

(the rates of 5 and less will remain unchanged).

In return the Commission and the five member countries undertake not to raise again the question of the rates of the countervailing charges and the drawbacks covered by the above reduction measures, save in important cases when there is reason to expect that such intervention would lead to a substantial alteration in the rates.

The Commission welcomes this settlement, which it considers as satisfactory, and which bears witness to the determination of the Member States to reach a solution in a Community spirit even in very "difficult" cases.

## **SOCIAL AFFAIRS**

### **Free movement of workers**

37. After the Council at its session of 12 June 1961 <sup>(1)</sup> had approved the Regulation and Directives on the free movement of workers, Professor Lionello Levi Sandri, President of the Social Affairs Group in the Commission, made the following statement :

"With the approval by the Council of Ministers of the European Economic Community of the first Regulation for the free movement of workers Community policy has taken a decisive step forward. The progress made is not confined to the social field.

Even more than freedom of movement for goods and capital, which can be realised in any customs union, the freeing of the movement of workers illustrates the disappearance, however gradual, of the old barriers which once marked off our six countries. Free movement of workers is to be fully established by the end of the transition period at latest, but it is only right that we should here and now bring out and appreciate at its true value the advance which the Governments

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(1) See Bulletin 6/61, Editorial and Chap. I, sec. 34.

of the Member States have today, through this first Regulation, which is to be applied for two years, made towards the more rapid and reliable clearing of the supply and demand of manpower in the Community, the increased mobility of workers and their families, and the elimination of the discriminations still to be found in municipal laws regarding workers who are citizens of countries other than the one in which they work.

The Regulation therefore assumes special importance in the setting of Community policy; all who believe in the integration of Europe and who are looking forward to its completion may rightly welcome the adoption and entry into force of this new measure."

### **Manpower problems**

38. On the initiative of the Commission a meeting was held in Brussels on 28 and 29 June 1961 by the group of experts working on a comparative glossary of the trades which most often give rise to migration between member countries of EEC.

After studying the draft definitions of 14 occupations, which complete the first list, the group accepted some amendments and then approved the final form of the list. The group was also unanimous in emphasizing the need to continue this work, the practical utility of which it underlined.

Also on the initiative of the Commission a meeting of independent experts from the six Community countries was held in Brussels on 6 June to approve the outline of a study of the relation between occupational training and success in finding employment, and to decide how this study is to be tackled. Representatives of the ILO, OEEC and the European Productivity Agency were present as observers.

The discussions turned on the working document drawn up by the Commission. The experts approved the plan proposed and also agreed on the need to draw practical conclusions from the study. These conclusions should make it possible to propose steps which would increase facilities for the effective guidance of both juvenile and adult manpower.

### **Social security**

#### **Complementary social security arrangements**

39. Two meetings have been held with both sides of industry <sup>(1)</sup> to prepare a study of the complementary social security arrangements which, in the various countries, supplement statutory benefits to a greater or lesser degree.

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(1) See Bulletin 10/60, sec. 32 and Bulletin 3/61, sec. 30.

At these meetings a definition of complementary arrangements and a plan of the study were worked out. It was also agreed that the study should cover six specific industrial sectors.

On 30 May and 1 and 2 June, three successive meetings were held with the representatives of employers' and trade union organizations for the chemical, the textile, and the paper and paper pulp sectors. The purpose was to supply all necessary details to the representatives of the trade organizations entrusted with jointly drawing up a report for each country and sector.

These reports will be submitted to the Commission in the fourth quarter of 1961.

### Industrial medicine

40. Two meetings on the problems of industrial medicine in enterprises were organized in Brussels on 26 and 27 June under the aegis of the Commission. Government experts from the six countries, representatives of both sides of industry, delegates of the other two European Communities (ECSC and Euratom) and of the ILO took part in the first meeting. The second was restricted to the government experts and the representatives of the other two Communities.

At these two meetings an advance draft recommendation drawn up by the Commissions' staff was studied. This draft provides among other things for university courses in industrial medicine as a part of general medicine; the award of diplomas or certificates in industrial medicine; the granting of guarantees, with penalties in case of infringement, for the exercise of the profession of industrial doctor; the compulsory provision of industrial medical services in enterprises, a certain order of priority being laid down with the aim of extending the benefits of these services to all workers as rapidly as possible.

### Occupational diseases

41. On 28, 29 and 30 June the Commission organized a second meeting of the working party on compensation in respect of occupational diseases contracted in the course of work done in more than one Member State.

The meeting was able to work out the main lines of possible arrangements for the opening of an entitlement to benefits. The question of who should meet the expense of providing the benefits was also thoroughly studied.

The working party will be able to draw up the necessary drafts as soon as the Administrative Committee for the social security of migrant workers has given its opinion on the principle of the arrangements envisaged.



## Implementation of Article 119

42. The working party studying equal pay for men and women held its first two meetings on 4 and 11 July, with Mr. Levi Sandri, President of the Social Affairs Group in the Commission, in the chair. This working party consists of government experts and representatives of the Commission, and was set up on a proposal of the Commission, in agreement with the Council <sup>(1)</sup> to study the implementation of Article 119 (which requires the Member States to ensure equal remuneration for equal work as between men and women workers). Each Member State has appointed two representatives to the working party and has given all necessary instructions to enable the studies to advance quickly.

In accordance with the terms of reference given to it, the working party agreed to set up two sub-groups, one of jurists and the other of statisticians. These will examine the documentary material already collected on the way each Member State has implemented the principle of equal pay for men and women. These sub-groups will submit the results of their studies to the working party by 30 September 1961.

The working party, which, under its terms of reference, will seek the assistance of experts on collective bargaining agreements appointed by the employers' and workers' organizations, has agreed to hold a meeting with these experts on 18 September 1961. The business of this meeting will be to examine the documentary material already supplied (or to be supplied) on the arrangements governing equal pay under collective bargaining agreements in the six countries.

## AGRICULTURE

### The common agricultural policy

43. At its meeting of 3 and 4 July, the Council discussed the work of the Community in the agricultural sphere and studied the report made by the chairman of the Special Committee for Agriculture on the results of a restricted meeting of the Committee, held on 8 and 9 June 1961, and of the 12th plenary meeting which took place on 20 and 21 June 1961.

The Council noted the programme drawn up by the Special Committee, a programme which is closely related to the proposals which the Commission will be submitting to the Council. Under this programme the Commission will before 31 July 1961 submit proposals for the regulation of eggs and poultry, wine, fruit and vegetables. For the same date the Commission has announced draft proposals on the general lines to be followed in the common policy for rice and for fats and oils. A proposal for the regulation of sugar, which it was also intended to submit by 31 July 1961,

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<sup>(1)</sup> See Bulletin 6/61, Chap. 2, sec. 35.

will not reach the Commission before the autumn. For beef and veal a draft regulation will be submitted to the Council in November 1961 and for dairy produce in February 1962. The Commission's proposals will be completed for each product or group of products by an estimate of availabilities and requirements on the basis of which it will be possible to make an appraisal of the main factors which will determine developments in each sector of production.

Before the end of 1961 the Commission will further propose to the Council that it should take a formal decision on the establishment of an annual statement showing the existing situation and giving forecasts to cover agricultural production and the marketing prospects of agricultural and food products.

Lastly, the Commission will send to the Council before the end of the year a formal proposal for the co-ordination of national policies on structure.

The Council also had a brief general discussion on the proposed regulations <sup>(1)</sup> providing for the institution of a levy system and for the gradual introduction of a common market organization in the grain and pigmeat sectors. The Council has given a favourable reception to the main lines of these proposals, which the Special Committee for Agriculture will continue to examine in detail with a view to the early preparation of the decisions the Council is called upon to take. It should be recalled that in conformity with the procedure laid down in Article 43 of the Treaty the Council has decided to ask the opinion of the European Parliament on this question when the Parliament meets on 12 June. It will probably be possible for the Parliament to give this opinion at its October session.

The discussion in the Council clearly illustrated the will of all the Governments to expedite the development of the common agricultural policy. It was recognized that this should advance *pari passu* with the development of the customs union between the Member States.

### **Trade in agricultural products between the Member States**

44. A meeting was held with the experts from the Member States to examine certain problems arising from the conclusion, by virtue of Article 45, of long-term agreements or contracts and from the granting by Member States of import facilities under Article 7 (3) of the speed-up decision of 12 May 1960. The Commission had drawn up a list of products covered by market organizations in the Member States. It was recognized that the expansion of trade in products covered by such an organization must be pursued by concluding long-term agreements<sup>2</sup> or contracts between Member States and not by opening global quotas under Article 33 of the Treaty. Since the agreements or contracts must be concluded during the first stage, the Member States will have to complete their negotiations before the end of the current year. Under the terms of Article 7 (3) of the acceleration decision they are required,

<sup>(1)</sup> See the text of the regulations in the Annex to this Bulletin.

until such time as the long-term agreements or contracts have been concluded, to grant their partners, in respect of products subject to a national market organization, import facilities 30% above the average level of imports effected during the three years prior to the entry into force of the Treaty.

As regards the list of products subject to a market organization, a few products in respect of which the situation is not yet clear will be studied at a meeting of experts to be called shortly, when the final version of the list will be drawn up.

On 29 June 1961 the Commission, in application of Article 226 of the Treaty, took a decision which prolongs and extends at the request of the Government of the Federal Republic of Germany, the application of a compensatory charge on the import into the Federal Republic of Germany of bread and fondant paste from other Member States. The Commission's first decision on this matter, taken in July 1960 and extended in the following December until 30 June 1961, provided for a compensatory charge on imports into Germany of bread and fondant paste from the Netherlands and of fondant paste from Belgium. The purpose of this charge is to counter the harmful effects on the relevant food industries in Germany of divergent prices paid in the different Member States for the basic products processed by these industries.

The new decision makes it possible to continue to impose a compensatory charge on imports from the Netherlands and Belgium and to introduce a similar tax on imports of fondant paste from France. It is applicable until 31 December 1961.

However, the Commission will revoke its decision before that date if within three months the Federal Republic has not taken the necessary measures to avoid the trade in fondant paste shifting to the benefit of non-member countries or if certain remedial measures have come into force; these measures, intended to counter the difficulties facing the industries concerned because of the differences in prices paid for the agricultural products which they process, have already been proposed to the Council by the Commission acting under the provision of Article 235.

In co-operation with the government experts, the Commission has continued the study of the German requests for the introduction of a compensatory charge on the import of biscuits and wafers and of honey substitutes, as well as of an application from the same country to amend the compensatory charge on the import of malt.

### **Harmonization of legal provisions**

45. The Commission, continuing its work in the field of harmonization of agricultural and food legislation, has called meetings of the main Working Party on the approximation of legislation on foodstuffs, as well as of the sub-groups on additives, cocoa, cattle trade (veterinary II), sugar beet seed and cattle feed. The additives sub-group agreed on the advance draft of a directive for the harmonization throughout the Member States of colouring agents in food products. The cocoa working

party has agreed on the advance draft of a directive for the harmonization of legal provisions concerning cocoa and chocolate. At a meeting held from 20 to 22 June 1961 the Working Party on the approximation of legislation on foodstuffs adopted advance draft directives on colouring agents; these will shortly be submitted to the Commission.

The advance draft on cocoa has been agreed to in principle, but certain details still remain to be re-examined by the sub-group.

### **Meetings with business and professional organizations**

46. The Commission has continued its informatory and consultative contacts with the trade organization in agriculture and food established at the level of the Six.

A series of consultative meetings with the organizations representing the agricultural and foodstuffs industries have been held to work out details of a statistical enquiry into these industries.

Informatory meetings with the agricultural and food industries committee of UNICE (Union of Industries of the European Community), with the agricultural and food questions committee of COCCEE (Committee of Commercial Organizations in the Countries of the EEC) and with the experts of the Committee of organizations of agricultural associations (producers) have been the occasion for fruitful discussion of the agricultural problems at present engaging the attention of the Commission.

### **Relations with business and professional groups**

47. At a meeting with a delegation from the Agricultural and Food Questions Committee of COCCEE (Committee of Commercial Organizations in the Countries of the EEC) on 18 May 1961, Vice-President Mansholt referred to the conditions governing competition in private trade and among co-operatives in the agricultural sector and pointed out that the interpretation which the Commission intends to give to paragraph 33 of Part II of the proposals on the common agricultural policy of 30 June 1960 should not be considered as meaning that the Commission looked unfavourably, from the economic angle, on legal forms of association other than co-operatives.

Paragraph 33 states that an efficient co-operative organization can contribute to the improvement of conditions or production and the competitive capacity of agriculture and that it can have a beneficial effect on the vertical integration of agriculture.

Generally speaking, equality in competition between co-operatives and private traders should be established. The paragraph 33 referred to above does no more

than indicate the role which it is possible for the agricultural co-operative to play, but it does not entitle anyone to draw other conclusions.

Mr. Mansholt expressed the opinion that since healthy competition should exist between private trade and co-operatives in the agricultural sector, the expansion of private trade and of processing industries in this sector is also likely to have a favourable influence on the conditions of production, income, work and life, and thus to contribute to the achievement of the aims laid down in Article 39 of the Treaty.

### **Relations with international organizations in agriculture**

#### **32nd session of the International Wheat Council**

48. The International Wheat Council held its 32nd session from 27 to 30 June in London. It set up a preparatory committee for the renewal of the International Wheat Agreement which expires on 30 June 1962. The wheat conference to negotiate the new agreement will be called for February 1962. For the year 1961 to 1962 the Wheat Council elected Ministerialdirektor Dr. Häfner, Federal Republic of Germany to be chairman, and Mr. R.G. Lewis (USA) as vice-chairman.

#### **Ministerial Committee for Agriculture and Food of OEEC**

49. The Commission was represented at the sessions of the Ministerial Committee for Agriculture and Food of OEEC and of its Committee of Deputies.

The Ministerial Committee approved the Fifth Report on the Confrontation and Co-ordination of Agricultural Policies (1960/61). Like the previous ones, this report will serve as a guide to future work in the field of confrontation of and consultation on agricultural policies.

The situation on the butter market was studied and various reports drawn up and submitted to OEEC.

A part of the discussions of the Ministerial Committee and of the Committee of Deputies was also devoted to the future work of those sections of OECD responsible for agricultural matters. A special working party (which includes representatives of four Member States of EEC) has been instructed to draw up a programme of work for OECD in the agricultural sphere.

### **FAO**

50. The Commission was represented in May and June at several meetings organized by FAO.

The FAO Committee for Commodity Problems had a discussion on the principles which should guide stabilization policies for agricultural products and support policies for agriculture. The next of these principles was finalized and will be submitted for approval to the next FAO conference in November. The Committee studied the progress of regional agreements for economic integration. One part of the document concerning this question deals with EEC. The Committee considered a report from the Director-General of FAO on food products in the service of development. This paper sets out all the theories on the use of agricultural surpluses for aid to countries in the course of development.

The Committee for Commodity Problems and later the FAO Council studied the proposal of the United States of America for the establishment of a 100 million-dollar multilateral fund for sending surplus food products to the developing countries. The United States have offered to participate in this fund to an amount of 40 million dollars in foodstuffs and 20 million dollars in cash, and have invited the other industrialized countries to contribute also as far as they can.

In close co-operation with the government experts from the member countries, the EEC Commission is at present studying the problems raised by this American proposal. A decision on setting up the fund proposed by USA will probably be taken at the coming FAO conference in November.

## **TRANSPORT**

### **The common transport policy**

51. At its meeting of 26 June in Strasbourg the Council had an initial discussion on the Memorandum of the Commission showing the lines on which the common transport policy should be based.

The Council agreed to use the Memorandum as the basis of the studies to be undertaken on the common transport policy. The Ministers then described the views of their respective governments on the common transport policy, and some of them formulated reservations and comments on the ideas elaborated in the Memorandum.

In conclusion the Council decided, with a view to a further meeting at the end of October, to instruct the Committee of Permanent Representatives, assisted if necessary by senior officials from the different countries, to study the Memorandum in the light of the Ministers' statements.

52. The Council also received from the Commission the draft of a decision for the establishment of a procedure for prior consultation at Community level on any arrangements likely to affect the common transport policy which the Member States might introduce in the transport field. The Council's intention had been

not to adopt a position on the substance of this draft immediately, but merely to take a decision on consultation of the European Parliament and of the Economic and Social Committee in conformity with Article 75(1) of the Treaty.

After the debate on this question the Council decided that the draft would be forwarded when the Council of Ministers met on 24 July; this would give the Commission an opportunity to make any changes in the draft which it considered desirable in the light of the remarks of certain Ministers during the discussion.

53. The Council noted the receipt from the Commission of a working paper on problems arising from the increased use of pipelines for the transport of liquid fuels and instructed the Committee of Permanent Representatives to study these questions, using the document as a basis. In its paper the Commission requests the Council's approval for the establishment of a committee of experts which would collaborate with the Commission in studying these various problems.

The Commission was of the opinion that the increasing use of pipelines raised problems both of general economic policy — from the energy, industrial, regional and trade angles — and of common transport policy.

In view of the fact that only one of the six Member States at present has specific legislation on transport by pipeline, the question whether the most uniform regulations possible should not be established in this field for the Community as a whole calls for study.

From the angle of transport co-ordination, the possible repercussions of the building and operation of oil pipelines on traditional types of transport will need to be examined, particularly in connection with the carriage of refined products, where problems of competition present special aspects.

### **The Consultative Committee on Transport**

54. The Consultative Committee on Transport met on 27 and 28 June to decide on a request from the Commission asking for its opinion on a document drawn up by the Commission's staff concerning the easing of quota and permit controls in international goods transport by road. The measures concerned are to be taken under the common rules to be established by virtue of Article 75(1a) of the Treaty.

The working document referred to above deals with a first batch of liberalization measures for professional hauliers and for transport on own account between Member States, and for transit traffic. They are in line with the implementing measures envisaged in the Memorandum of 10 April 1961 showing the lines on which the common transport policy should be based.

The Committee decided to set up two working parties from among its members to examine, on the basis of the Commission's document, certain questions relating to international transport of goods by road. These working parties will meet for the first time on 13 and 14 July.

## **Admission of non-resident carriers to national transport services in a Member State**

55. The Commission has transmitted to the Consultative Committee on Transport a memorandum on the "conditions for the admission of non-resident carriers to national transport services within a Member State". This memorandum contains proposals for the implementation of Article 75(1b) of the Treaty. It fills out the general framework laid down in the Memorandum of 10 April 1961 on the main lines of the common transport policy and deals with the participation of non-residents in domestic transport services.

In the Commission's opinion, discrimination in the admission of carriers to domestic transport services in a Member State will have to be abolished by the end of 1967 at the latest. Moreover, the Commission considers it necessary that the progressive approximation of the legislative and administrative provisions on the admission of carriers should begin earlier. Efforts for the enlargement of quotas for road transport in the various countries will need to have produced tangible results before the end of 1967. By the end of 1964, it will be necessary at least to grant non-resident enterprises in the road haulage sector and inland waterway transport of goods the right to engage in domestic transport at the beginning or end of an international run. The Commission will also request the opinion of the Consultative Committee on a certain number of practical questions concerning in particular the present situation on the admission of non-residents.

## **Abolition of discrimination**

56. The essential provisions of Regulation No. 11 on the abolition of discrimination in the field of transport rates and conditions — in particular the clauses actually prohibiting discrimination and introducing compulsory use of transport documents — come into force on 1 July 1961. This means that from that date onward they are applicable to traffic on the Rhine as well as to other forms of traffic.

The Commission has examined the legal questions arising in this connection and agreed on the provisions by which Regulation No. 11 is to be implemented; these were immediately forwarded to the Governments in the form of a "recommendation".

The aim of this recommendation is to ensure that in all Community countries the provisions of the Regulation and, in particular, the supervision to be exercised by the Governments in connection with its Article 6 — transport documents — shall be applied on a uniform basis. To this end a transport document has been worked out and recommended for use in cases where carriers have, under Article 6, to introduce new documents or to supplement those used up to the present.



The recommendation also contains certain technical provisions to ensure that uniform criteria are used in fixing the transport prices and conditions to be applied in each case by carriers within the Community. In this connection it has been recommended to the Governments that they should take necessary action to include carriers from non-member countries within the scope of the Regulation.

Finally, the Commission has set out in the form of an "opinion" certain explanatory notes to help in the interpretation of the provisions of Article 80 of the Regulation, in particular the concepts "total weight" and "total distance".

### **Implementation of Article 81**

57. As part of the preparatory work for the implementation of Article 81, the Commission's staff are at present preparing an enquiry into the formalities which transport enterprises still have to fulfil when crossing frontiers.

This enquiry will deal with both the delays caused at frontiers and the incidence of these on transport costs. The Commission's staff will thus be able to assemble the necessary material for a study of the measures called for if a progressive reduction in the delays and expenditure entailed by these operations is to be obtained. From this angle the enquiry will be based as far as possible on the experience of the High Authority of the Coal and Steel Community in this field and on the work of its ad hoc inter-governmental committee.

### **Collaboration with the Central Commission for the Navigation of the Rhine**

58. On 14 December 1960 the Commission decided to establish liaison with the Central Commission for the Navigation of the Rhine, in conformity with Article 229 of the EEC Treaty.

On 6 June 1961 the Commission received a delegation from the Central Commission for the Navigation of the Rhine led by Ambassador Fouques-Duparc, and the agreement on liaison was given concrete form in an exchange of letters between the Presidents of the two Commissions laying down the methods by which these will collaborate.

Mr. Renzetti, Director-General for Transport, has been appointed official representative of the EEC Commission with the Central Commission.

### **European type vessels**

59. On an invitation from the Italian Government delegation, a meeting of the sub-committee on European type vessels was held in Venice on 19 and 20 June 1961. It was unanimously decided to give priority to the study of the standardization of a vessel of 1 350 tons.

As regards pushed units, the sub-committee decided to put in hand immediately the study of a type of barge. Once the tests have progressed sufficiently it will be possible to lay down specifications for other types.

## **OVERSEAS DEVELOPMENT**

60. The Commission has taken an active part in the debates at the public sittings and in the committees of the Conference in Strasbourg from 19 to 24 June <sup>(1)</sup> which brought together for the first time in plenary session the members of the European Parliament and delegations from the parliaments of the overseas associated States. President Hallstein and Mr. Lemaignen were among those who spoke in the plenary session.

61. The Commission's staff are at present studying the various possible procedures for a new convention between the EEC and the associated overseas States. The Commission will shortly discuss this problem with the Council.

### **Training periods and symposia for nationals of the associated overseas States**

62. The first training period organized by the Commission for nationals of associated overseas States, which began on 1 October 1960, came to an end on 30 June.

All the nationals of associated States who are on training periods in the Commission's services attended the first conference of the European Parliament with the parliaments of the associated overseas States from 19 to 24 June in Strasbourg.

63. Two symposia were organized by the Commission in June :

a) The first, which was on information problems, brought to Brussels on 12, 13 and 14 June 22 African and Malagasy nationals from associated countries, who are on a training period with the Société de la Radiodiffusion de la France d'Outre-mer.

b) 25 African students from the administrative section of the Institut des Hautes Etudes d'Outre-mer in Paris and a group of English-speaking Africans who are studying in Germany took part in the second symposium, which was also held in Brussels, on 26 and 27 June.

From 18 to 28 June 1961, a mission was in London to attend the seminar on the Welfare of Overseas Students, organized by the United Kingdom under the auspices of the Council of Europe.

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<sup>(1)</sup> See Chapter II for an account of this conference.

## Trade

64. In June 1961 the Commission's staff examined various problems of an economic nature which will arise in connection with the establishment of the new procedures for the implementation of Part IV of the Treaty.

In conformity with the wish expressed by all the associated States, the Commission's staff are studying proposals which the Commission might later formulate in order to enable the Republic of Congo (Leopoldville) to benefit by the import quotas opened in the associated countries of the franc area.

At the same time it has been found that further action must be taken to bring up to date the various customs tariffs applicable in the associated States and territories and to complete the already considerable statistical material on the trade both of these States and of the other countries in Africa.

In the more special field of the expansion of markets, the Commission's proposals concerning the stabilization of export earnings of the associated overseas States and territories (projects concerning the stabilization funds) have been examined in the Special Group of the Council for the Associated Overseas Countries. <sup>(1)</sup>

The main subject of the discussions was the procedures envisaged for financing community aid and the economic features of counter-cyclical action.

The Commission is at present studying the clauses which may be included in the future association convention in order to make clear how far the agricultural rules contained in the Treaty apply to the overseas States and territories and their products.

Similar work has been done for the sugar market in co-operation with the Directorate-General of Agriculture.

The proposals of the International Study Group on Coffee have been analyzed along with the conditions for the processing on the spot of certain raw materials.

## The European Development Fund

### *SOCIAL INVESTMENTS*

65. In the month of June, the Commission approved the financing by the European Development Fund of the following 12 social projects:

In the Republic of Mali

Construction of a "lycée" and a teacher training college at Bamako. It was decided to grant an initial commitment of 15 million frs. CFA (about 61 000 units of account)

<sup>(1)</sup> See Bulletin 4/61, Chapter IV, sec. 40.

for the preliminary planning work. The provisional commitment for the completion of the project will be fixed later in the light of what is learnt from the preliminary studies.

There are at present in Mali about 15 secondary schools with 3 500 pupils. Only one of these establishments, however, provides education up to the level of the full "baccalauréat". The Government of Mali has undertaken a policy of educational guidance in relation to the needs of each speciality with a view to the coherent distribution of training facilities for young people.

The project financed by the Fund is in line with this policy. It provides for the construction of a "lycée" for 1 200 pupils, with boarding facilities, and of a teacher training college for 300 boarders, both at Bamako. The resultant growth in the number of persons with a complete secondary education should make a decisive contribution to the social and economic betterment of the entire population.

#### In the Republic of Togo

A development study of the region of Akposso, with a provisional commitment of 4 million frs. CFA (about 16 000 units of account).

This project is part of the general development work in one of the most productive regions of Togo where progress is being retarded chiefly through lack of adequate communications and the absence of a regional development programme.

#### In the Central African Republic

Preparatory work on an overall social and economic development plan, with a provisional commitment of 7 500 000 frs. CFA (about 30 000 units of account).

Investments since 1947 in the Central African Republic have met the most pressing needs, but they did not correspond to a well-defined development programme and the objectives to be attained were not always clearly determined.

The aims of the project which the Fund is financing are to carry out an inventory and an analysis of the documentary material existing in the country and to draw up a programme of the studies and enquiries which will be needed if the essential elements on which to base a development plan are to be assembled.

#### In the Republic of Cameroun

1) Provision of health facilities in North Cameroun, with a provisional commitment of 520 million frs. CFA (about 2 107 000 units of account).

The aim of the project is to improve the health of the populations in three districts of North Cameroun. It provides for the construction of three hospitals, a welfare centre for mothers and children, five medical centres, 21 rural dispensaries, and 50 quarters for doctors and nurses.

2) Water supply to N'Gaoundere, with a provisional commitment of 94 500 000 frs. CFA (about 383 000 units of account).

The town of N'Gaoundere is the political capital of Adamaoua and the leading cattle market in the district. Its present water supply is from wells. However, the seasonal character and the quality of this water and the distances to the points where it is drawn make this supply system unsatisfactory. It has therefore been decided to furnish the city with drinking water drawn from a river.

The scheme provides for the installation of a suction conduit, a pumping and filtering station, a reservoir and a network of pipes covering the whole city.

3) Building of a training college for secondary school teachers at Yaoundé, with a provisional commitment of 264 million frs. CFA (about 1 069 000 units of account).

This project, which is for the building of teaching accommodation for 200 boarders, a pedagogical institute and 22 dwellings, is part of a programme for the expansion of education in Cameroun.

The completion of the programme will make it possible to provide in a few years time enough teachers to ensure a considerable extension of education in general and, more particularly, of secondary education.

#### In the Islamic Republic of Mauritania

Building and equipping of a hospital and school for nurses at Nouakchott, with a provisional commitment of 496 000 000 frs. CFA (about 2 009 000 units of account).

At present patients suffering from illnesses which demand technical means of investigation and treatment have to be evacuated, mainly to hospitals in Senegal. In order to remedy this very serious situation, it has been decided to build at Nouakchott, the new capital of the country, a hospital which will serve as a national centre for patients suffering from diseases which require treatment by specialized personnel.

This hospital will contain 135 beds and all the technical services and their ancillary departments. In addition, it is planned to install in the hospital a school for nurses, which will take charge of the theoretical and practical training of the middle-grade health personnel needed in Mauritania.

Each centre will comprise, in addition to the buildings needed to house the pupils, a farm equipped with machinery and agricultural implements, as well as a workshop.

3) The extension of the apprenticeship centres in Tlemcen and Bougie, with a provisional commitment of 2 095 000 NF (about 424 000 units of account).

The industrialization schemes now under way demand a greater number of craftsmen, technicians and skilled workers, and this is why specialized occupational training for Algerians of North African origin is important.

The project, which forms part of the programme for the expansion of technical education, provides for the construction or improvement of the apprenticeship centres of Tlemcen and of Bougie, in order to increase the number of pupils and to provide, at Bougie, boarding facilities for 104 pupils.

4) Building of six hospitals, with a provisional commitment of 24 500 000 NF (about 4 962 000 units of account).

Although the health arrangements in Algeria are amongst the most advanced in North African and Arab countries, they are nevertheless in many places unable to cope with the needs. It is principally in the rural regions that satisfactory hospital facilities are lacking, so that patients have to cover long distances to be admitted for treatment.

The aim of the project is to provide 126-bed hospitals for the regions which are particularly badly off. The localities chosen are in the départements of Oran (Le Telagh), Tiaret (Frenda, Aflou, Vialar), Tizi-Ouzou (Dellys) and Constantine (La Meskiana).

#### *ECONOMIC INVESTMENTS*

66. In the same month the Council, on the proposal of the Commission, approved the financing by the European Development Fund of the following six economic projects :

In the Republic of Dahomey

The establishment in the Mono area of Dahomey of palm plantations with selected trees and the construction of an oil-works, with a provisional commitment of 800 million frs. CFA (about 3 241 000 units of account).

Oil-palms are of paramount importance in the economy of Dahomey, where palm oil and palm kernels represent 20% of the country's production and 75% of its exports. This, then, is a vital sector of the country's economy and since 1947 the responsible authorities have been operating a plan to combat the difficulties of the Dahomey palm plantations, which are threatened by increasing age, poor upkeep, an inadequate network of tracks and the total lack of any modern equipment for treating the palms.

The success of the plan has led the Dahomey Government to extend the original programme. The project, which is part of the plan for the expansion of palm growing, is for a plantation of 4 000 hectares of selected palms in the Mono area — whose present output is based on wild palms which give only a modest yield — and for the building of an oil-works at the economic centre of the area to be planted. The oil-works will draw its supplies both from the selected palms and from the wild ones growing in the area.

## In the Malagasy Republic

1) The road system in Ankaizina and construction of berthing facilities at Antsohihy, with a provisional commitment of 356 million frs. CFA (about 1 442 000 units of account) of which 300 million frs. CFA (about 1 215 000 units of account) is for the road system in Ankaizina and 56 million frs. CFA (about 227 000 units of account) for the berthing facilities at Antsohihy.

The two projects, which are closely connected, are meant to develop the Ankaizina area in the province of Majunga. In order to better the conditions under which the agricultural wealth of the region is exploited and raise the standard of living of the inhabitants, it is essential to improve the road network and to fit out adequately the port at Antsohihy, which is the principal means of access to the area.

The projects provide for improvements to one road for a distance of about 130 kilometres, the establishment of a network of 522 kilometres of tracks to serve the hinterland, and the rebuilding of 90 metres of berthing facilities in the river and maritime port of Antsohihy.

2) Improvement of the Vohemar-Sambava road, with a provisional commitment of 910 million frs. CFA (about 3 686 000 units of account).

The purpose of the work is to make this road, which serves an area of about 22 000 square kilometres, serviceable all the year round. The area, in the province of Diégo-Suarez, has 207 000 inhabitants.

The project provides for the improvement of a road section of about 40 kilometres and several other civil engineering tasks.

3) Improvement of the Betsiboka-Kamoro road, with a provisional commitment of 560 million frs. CFA (about 2 269 000 units of account).

The Betsiboka-Kamoro road is a section of about 60 kilometres of Highway N° 4 from Tananarive to Majunga, one of the most important of Madagascar's trunk roads. Highway N° 4, which serves areas supporting more than a million and a half inhabitants is the sole link between the North-West of the island and Tananarive.

The project provides for the improvement of a section of about 50 kilometres and the asphaltting of this section and of an additional section of 10 kilometres.

## In Algeria

Finally, the Council approved the financing of economic projects in Algeria :

1) The improvement of pastures in the administrative district of Djelfa, with a provisional commitment of 7 300 000 NF (about 1 479 000 units of account).

The purpose of the project is to increase the grazing so that a ratio of one animal to two hectares can be established. Soil conservation work will be carried out in two areas : on 25 000 hectares at Djelfa and on 36 000 hectares at Sebdu.

The increase in output per hectare will doubtless encourage local trade and small industry and will enable breeders to fit themselves more readily into a market economy.

2) Construction and equipment of 526 branches of agricultural provident societies, with a provisional commitment of 35 400 000 NF (about 7 170 000 units of account).

The aim of agricultural provident societies is to provide practical help through co-operation and credit for their members, to develop the habit of agricultural insurance, to protect members' business interests and to take part in the development of all schemes concerning small farmers and connected with social work.

The project is designed to develop the network of provident society centres by establishing 240 branches in the region of Oran, 152 in the region of Algiers and 134 in the region of Constantine. A number of these branches will possess tractors allowing of the effective mechanization of rural work and of increased yields.

67. During the same period the following financing conventions and codicils were signed :

*a)* A financing convention with the Republic of Ivory Coast covering one social and three economic projects, with a total provisional commitment of 12 307 000 units of account.

*b)* A financing convention with the Republic of Dahomey covering one social and one economic project for a total amount of 1 085 000 units of account.

*c)* A financial convention with the Republic of Mali covering a social project, with a provisional commitment of 1 488 000 units of account.

*d)* A financial convention with the Republic of Upper Volta covering an economic project, with a total provisional commitment of 5 428 000 units of account.

*e)* A financing convention with the Republic of Togo covering one economic project, with a provisional commitment of 2 836 000 units of account.

*f)* A financing convention with the Central African Republic covering an economic project, with a provisional commitment of 370 000 units of account.

*g)* Two financing conventions with the Republic of Congo (Leopoldville) covering two economic projects with a total provisional commitment of 2 830 000 units of account.

*h)* Two codicils to financing conventions with the territory of Ruanda-Urundi covering one social and one economic project, with a total supplementary commitment of 442 000 units of account.

*i)* A financing convention with Netherlands New Guinea covering one social project, with a provisional commitment of 3 099 000 units of account.



**OPERATIONS  
OF THE EUROPEAN DEVELOPMENT FUND**

Financing approved - situation on 30 June 1961

*(in thousand units of account)*

Countries or territories	Number of projects	Total amount
Congo (Leopoldville)	8	9 384
Ruanda-Urundi	9	2 583
	17	11 967
	=====	=====
Cameroun	11	10 881
Central African Republic	11	4 398
Comores	5	2 069
Congo (Brazzaville)	5	6 009
Ivory Coast	10	17 495
French Somali Coast	1	742
Dahomey	9	5 646
Gabon	5	5 070
Upper Volta	9	11 683
Madagascar	21	23 132
Mali (former Sudan)	14	7 529
Mauritania	4	4 352
Niger	2	7 290
New Caledonia	4	273
Polynesia	2	2 769
Senegal	6	13 656
Chad	7	9 945
Togo	11	8 056
Réunion	3	1 682
Martinique	1	2 542
Groups of States	1	2 010
Guadeloupe	1	747
Algeria and the Sahara	7	17 680
	150	165 656
	=====	=====
Somali Republic	1	2 150
	6	12 487
	=====	=====
Total	174	192 260

## **ADMINISTRATIVE AFFAIRS**

### **Budget problems**

Budgetary year 1958

68. At its 48th session held on 12 June 1961 the EEC Council gave the Commission a discharge in respect of the implementation of the budget for the financial year 1958.

At its meeting on 6 June 1961 the European Parliament's Administration and Budgets Committee examined the balance sheets and accounts covering budget operations for the financial year 1958, together with the relevant report of the Committee of Control.

Preliminary draft of the amended budget for 1961

69. The Commission has approved the preliminary draft of the budget amended as a result of the revaluation of the German Mark and the Dutch Florin. This preliminary draft has been submitted to the Council for approval.

### **Changes in the Commission's staff**

70. In June 1961 the Commission appointed Mr. U. Krebs to be head of the General Affairs section (visits and training periods) of the Joint Information Service of the European Communities.

Mr. J. Vignes, Director of Research and Development Programmes in the Directorate-General for Overseas Development, has tendered his resignation, which will take effect from 15 July 1961.

## **RELATIONS WITH TRADE ORGANIZATIONS, ASSOCIATIONS AND UNIONS**

71. On 12 and 13 June 1961 two "Study days on the consumer in the Common Market" were held in Brussels. They were organized on the initiative of a Study Committee representing various groupings of consumers in the six countries, including family associations, consumer co-operatives, trade union organizations (ICFTU, IFCTU) and the Union of Consumers.

Mr. Mansholt, a Vice-President of the EEC Commission, stressed the importance of this meeting: "The producers, the trade unions, and the farmers are very well organized at the Community level and are in constant contact with the Commission. The Commission would like to see the consumers, too, form an organization at the

level of the Six. For instance, it would be a very good thing if the consumer were in a position to give his opinion on the arrangements which will be proposed in the course of this year for the application of the levy system to various agricultural prod cts.”

Mr. Mansholt went on to underline the importance of improving the exchange of information between the Commission and the consumers' associations.

(It will be recalled that the Commission's proposals on a common agricultural policy provide that for each product or group of products a Consultative Committee shall be set up which will contain representatives of the organizations which serve at Community level to group farmers, the agricultural and foodstuffs industries, traders in agricultural produce, workers and consumers.)

## PUBLICATIONS OF THE STATISTICAL OFFICE

72. The Statistical Office of the European Communities has just published a study on the wages paid to men and women in the six countries of the European Community.

This study contains the results of the analysis of the statistical material on the average remuneration of men and women workers which the Office could obtain in the six member countries.

For the *Federal Republic of Germany* the results of the enquiry into the structure of salaries and wages carried out in October 1957 have been used.

In industry as a whole, the gap between the hourly earnings of men and women workers increases with their qualifications. In category 3 it is 28.5%; in category 2, 31.5% and in category 1, 34.1%. However, in several industries where the number of women workers is considerable, the gap is much narrower : for instance, the textile industry (category 3, 18.7%; category 2, 16.6% and category 1, 15.7%). In general, the divergences by calling are lower than by industry and category.

As regards employees in all activities and for those categories where women are in very great number, the gaps between monthly earnings of men and women are not very different : category III, 26.4%, category IV, 25.4% and category V, 26.2%. Within categories IV and V, where women are particularly numerous, are found the narrowest gaps (from 3.5% to 10%), and also the widest (over 40%). Between November 1957 and May 1960, the difference in earnings between men and women irrespective of age, skill, the form of the wages, the trade, or seniority in the enterprise decreased in the case of workers (from 38 to 34.8%), but increased a little for employees (from 41.9% to 42.2%). However, as far as employees are concerned, the differences by category narrowed slightly.

For *France* two statistical sources have been used : the annual enquiry into workers' earnings and the quarterly statistics of the average wage rates paid to workers on time rates.

In September 1957 the annual enquiry showed a gap of 22% between men's and women's earnings.

On the basis of the results of the quarterly statistics, which apply to the rates of basic wages (exclusive of increases for overtime and performance bonuses for workers of 18 years or over) and which take into account the workers' degree of skill, the gap is narrowed by more than half. On 1 January 1961 the average difference was no more than 8.9%.

For *Italy* it was possible to use only the results of an enquiry carried out in 1959 into minimum gross contractual pay in about 30 sectors of economic activity. It may be noted that for the manufacturing industries and bus lines operating under licence, the differences in the very great majority of cases are between 16 and 17% for the lowest category of workers and between 13.5 and 14.5% for employee categories II, III A. and III B. Employees in category I have the same contractual salaries whether men or women. Remuneration is equal in municipal transport operating under licence and in municipal electricity and gas enterprises. The great drawback of this enquiry is that it does not deal with actual earnings.

For the Benelux countries use was made of enquiries into wages which are organized every year in October in the three countries. The gaps between the hourly earnings in October 1958 in most of the industries where women make up a considerable part of the labour force were between 30 and 40% of the wage of male workers in the Netherlands and between 25 and 35% in Belgium. Differences by calling are appreciably lower than those of the industry to which these belong.

In Luxembourg the gaps differ widely. In October 1959 they varied between 10.8% for the manufacture of terra cotta materials and 50.9% for the manufacture of cereal products other than flour.

Although the national statistics of the six countries make it possible to get the problem roughly in focus, they are not comparable — except for the Benelux countries — because definitions and methods are not identical. They cannot be a substitute for a joint enquiry covering the six countries, which could be used as the basis of a special study of the pay of men and women workers for the same work and which would take into account all the elements capable of influencing the level or remuneration.

## VISITS

### **Mr. Rey's visit to Canada and the United States**

73. Mr. Rey, Chairman of the External Relations Group, made a short trip to Canada from 14 to 18 June and had a number of meetings with the Canadian authorities.

In particular, Mr. Rey met Mr. Fleming, Minister of Finances, Mr. Hees, Minister of Trade and Commerce, and many senior officials with whom he examined the problems arising in relations between Canada and the European Economic Community.

After his visit to Ottawa, Mr. Rey went to Montreal and Quebec, where he had talks with the authorities and with leading businessmen.

Mr. Rey then travelled to Washington, where the contacts made on 19 and 20 June at the State Department included talks, related to current negotiations, with Mr. Freeman, Secretary of Agriculture, and Mr. Ball, Under-Secretary of State for Economic Affairs.

### **Mr. Mansholt's visit to Washington**

74. At the invitation of Mr. Freeman, United States Secretary of Agriculture, Mr. Mansholt, a Vice-President of the Commission, visited the United States on 15 and 16 June 1961. He was accompanied by Mr. Rabot, Director-General for Agriculture in the Commission.

During a talk with Mr. Freeman the different problems connected with the Commission's proposals for a common agricultural policy were examined.

### **Visits to the EEC Commission**

75. On 8 June Mr. Otto Schedl, Bavarian Minister for Economic Affairs and Transport, had a series of talks in Brussels with Mr. von der Groeben and Mr. Schaus, Members of the EEC Commission.

President Hallstein gave a dinner in his honour.

76. On 29 June Mr. Felipe Herrera, President of the Inter-American Development Bank, paid a visit to the EEC Commission, where he was received by Mr. Seeliger, Director-General for External Relations.

This visit formed part of a European tour undertaken by Mr. Herrera with the purpose of making the aims of the Bank known to official and private financial circles of Europe.

In talks with the senior civil servants concerned, Mr. Herrera answered many questions on the purposes and functioning of the Inter-American Development Bank. A dinner was given in his honour by Mr. Formentini, President of the European Investment Bank.

Mr. Herrera's talks with the representatives of the Community covered a comparison of the methods and procedures of the different Institutions and a discussion of the ways and means of establishing regular contacts and exchange of information between the Inter-American Development Bank on the one hand and the Commission and the European Investment Bank on the other.

## VI. Institutions and organs

### A. THE EUROPEAN PARLIAMENT

The European Parliament met in plenary session from 26 to 29 June. The debate on 28 June was devoted to the European Economic Community. On 26 and 27 June the Parliament dealt with questions concerning the ECSC and 29 June was given up to the voting of resolutions.

On 28 June President Hallstein presented the Fourth General Report on the activities of the EEC and reviewed the results obtained by the Community, particularly those which fall into the third year of its work; he also outlined the Community's tasks for the future.

President Hallstein spoke first of the acceleration decision, the effective application of which began on 1 January 1961. He pointed out that in the customs field it had been found that the Member States had observed the obligations they had undertaken and even gone considerably beyond them. In connection with the economic union it was a characteristic feature of the past year that the Institutions had been devoting increasing attention to the establishment of a common policy in certain sectors. In the common agricultural policy the stage of investigation had been completed and that of decision had been reached. At the same time there had been no neglect of the other sectors for which the Treaty envisaged establishment of a common policy or steps towards conditions which would make possible the co-ordination of policies. In the establishment of the economic union progress had been made, said the speaker, but here, where it was a matter of taking complex sectors of economic policy and shaping them according to circumstances, the difficulties were much greater than in connection with the more or less automatic advance of the customs union. Appreciation of this did not alter the fact that both the Treaty and economic common sense forced the Commission to insist that the two sectors should be kept in step and to remind all concerned of this requirement again and again.

The review could be said to have much on the credit side. In the world of industry and economic policy two additional points deserved mention :

- a) The Community had moved further along the path of economic expansion and the prospects for the future were favourable;
- b) The consolidation of the Community, and in particular the extra strength given to it by the speed-up, had themselves contributed in no small measure to the favourable economic development.

President Hallstein saw a danger that a lack of balance might arise in the implementation of the Treaty if there should be major delay in applying the first measures of common policy. The Commission saw no reason to exaggerate the position, but as

it wished to run no risks it had to state clearly that the time was approaching when certain decisions would have to be taken and that it was necessary to prepare for this.

In connection with the second round of the acceleration decision of 12 May 1960, President Hallstein discussed the situation in which the Council would be taking its decisions and found that the additional reduction of internal tariffs at the end of the year would be not only possible but in many respects desirable.

The position with respect to the transition from the first to the second stage of the Treaty differed from this in that the conditions were laid down in the Treaty itself. It had been the clear intention of the signatories to make the transition to the second stage possible as soon as certain economic results had been achieved. A confirmatory statement to this effect would be the signal for the transition to the second stage. The role of the Commission in this procedure would be to make a report on which the Council could issue the confirmatory statement. The necessary work for this report had already been put in hand.

In the closing part of his speech Professor Hallstein dealt with the prospects opened up by the relations between the Community and the outside world, and spoke of the growing interest shown in the Community by its European neighbours. "Our relations with the other European countries can no longer be understood in an exclusively European light or from an exclusively economic angle. In view of the threats hanging over the whole free world they have to be seen in a broader context, which includes politics and embraces in particular the United States."

In the long run the functioning of the new economic order in the West depended on the fact that a centre of attraction was arising in Europe which was capable of bringing together the nations of our continent. "Responsible Europeans have understood that a simple association with economic aims will not be enough to achieve this, but that a closer bond is necessary."

Professor Hallstein then dealt with the Community's attitude to States which sought to join it and explained what was meant by the acquisition of full membership. "Accession to the Treaty cannot be a new fact which could upset the content and balance of the Treaty; it means, rather, accepting the Community in the form it had to assume if it was to fulfil its task and meet its obligations."

But even in cases where for one reason or another this readiness was not to be found, or not yet to be found, the door was not closed. The authors of the Treaty had arranged not only for accession, but had devised Article 238, which provided for association with the Community. This procedure, with its varied and elastic possibilities, was also open.

President Hallstein then recalled the strong support which the European Community is receiving and will receive from the United States Government, a fact of which he had been able to convince himself during his recent visit to the United States.

After the statement by the President of the Commission the representatives of the three political groups took the floor.

On behalf of the Christian-democrat group Mr. Blaisse <sup>(1)</sup> said that in certain fields the Community's progress could not be considered satisfactory. He mentioned in particular the common commercial policy, vocational training and the problem of equal pay for men and women.

On behalf of the socialist group Mr. Birkelbach <sup>(2)</sup> spoke with particular emphasis about the functioning of the institutions. In his opinion the unanimity rule in the Council had a paralyzing effect on the activities of the Commission. The latter should have a wider scope for initiative, with the support of the Parliament. Mr. Birkelbach also stressed the importance of the possible accession of the United Kingdom, to which he referred as a "historic turning point" in the life of the EEC.

Speaking for the liberal group, Mr. Jarrosson <sup>(3)</sup> voiced his uneasiness on the "part solutions" which might be adopted in various fields and which should not be presented as final.

The Parliament then opened its debate on the economic situation of the Community. Mr. Deist <sup>(4)</sup> submitted his report.

After a brief intervention by Mr. Lindenberg <sup>(5)</sup> the Parliament heard a statement by Mr. Marjolin, a Vice-President of the Commission.

Mr. Marjolin began by recalling the significance of the Parliamentary resolution of 17 May 1960 : "the establishment of the Common Market is not merely a matter of freeing the movement of goods; it also requires the progressive unification of economic policies, adequate forecasting work and gradual co-ordination of the intervention measures".

The rate of economic expansion in the Community during 1960 was satisfactory : industrial production increased by 12 % and the gross national product by 7 %. Against this favourable background the Commission had striven to establish greater co-ordination of the economic policies of the various Member States.

"During the last year, considerable progress has been made along the road to improved co-ordination of the national policies relating to economic trends", added Mr. Marjolin. "In the countries in which demand was expanding too quickly and giving rise to inflationary strain, the Governments have taken measures to damp it down. In Belgium, on the other hand, where economic expansion was too slow, the new Government has just intimated its intention to apply a more active business trend policy.

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(1) Dutch

(2) German

(3) French

(4) German socialist group.

(5) German, Christian-democrat group.



As regards monetary policy, the various central banks are more and more adopting the habit of fixing short-term interest rates in relation not only to the state of business in their own country but also in the light of the risk that would face other countries if there were too wide a deviation in these rates.

A common attitude is slowly emerging on the standpoint Member States ought to adopt towards given economic situations. The work of the Committee on Policy relating to Economic Trends and that of the Monetary Committee have made a vital contribution on this point."

In this connection Mr. Marjolin referred to the efforts of the Commission to put in hand enquiries on the forecast and attitudes of Community entrepreneurs as a whole with respect to economic activity in the immediate future. Such surveys, covering the level of activity, exports, investments and stocks, are already being carried out in several member countries. The Commission would like the same questions to be addressed simultaneously to the industrialists in the six Community countries in order to obtain comparable results.

Broaching the question of structural policy, Mr. Marjolin stressed that the Commission had undertaken a certain number of sector-by-sector studies on the main industries of the Community. The Commission is giving its special attention not only to industries which are in decline or making slow progress, but also to those for which there is a real risk of over-investment and to which mutual exchange of information on investment decisions and intentions might in certain cases be extremely useful.

The Commission has pushed forward vigorously its work in the field of regional policy. In particular it has thought it useful to suggest a conference in the near future of those responsible for regional policy in each of the six countries.

In conclusion Mr. Marjolin recalled the work of the European Investment Bank in this field. On 15 June 1961 loans granted totalled 145 million units of account, of which almost all was for the benefit of regions which are less developed or labouring under special difficulties.

The afternoon of 28 June was devoted to a debate on political co-operation among the Member States.

Mr. Dehousse <sup>(1)</sup> presented his report, recording that the evolution towards political unification had always inspired what was being done in Europe. Quoting from Robert Schuman, Guy Mollet, Chancellor Adenauer, Mr. de Gasperi, Mr. Luns and Mr. Couve de Murville, Mr. Dehousse showed that the idea of political unification "is neither a surprise nor a novelty". Mr. Dehousse then reviewed the plans which were being worked out and suggested that the Parliament should revive the plan for a European Political Community which the ad hoc Assembly had drafted in

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(1) Belgian socialist group.

1953. Concluding with a reference to the possible accession of Great Britain, Mr. Dehousse emphasized that newcomers should be told "that they are getting on to a moving train and that there can be no question of going into reverse".

Mr. Santero <sup>(1)</sup> and Mr. Vendroux <sup>(2)</sup> spoke after Mr. Dehousse, as did Mr. Kopf <sup>(3)</sup> who, on behalf of the Christian-democrat group, said *inter alia* that the representatives of the three Executives should be enabled to attend deliberations whenever subjects of interest to them were discussed. Mr. Battaglia <sup>(4)</sup>, Mr. Van Dijk <sup>(5)</sup>, Mr. Rubinacci <sup>(6)</sup>, Mr. Bohy <sup>(7)</sup>, Mr. Granzotto-Basso <sup>(8)</sup>, Mr. Nederhorst <sup>(9)</sup> and Mr. Schuyt <sup>(10)</sup> also spoke on the plans for political co-operation.

On 29 June a Fourth General Report on the Activities of Euratom was presented by President Hirsch. Mr. Hirsch referred to "public responsibility" as the first aspect of the European task and said that the problem of insurance against nuclear accidents would soon be solved. On the question of research, Mr. Hirsch explained that the strength of the research personnel was now 1 100 and that he hoped soon to be able to raise it to 1 700. The President of Euratom hoped that electricity from nuclear plant would be competitive before 1970. Mr. Hirsch then spoke of the links between Euratom and non-member countries (Canada, the United States and the United Kingdom) and of the plans concerning Brazil. He welcomed the draft submitted by the Netherlands Government for the merger of the Executives.

The Parliament voted a number of resolutions of which seven concern the ECSC (including in particular one on a European Statute for Miners).

### **Resolution on the economic situation in the European Economic Community**

#### *The European Parliament*

Having regard to Article 2 of the Treaty establishing the European Economic Community, which requires the Community to promote "throughout the Commun-

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- (1) Italian, Christian-democrat.
  - (2) French, liberal.
  - (3) German, Christian-democrat.
  - (4) Italian, liberal.
  - (5) Dutch, liberal.
  - (6) Italian, Christian-democrat.
  - (7) Belgian, socialist.
  - (8) Italian, socialist.
  - (9) Dutch, socialist.
  - (10) Dutch, Christian-democrat.

ity a harmonious development of economic activities, a continuous and balanced expansion, an increased stability and accelerated raising of the standard of living” :

*Welcomes* the fact that the Commission of the EEC on 19 January 1961 submitted to the European Parliament a report on the economic situation in the European Economic Community at the beginning of 1961;

*Shares* the view of its Economic Committee that similar reports should in future be submitted at the beginning of each year;

*Invites* the Council of Ministers, the Executive and the Governments of the Member States to bring about as soon as possible the conditions necessary for an effective co-ordination of economic policy;

*Awaits* a report from the Commission of the EEC stating how far the suggestions and recommendations contained in the Parliament's resolution of 17 May 1960 on the economic, regional and structural aspects of the Community's long-term economic policy have been taken into account.

## **Resolution on political co-operation between the Member States of the European Communities**

*The European Parliament,*

*Having noted* the results of the first conference of heads of Government and Ministers for Foreign Affairs which took place in Paris on 10 and 11 February 1961,

*Considers*

- i) That periodic meetings of the heads of Government or of the Ministers responsible for the foreign policy of the Member States of the European Community can help to strengthen such co-operation usefully and to the best effect;
- ii) That such an arrangement would constitute a step forward in the integration of Europe
  - a) If it provided for participation by the Executives of the Communities in the discussion of any question concerning the fulfilment of their tasks;
  - b) If it does not encroach upon the functioning or the competences of these Communities and their Institutions under the Treaties of Rome and Paris, and if it strengthens these Communities;
  - c) If the Governments report to the Parliament at least once a year on the state of political co-operation;

d) If it helped to translate into practice the European Parliament's draft convention on direct European elections, the proposal to merge the Executives of the Communities and the proposal for the establishment of the European University.

The Resolution goes on to request the Governments to define the stages of the progressive establishment of the political union and instructs the President of the Parliament to bring this resolution to the notice of the next intergovernmental conference.

### **Resolution on the recommendations adopted by the Conference of the European Parliament with the Parliaments of African States and Madagascar in Strasbourg from 19 to 24 June**

*The European Parliament,*

(...)

*Conscious* of the political importance attached to the rapid establishment of an ever closer association between the African States and Madagascar and the European Communities.

*Desiring* to give its wholehearted support to the texts transmitted to it,

(...)

*Associates itself* with the recommendations adopted by the Euro-African Conference and urges the Executive Commissions and the Councils of the three Communities to do all in their power to attain these objectives.

### **Resolution on the speedier implementation of the EEC Treaty**

*The European Parliament,*

*Stresses* the political and economic importance of a speedier implementation of the Treaty;

*Approves* for this reason the intention of the EEC Commission to effect a further 10% reduction in customs duties among the Member States at the end of this year;

*Points* out that this reduction must not serve to gloss over the inadequate progress made towards economic union;

*Insists*, therefore, on full observance of the Treaty, which provides for the definition of a common agricultural policy, a common transport policy and harmonization in the social and commercial fields;

Urges the Commission and the Council of Ministers to take the necessary steps in all fields and especially in agriculture, transport, trade and social policy, in order to be able at the end of the year to pass from the first to the second stage and at the same time to implement a supplementary 10% reduction of customs duties in accordance with the decision taken on 12 May 1960 by the representatives of the Governments of the Member States meeting in Council.

### **Resolution on the social situation of family farm holdings**

*The European Parliament,*

(...)

*Recognizes* that the social situation in farming depends in the first place on the income of self-employed agricultural workers and is subject to environmental influences;

*Believes*, however, that better access to the advantages of social security is of particular interest to family farm holdings and that because of the general economic situation this sector should not be deprived of these advantages;

The Assembly moreover invites the Commission of the EEC to enquire into the operation of the family allowances scheme for farmers and into the frequency of accidents, and also draws attention to the importance of vocational training as well as to the significance of the Social Fund in connection with re-training and re-employment. The Parliament is in favour of the establishment of a Fund for Structural Improvements in Agriculture as proposed by the Commission and supports the latter on this point. The Parliament finally welcomes the Commission's decision to convene a conference on the social situation in agriculture.

### **Work of the special Parliamentary Committee on Greece**

The Temporary Special Committee for the association of Greece with the Community met in Strasbourg on 27 June.

It decided that the views of the Parliament on the agreement with Greece will be made known at a special session of the Parliament which will be held on 18 and 19 September in Strasbourg.

In preparation for this session four reports will be drawn up :

1. A report by Mr. Battista on questions of procedure under Article 238 of the Treaty;
2. A report by Mr. Duvieusart on institutional problems in the agreement with Greece;
3. A report by Mr. Kreyssig on economic and financial questions;
4. A report by Mr. Bégué on agricultural problems.

## B. THE COUNCIL

48th session (12 June 1961)

On 12 June the Council of the EEC held its 48th session under the chairmanship of Mr. Henri Fayat, Belgian Deputy Minister for Foreign Affairs. It dealt with the points set out below :

*Association of Greece with the Community* <sup>(1)</sup> : The Council approved the text of the draft agreement for the association and decided to propose to the Member States and to Greece that they should sign the agreement as soon as possible, subject to completion of the procedures laid down to ensure the validity of the final commitment of each party, particularly the formulation of an opinion by the European Parliament. It also decided to submit to the European Parliament for its opinion the text of the agreement and all its annexes as soon as they have been signed.

Speaking on behalf of his colleagues, the President of the Council thanked and congratulated Mr. Rey for his able and patient handling of the negotiations for the association of Greece.

*The Commission's proposal on the introduction of a levy system for grain and pigmeat* : The Council decided to submit immediately to the Parliament for its opinion the Commission's proposal concerning the introduction of a levy system for grain and pigmeat. The Council has instructed the Special Committee for Agriculture to begin its study of these proposals and to submit to it a first report at the next session of the Council, fixed for 3 and 4 July.

*Draft regulation and directives on the free movement of workers* : The Council has unanimously adopted the draft regulation and directives on the free movement of workers. The text adopted is that of the Commission's proposals (as amended by the Commission) which were discussed at the Council's session of 29 and 30 May 1961. Thus the rule by which priority is to be given to the Community labour market is incorporated in the regulations. <sup>(2)</sup>

*Application of Article 119* : The Council has approved the Commission's communication concerning the terms of reference of a Working Party appointed to study the application of Article 119 <sup>(3)</sup>.

*Association of the Netherlands Antilles with the Community* : The Council has continued its discussion of the association of the Netherlands Antilles with the Community on the basis of the Commission's proposals and of the results of the work with which

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<sup>(1)</sup> See Bulletin 6/61, Chapter II, sec. 1.

<sup>(2)</sup> See Bulletin 6/61, Chapter II, sec. 34.

<sup>(3)</sup> See Bulletin 6/61, Chapter II, sec. 35.

it had entrusted the Committee of Permanent Representatives at its previous session. The Netherlands delegation has acquainted the Council of its disappointment at the slow progress made in this matter.

The Council has instructed the group of experts composed of representatives of the Governments of the Member States and of the Commission, under the chairmanship of Mr. Rey, a Member of the Commission, to examine the as yet unsolved problems, including in particular that of petroleum products, and to submit proposals to the Council at its next session.

*Association of Surinam* : The Netherlands delegation has communicated to the Council the request of the Netherlands Government that negotiations be opened for the conclusion of an agreement for the association of Surinam with the Community, and has requested the Council to give initial consideration to this question at its next session.

*Note from the Netherlands Government, dated 23 January 1961* : Mr. Luns has announced that in accordance with Articles 204 and 236 of the Treaties of Rome the Netherlands Government will shortly submit to the Councils a draft for the revision of the Treaties and relating to the merger of the Executives. This proposal is to form the subject of a preliminary discussion at the session of 3 and 4 July.

*Study of the Italian request concerning wrapper leaf tobacco* : The Council has approved in principle a supplementary tariff protection for wrapper leaf tobaccos grown in the Community. The final decision will be taken at the session of 3 and 4 July.

*Proposal by the Commission to grant a tariff quota to the Federal Republic of Germany under Article 25 (1) of the Treaty* : The Council has adopted the Commission's proposal to grant the Federal Republic of Germany a tariff quota of 900 tons at a 2 % rate of duty for the period from 31 January to 31 December 1961 for yarn of combed sheep's or lamb's wool (worsted yarn) (item 53.07 A in the Common Customs Tariff).

*Budget questions* : The Councils have approved the provisional estimate for the expenditure of the Economic and Social Committee for the financial year 1962 and the draft decision to give the Commission a discharge in respect of the implementation of the budget for the financial year 1958.

49th session — 26 June

The Council of the European Economic Community held its 49th session in Strasbourg on 26 June 1961; under the chairmanship of Mr. A. Bertrand, the Belgian Minister for Communications, it dealt with transport problems.

It undertook an initial discussion of the Memorandum on the general lines of a common transport policy.

At the close of this discussion the Council instructed the Permanent Representatives and senior officials in the relevant national administrations to study this Memorandum in the light of the views expressed in the course of this session and to submit to the Council a report for its session at the end of October 1961.

Moreover, the Council has noted that the Commission has submitted a working paper on pipelines and has instructed the Committee of Permanent Representatives to examine the problems involved.

50th session — 3 and 4 July

On 3 and 4 July the Council held its 50th session under the chairmanship of Mr. Ludwig Erhard, Vice-Chancellor and Minister for Economic Affairs of the Federal Republic of Germany. It dealt with the following points :

*Acceleration* : The Council concluded its discussions on the acceleration and adopted a resolution, the content of which is quoted in chapter V, sec. 17.

*Agriculture* : The Chairman of the Special Committee for Agriculture has submitted a report to the Council on the results of the Committee's recent work connected with the common agricultural policy. It has also undertaken an initial study of the Commission's proposals for the introduction of a levy system and of the gradual establishment of a common marketing organization in the grain sector. It has instructed the Special Committee to continue the examination of this proposal.

*Overseas associated countries* : Ambassador Van der Meulen has reported to the Council on the results of the first meeting between representatives of the overseas associated countries and the Permanent Representatives; this meeting had taken place under his chairmanship on 2 and 3 June 1961. <sup>(1)</sup>

The Council has decided to discuss the problems connected with the future association at its session of 24 and 25 July 1961 and to devote a special session to this subject in September.

These arrangements were made by the Council in preparation for the meeting at ministerial level which will probably take place next October between the overseas associated countries and the Council of Ministers of the European Economic Community.

In this connection the Council took note of the results of the Euro-African Parliamentary Conference held in Strasbourg from 19 to 24 June 1961.

*Tariff quotas* : The Council of the European Economic Community has approved the Commission's proposals to grant several Member States tariff quotas at a reduced rate of duty or duty-free under Article 25 (1) of the Treaty and to increase the volume of tariff quotas granted to one Member State of the Community. <sup>(2)</sup>

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<sup>(1)</sup> See Bulletin 6/61, sec. 58.

<sup>(2)</sup> See Chapter V, sec. 18.



*Common customs tariff rates applicable to unmanufactured tobacco*: The Council of the European Community has decided to modify the 30 % common customs duty applicable to raw or unmanufactured tobacco and tobacco waste. <sup>(1)</sup>

*GATT agreements (Article XXIV—6)*: On behalf of the Community the Council of the European Economic Community has approved a series of agreements negotiated with the Contracting Parties of GATT under the heading of Article XXIV (6) of the General Agreement.

*Economic and Social Committee*: After consulting the Commissions of the two Communities, the Councils have appointed Mr. Wijnmaalen, Secretary of the Christian Association of Farmers and Market Gardeners, a member of the Economic and Social Committee to replace Mr. B.W. Biesheuvel, who has resigned; the appointment is to run for the unexpired period of the latter's term of office, that is to say until 24 April 1962.

*Merger of the Executives*: The Councils, to whom the Netherlands Government had submitted a draft on the merger of the Executives and suggesting in particular the adoption of a Convention setting up a Council of the European Communities and a European High Commission, have discussed the procedure to be followed and have decided to continue their deliberations at their next session.

### **C. THE MONETARY COMMITTEE**

The Monetary Committee met on 9 and 10 June under the chairmanship of Mr. Van Lennep. Pursuing its periodical review of the monetary and financial situation of the Community countries, the Committee has examined the situation in Italy. It has continued its study of the instruments of monetary policy by examining the means of influencing liquidity available to the Italian authorities.

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<sup>(1)</sup> See Chapter V, sec. 21.



## ANNEX I

### **Draft Regulation providing for the Institution of a System of Levies and for the Gradual Establishment of a Common Market Organization in the Pigmeat sector**

(Commission's proposal to the Council)

#### Explanatory Memorandum

##### *General*

1. The attached draft regulation includes a first set of general provisions for the establishment of a common policy in the pigmeat sector, in accordance with the provisions of Articles 38, 40 and 43 of the Treaty establishing the European Economic Community. In drafting it the Commission has worked on the assumption that it will be approved by the Council in time for it to come into force on 1 July 1962. The object of these provisions, which will have to be complemented in particular by the creation of a European Guidance and Guarantee Fund and the setting up of executive and consultative bodies, is to create the basis of a common market organization for pigmeat and also to ensure that it shall be fully established within the time-limits laid down by the Treaty.

2. The Commission, in accordance with Article 39 of the Treaty and having regard to the particular requirements of this sector, has made special efforts to create such conditions as will make for narrower fluctuations in the formation of reasonable prices for producers, the processing industry and consumers.

3. The achievement of a common policy in the pigmeat field which will correspond to these aims necessitates the setting up of a common organization going beyond the co-ordination of the various national

market organizations and the application of common rules governing competition.

4. The development of this common policy must result in an integration of the markets of Member States which has the characteristics of an internal market inasmuch as there is no longer any discrimination between producers and consumers. The purpose of this policy must be to effect a balance between production and marketing possibilities both inside and outside the Community when both imports and exports have been taken into account.

5. In view of the particular characteristics of this sector and especially of the elasticity of output, which consists mainly of processed products, it appeared possible to achieve these aims chiefly by standardizing conditions of competition from countries outside the Community and by providing a limited amount of protection at the various stages of production and processing. The establishment of a levy system for trade with non-member countries fulfils this requirement whilst making it possible to forego, in normal times, other measures of protection.

6. The adoption of such a system demands that a decision on the fate of the measures at present in force in the various countries shall have been taken when the present Regulation is adopted.

In intra-Community trade the levy system, which is of a temporary character, will

enable a single system whose working methods will have been agreed in common and which can be easily adapted for protective measures to be substituted for the many different national import systems. It constitutes the instrument by which the interpenetration of the national markets, a necessary stage preparatory to the common market, can be carried out efficiently and gradually and work without discrimination within the Community.

7. In so far as the means which the present Regulation makes available to the Community, for the common market stage, do not suffice to achieve the objects of the Treaty, the system provided therein will need to be combined with direct or indirect intervention by the Community on the markets. It is with this in mind that the action now being taken within the national market organizations will gradually have to be co-ordinated. The Community framework imposed on these measures will give all concerned the chance to benefit from the untrammelled expansion of trade and from the maintenance of stable prices at the level required by the economic well-being of the Community.

8. Before the system suggested for the common market stage can in practice be implemented, the following conditions will have to exist and the following measures to be implemented :

i) As the production of pigmeat entails the use of large quantities of coarse grain and the price of this grain is the most important element in the total cost, it is chiefly the differing cost of feeding on coarse grain which determines the difference between production costs inside and outside the Community. The primary object of the levy must therefore be to iron out such differences.

ii) The incidence of differences in the production factors other than those connected with the use of coarse grain has also to be offset. It is furthermore the intention of the Treaty that Community producers should enjoy a preference within the Community market. These two essential requirements will be met by including in the

levy an element equivalent to a customs duty of about 10%. This particular element will take the form of a specific duty, the amount of which will be decided by the Council on the basis of the average prices of imported meat observed during a certain reference period.

iii) The stability of prices and the reduction of fluctuations in output will also be maintained by means of a sluice-gate price. This sluice-gate price will be fixed at a level which will safeguard the Community from imports sold at prices bearing no relation to the principal costs of production of pigmeat and in particular to those of coarse grain on the world market. The Council will decide its level. As soon as the prices, free frontier of the Community, paid for imports from non-member countries fall below the sluice-gate price, the amount of the levy will be increased accordingly.

9. In the common market stage there will be in addition to sluice-gate prices, the possibility of intervention by the Community on the internal markets.

10. The Community must preserve its outlets on the world market. To achieve this, exports to non-member countries will entitle exporters to a refund equivalent to the additional costs incurred in producing the item in question within the Community. As intra-Community trade at the common market stage will be completely untrammelled and as the measures designed to facilitate the Community's exports will be in the common interest, provision must be made for the necessary financial means to be made available through a common fund administered by Community organs [Article 40(4) of the Treaty].

11. The following paragraphs set out the appropriate measures for the gradual realization of the common market system.

In the choice of these measures the Commission has looked for methods by which the basic principles of the system as it will be at the common market stage — both for intra-Community trade and trade with non-member countries — can be applied as fully as possible during the preparatory period.

12. When studying the possibility of applying these principles, the Commission was, nevertheless, obliged to consider first and foremost the present situation on the national markets of the Community.

In seeking a formula for a common policy designed to encourage the growth of greater uniformity in the policy followed by the Member States in their dealings with their partners and to promote the gradual expansion of trade between them, the Commission felt it had to take into account the differences which characterize the position on these markets, the most important causes of which are differences in the price of coarse grains — the basic feeding stuffs for pigs — and differences between productivity rates. When a levy system comes into force, it will use the current level of meat prices in the Member States as a starting point, whatever the reason for such prices. The Commission proposes that differences between these levels should be offset by fixed levies (Articles 2 and 3).

13. Development towards the common market will render the scaling down and final disappearance of such levies imperative. To decide on the speed of this reduction the Commission felt the need to distinguish two elements in the levies, one calculated on the differences in the prices paid for grain, the other, on the differences in costs of processing and in profit margins.

The first element, resulting from the differences between grain prices, will be reduced as the gaps between these prices diminish. Provision has been made for an annual reduction of the second element so that it will completely disappear in six years (Article 11).

14. The establishment of fixed levies will mean that the meat trade will be either spurred, curbed or completely stopped, depending on whether the real price differences at any given moment on the markets of the importing state vis-à-vis those of the exporting state are higher, equal to, or lower than the levies in force between the two countries. In this way conditions for automatic reaction will be created: trade

will react directly to scarcity or gluts on the import or export markets.

15. Despite the protection granted to Member States by the proposed system, prices may nevertheless fall heavily, particularly as a result of a glut on the internal market. To cope with this eventuality, the Member States will have a sluice-gate price available, whose level will be fixed on the same principles as those used in determining a sluice-gate price for trade with non-member countries. This level, to which will have been added the levy in force between the Member States and non-member countries, less, however, the specific duty due to the preferential position of the Community vis-à-vis such countries, (see also paragraphs 8 and 18), will determine the level of this sluice-gate price.

It is clear that as soon as levies on trade between Member States have disappeared and the common market has been established the intra-Community sluice-gate price will no longer be needed (Article 6).

16. If a comparison is made between the present conditions in Member and non-member states, it will be observed, in the first place, that the price levels of coarse grain in Community countries are higher than those of the world market. The Community rules dealing with coarse grain are based on this very fact. In view of the strong influence of grain prices on the cost of producing pigmeat, it has proved desirable to make up the difference between the price of grain in the Member States and its price on the world markets, after a calculation of the incidence of this difference.

17. It will, however, be sufficient to base the calculation of this incidence on the difference in grain prices between that in the Member State which has the lowest reference price and that obtaining on the world market [Article 4(1) ii)]. In this way the levy to be applied by this Member State vis-à-vis non-member countries can be ascertained. By adding this levy to that existing between the Member State with the lowest price and the other Member States [Article 4(1) i)] the levy to be applied by each of the other Member States in respect of non-member countries is obtained.

18. As for the preferential position which the Treaty lays down for Community producers, this can be assured, as at the common market stage, by adding a specific duty to the national levy. This duty will be progressively increased until it reaches the amount to be applied at the common market stage [Article 4(1) iii)].

19. At the same time as the levy system, described in the preceding paragraphs, is brought into force, sluice-gate prices for trade with non-member countries will be applied. The main features of these sluice-gate prices have been described above in connection with the common market stage. The establishment of sluice-gate prices as early as this is justified by the fact that conditions of international trade are not such as to make it possible to reckon on supplies always being offered at prices which correspond to the main factors in costs of production. It would, furthermore, be contrary to the logic of the system of sluice-gate prices in trade between Member States if their markets were to be left entirely open to exports at abnormal prices (Article 5).

20. The proposed system must replace restrictive national measures such as quotas, customs duties, charges with equivalent effect and minimum prices. Its adoption also means that administrative obstacles must be removed and that certain forms of intervention on national markets which can hinder the working of this system must be abolished. The execution of long-term agreements or contracts reached pursuant to Article 45 of the Treaty must also be suspended, since these agreements or contracts are liable to hinder the development of Community policy, especially by introducing a set of bilateral provisions into a uniform and non-discriminatory levy system (Articles 12, 14 and 15).

21. Since the system provided for by the present Regulation includes provisions for making up price differences, it entails the abolition of aids which, under the relevant Treaty provisions, would be incompatible with the common market (Article 13).

Nevertheless, in so far as exports to a Member State come from another Member State with higher reference prices, it is in conformity with the general principles on which the system is based for refunds to be provided for, if only to enable certain intra-Community trade flows to be maintained (Article 8).

Refunds will also be made on exports to non-member countries as soon as the present Regulation comes into force (Article 9). These refunds will be granted in the same spirit as that which will obtain in the Community at the common market stage. Every year, as from the second year, the Guidance and Guarantee Fund will cover an increasing proportion of these refunds. Provisions have been made for the Fund to be financed, in the first instance, by progressively larger payments from the product of the levies on imports from non-member countries (one sixth in the first year, two sixths in the second year and so on until the sixth year). Should this income prove inadequate, transfers would have to be made from the Grain Fund. A Community liability of this nature demands the immediate co-ordination of the different measures taken separately in the Member States [Article 10(2) and (3)].

22. A general description has been given above of the various constituent parts of the system at the time it comes into force, and of the methods by which it must develop progressively into the system to be applied at the common market stage. The following paragraphs are devoted to the technical measures which will enable the general arrangements described above to be put into practice.

#### *Fixing of intra-Community levies*

23. It seems necessary to take the average price for slaughtered pigs at the wholesale market stage as a basis, as is stated in Article 3, in order to calculate the levies. The reason for this is that only a comparison of the qualities of the slaughtered pigs will enable comparable bases to be found: the prices at the wholesale market stage are

still closely linked to the prices at the production stage and the wholesale trade is the basis of international trade [Article 3(1)].

If they are to avoid reflecting merely ephemeral trends, whether rising or falling, and if they are to represent the average level of the market prices on which pigmeat production has reached a balance in each of the Member States, the average reference prices must be established with reference to prices recorded throughout a complete price cycle.

The average length of such a cycle is three years, and it is proposed to take this period as a basis subject to such adjustments as may appear necessary in particular cases for which the complete cycle may be longer or shorter [Article 3(3)].

The reference prices so calculated may possibly have to be adjusted to take into account changes which have occurred during the reference period or which might have occurred subsequently in conditions of production and marketing and, in particular, in the level of coarse grain prices [Article 3(2)].

The amount of the levy will be derived from the difference between the reference prices so determined. It will be corrected to take into account costs of transport and the incidence of taxes or of refunds of taxes affecting the price of slaughtered meat (Article 2).

Once the levels of the reference prices and the levies applicable to slaughtered pigs have been fixed, the levies applicable to the other products set out in Article 1 will be calculated in relation to the levels of the reference prices of these products which have themselves been established in the light of the existing relationships in each of the Member States between the market value of these products and that of slaughtered pigs [Article 3(4)].

24. The Commission also proposes to examine, together with experts in this domain and government representatives, the special problems arising in connection with processed and tinned meat as a result of the incorporation in them of other types

of meat and of the influence on their prices of the costs of processing and preparation in particular.

#### *Levies in trade with non-member countries*

25. During the period preceding the common market stage, the amounts of the levies applied to trade with non-member countries will develop in the following ways :

i) The element corresponding to the amount of the intra-Community levy applied in trade with the country having the lowest reference price will be progressively scaled down at the same rate as the intra-Community levy itself (Article 11).

This element will finally disappear at the beginning of the common market stage.

ii) The element corresponding to compensation for the incidence of the difference in coarse grain prices is permanent. Its amount will vary with the relationship obtaining between the prices on the world market and the import threshold prices for coarse grain applied in the member country having the lowest pigmeat reference price. The amount of this element, therefore, requires a periodical review and a corresponding adjustment of the levy. The amount mentioned in Article 4(1) represents about 5 Pfennig, that is to say about the incidence on feeding costs for producing pigmeat of a change of about 1DM in the average levies on coarse grains used in a standard ration of feeding stuff [Article 4(1) ii)].

iii) The third element which corresponds to a theoretical customs duty comes into play progressively as from the second year only [Article 4(1) iii)].

26. If the total amount of the levy works out in a Member State at a level which the State in question considers incompatible with assured supplies or with the maintenance of reasonable prices on sale to the consumer, the Commission may, at the request of the Member State in question, grant it the right not to apply, either wholly or in part, the first element of the levy. In any such event an equivalent reduction will be made in the levies on the trade in

pigmeat of the State in question with the other Member States (Article 3(6) and Article 4(1) i)).

*Exports : refund of levies*

27. Should a State whose price level is fairly high have quantities available for export, any such exports can only be made possible by a reduction of the export prices. The possibility, provided for in Articles 8 and 9, of bridging the price difference, has been included for this purpose. This bridge is effected by a financial intervention on exportation, called a refund, because it is calculated in principle on the basis of levies collected on imports from a country with a low price level.

Nevertheless, the Commission is of the opinion that this refund should not include that part of the levy which is due to less developed productivity or rationalization. This is the reason why it suggests refunding the parts of the levy based on the incidence of the difference in coarse grain prices [Article 8(1)].

In trade with non-member countries, it is proposed that the fixed levies for trade with these countries, save for the preferential element, which constitutes the third element of the levy, be refunded. The reason for this exception is that the main role of the preferential element is not that of equalizing charges (Article 9).

## DRAFT REGULATION

*The Council of the European Economic Community,*

*Noting* the provisions of the Treaty establishing the European Economic Community, and particularly Articles 42 and 43;

*Noting* the proposals made by the Commission;

*Noting* the opinion of the European Parliament;

*Considering* that the working and the development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy, which must include common market organizations for the various agricultural products;

*Considering* that the production of pigmeat represents an important part of agricultural income and that it is therefore essential to enable it to yield adequate profits; and that it is in the interest of producers, processors and consumers to diminish price fluctuations as far as possible; and that attempts must be made to effect a balance between supply and demand for pigmeat

within the Community, having due regard to imports and exports;

*Considering* that trade in agricultural products between the Member States is hampered by a series of obstacles, such as customs duties, charges with equivalent effect, minimum prices, quotas and other quantitative restrictions, the progressive abolition of which in the transition period would have, in the absence of harmonizing measures taken by the Community Institutions, to be carried out by different procedures and at different speeds; but that on the other hand, a uniform protective measure at the frontier in intra-Community trade will make possible a progressive reduction of barriers in all the Member States along parallel lines and at a pace which will allow of the gradual establishment of a common agricultural policy;

*Considering* that such uniform measures of protection at the frontier in place of all the different national measures must, on the one hand, give adequate support to the agricultural markets of the Member States during the preparatory stage and, on the other, make the introduction of a single



market possible by ensuring that goods can move freely within the Community;

*Considering* that these results can be obtained by a system of intra-Community levies corresponding to the difference between the average prices in force during a complete price cycle in the exporting and importing Member States respectively in such a way as to prevent the market of a given country being upset by imports from countries where prices are lower; and considering that to this fixed levy, as long as it is applied, there must, however, be added an additional amount when the import supply price from a Member State becomes abnormally low;

*Considering* that the substitution of intra-Community levies for other measures which, according to the Treaty, must disappear during the preparatory stage, would be contrary to the principle of the progressive establishment of the common market unless provision were at the same time made for their progressive reduction;

*Considering* that in order to carry out this reduction and in view of the importance of coarse grain in the production of pigmeat, it would be reasonable to reduce that part of the levy corresponding to the incidence of the difference in the prices of the said grains on feeding costs *pari passu* with the approximation of the prices of such grain; whereas progressive and automatic reduction of the remaining part must be provided for;

*Considering* that the introduction of a new measure of protection at the internal frontiers of the Community giving adequate guarantees to producers in the Member States is not justified in the light of the principles laid down in the Treaty save in so far as it is substituted for every other protective measure which is at present available to the Member States;

*Considering* that the system to be introduced must permit the maintenance of the preference in favour of Member States resulting from the application of the Treaty; that this requirement can be met by the establishment of levies on imports from non-member countries which take account of

the incidence on feeding costs of the differences in the prices of coarse grain both on the world market and in the Member States and by the addition of an extra element increasing progressively until an amount equal to 10% of the average world market price is reached; that for trade with non-member states an additional amount must be added to this levy when the supply price on the world market becomes abnormally low;

*Considering* that, since the establishment of levies in trade with non-member states provides guarantees for the producers in Member States, it will enable the latter to forego any other protective measure now available to them;

*Considering* that by allowing the expansion of intra-Community trade, while giving producers in the Member States guarantees such as are required under the provisions of Article 45 of the Treaty, the system of levies renders the application of that Article void;

*Considering* that the working of the levy system requires that those provisions of the Treaty under which proceedings may be instituted in respect of aids incompatible with the common market shall cover aids which lead to the distortion of the machinery of this system; that, however, in the case of a Member State exporting to another Member State having a relatively low price, the refund of the incidence on feeding costs of the differences of coarse grain prices is justified where the prices of this grain are higher in the exporting country than in the importing country;

*Considering* as incompatible with a levy system such processing traffic as has the effect that trade between Member States in processed products incorporating imported primary products is carried out, for primary products, on the basis of their world prices;

*Considering* that expenditure arising from support given to exports to non-member countries must be assumed progressively by the Community and more particularly by the Guidance and Guarantee Fund for

Pigmeat, which must be provided with the necessary funds;

Considering that it seems appropriate that the common organization on the pigmeat sector should be completely established by the end of a six-year period;

Has adopted the present regulation :

#### Article 1

In order to ensure the gradual development of the common market and of the common agricultural policy, a common organization of the markets in the pigmeat sector shall be gradually established and will include a levy system applicable both to trade between Member States and to trade between Member States and non-member states. It will concern the following products :

Heading in the tariff	
01.03 A II	Live swine, domestic and others
02.01 A IIIa	Pigmeat
ex 02.05	Unrendered pig fat, free of lean meat, fresh, chilled, frozen, salted, in brine, dried or smoked.
02.06 B	Pigmeat and edible pigmeat offal salted, in brine, dried or smoked
ex 02.01 B II (1)	Pigmeat offal
15.01 A II	Lard and other rendered pig fats, others
ex 16.01 B	Sausages and the like of meat, meat offal or animal blood, containing pigmeat
ex 16.02 A II (1)	Other prepared or preserved meat or meat offal, containing pig's liver or that of others
ex 16.02 B II	Other prepared or preserved meat or meat offal, others, not specified elsewhere, containing pigmeat.

(1) Subject to the maximum rate which would result from the acceptance of the offer, made within GATT, to bind these products.

#### Article 2

The amount of the intra-Community levy shall be equal to the difference between a reference price in the importing country and a reference price in the exporting country, determined in accordance with the provisions of Article 3. In fixing this amount, however, the following points shall be taken into account :

- i) Cost of transport;
- ii) Internal taxes and refunds on exports, whatever the nature of such taxes and refunds may be, which are applied to or are granted in respect of the products in question.

This amount shall be reduced in accordance with the provisions of Article 11.

#### Article 3

1. The reference prices shall be determined by the Commission, after consultation with Member States, on the basis of the arithmetical average of prices for which purchases were made in each of the Member States :

- a) For comparable qualities of slaughtered pig;
- b) During the three years preceding the entry into force of the present Regulation;
- c) On the representative market or markets;
- d) In wholesale trade.

2. In the calculation of the arithmetical average referred to in paragraph 1 above, certain adjustments shall be made. They shall be there necessitated by the incidence on prices during the reference period of factors independent of the production and processing of pigmeat and which may have a serious distorting effect on the comparison between the prices noted for the three years.

3. If the reference period fixed in paragraph 1 b) of the present Article does not coincide exactly, within any given Member State, with a complete price cycle on the pigmeat market, a period of time, either

longer or shorter, corresponding to a complete price cycle, shall be taken as the reference period.

4. The reference prices for the other products covered by Article 1 will be fixed for each Member State on the basis of the reference prices determined, in accordance with paragraphs 1 to 3 of the present Article, for slaughtered pig, having due regard to the average ratio existing in the said Member State between the price of the products aforesaid and the price of slaughtered pig during the reference period provided for in paragraphs 2 and 3 of this Article.

5. The Commission will fix the amount of the levies after consultation with the Member States, at the latest four months after the entry into force of the present Regulation. They will be based on the criteria set out in Article 2 and in paragraphs 1 to 4 of the present Article. This decision shall be transmitted to the Council and shall be considered to have been approved unless, within a period of two months from the date of the said communication, the Council fixes different amounts by qualified majority.

6. The Commission is empowered to authorize any Member State which so requests to abstain from applying, either wholly or in part, the levies resulting from the application of the preceding paragraphs. In such cases the amount of these levies must be scaled down to the same extent for trade with all other Member States.

#### *Article 4*

1. In each Member State the amount of the levies on trade with non-member states in slaughtered pig shall be made up of the following three elements :

i) A first element equal to the difference between the reference price fixed in accordance with Articles 2 and 3 and the reference price of the Member State having the lowest reference price. The Commission may, in a case where Article 3(6) is applied, allow Member States to make a reduction in this first element of an amount equal to that which is made in implementation of this paragraph;

ii) A second element representing the difference in feeding costs resulting from differences recorded between the price of coarse grain in the Member State having the lowest reference price and that on the world market. The amount of this second element shall be adjusted proportionally should the existing ratio between the price of coarse grain in the Member State aforesaid and that on the world market change in such a way that the incidence of this change results in a rise or fall in feeding costs per kilogramme of slaughtered pig of at least 0.011 units of account.

iii) As from the second year of application of the present Regulation, a third element of an amount equal to 2% of the average supply price paid for imports from non-member countries during the preceding six months. As from the third year this amount shall be increased to 4% and thereafter be increased each year by 2% until it attains a final percentage of 10%, the average supply prices being calculated each year on the basis of imports made during the six preceding months.

2. Levies for the products covered in Article 1, other than slaughtered pig, are fixed on the basis of the three elements detailed in paragraph 1 of this Article.

Nevertheless, in the calculation of the second element the average ratio prevailing for the three years preceding the entry into force of the present Regulation between the reference prices for these products and the reference prices of slaughtered pig in the Member State with the lowest reference price shall be taken into account.

3. The amount of the levies determined in accordance with the criteria set out in the two preceding paragraphs shall be fixed under the procedure laid down in Article 3 (6)

#### *Article 5*

1. So as to avoid disturbances due to offers of supplies from non-member countries at abnormal prices, a sluice-gate price shall be fixed which shall be decided by reference to the price of feeding stuffs for cattle on

the world market and to a representative conversion rate for the exporting countries. Should the supply prices free frontier on importation fall below this sluice-gate price, the amount of the levy fixed, in accordance with the rules of Article 4, shall be increased in each Member State by an amount equal to the difference between the supply price free frontier and this sluice-gate price.

2. After consultation with the Member States the Commission shall, by a decision, fix the additional amount provided for by paragraph 1 as well as the arrangements for levying it.

#### *Article 6*

1. In the case of trade between Member States the Commission shall, after consultation with them, fix an intra-Community sluice-gate price for each of them, calculated by adding to the sluice-gate price for trade with non-member countries an amount equal to the total of the first and second elements of the levy applied, in accordance with Article 4, by the Member States to trade with non-member states.

2. This intra-Community sluice-gate price shall cease to apply as soon as the intra-Community levies, in accordance with the provisions of Article 11, have disappeared.

3. As soon as the import prices from Member States increased by the amount of the levy fixed in accordance with Articles 2 and 3 fall below the intra-Community sluice-gate price, the Commission shall in a decision increase this levy, after consultation with the Member States, by the difference between the import price and the intra-Community sluice-gate price.

#### *Article 7*

Should a Member State have to take measures on its own market to cushion a heavy price slump, these measures must be of such a nature as not to interfere with the application of the present Regulation.

A Member State wishing to take any such measures must inform the Commission of their nature before it does so. The Commis-

sion may make any observations which it considers useful to the Member State on this point.

The Commission shall also ensure that any such measures as are applied take into account the need to promote their progressive co-ordination at the level of the Community.

#### *Article 8*

1. The Member State which, in accordance with the provisions of the present Regulation, is entitled to apply levies on trade with another Member State may, at the moment of exporting to this other Member State, refund an amount on exports to this same State corresponding to the incidence on feeding costs in producing pigmeat of the differences in the prices of coarse grain between those of the importing Member State and those of the exporting Member State.

2. The Commission shall fix the amount of such refunds after consultation with Member States.

#### *Article 9*

Should one of the products covered by Article 1 be exported by a Member State to a non-member state, such a Member State may refund on exportation the first and second elements of the levy referred to in Article 4 (1 and 2).

#### *Article 10*

1. The intra-Community levies shall be collected by and accrue to the importing Member State.

2. Levies on trade with non-member countries shall be collected by the importing Member State. The Member State shall pay to the Guidance and Guarantee Fund for Pigmeat a contribution equal in the first year of working to one sixth of the total revenue from levies on trade with non-member countries. This amount will be raised to two sixths in the second year and continue to be similarly increased each year by one sixth until it reaches six sixths.

3. When refunds are granted under Article 9 on exports to non-member countries, the Fund shall be liable in the first year for an amount equal to one sixth of the first and second elements of the levy aforesaid. During the succeeding years this amount will be increased annually by an additional one sixth until the limit is reached. If the cost of assuming this liability exceeds the amount received by the Fund through the application of paragraph 2 of the present Article, the Commission shall decide that part of the income of the Guidance and Guarantee Fund for Grain shall be used for these purposes, to the extent that this is necessary.

#### *Article 11*

1. The levies fixed, in accordance with Articles 2 and 3, shall be reduced each year as from the second year after the entry into force of the present Regulation.

2. The Commission, after consulting the Member States, shall fix, by a decision, the rate of reduction on the basis of the two following factors :

i) A first factor, determined by the incidence of the differences in coarse grain prices on feeding costs, will be reduced *pari passu* with the approximation of the price levels of these grains;

ii) A second factor, determined by the difference between the total amount of the levy and the amount of the first factor, will be reduced to nil in six years at the rate of one sixth each year.

#### *Article 12*

1. In trade between Member States the imposition of any customs duty or charge with equivalent effect, whether on imports or on exports, and the application of any quantitative restriction or measure with equivalent effect, except as provided for in the protocol concerning the Grand Duchy of Luxembourg, shall be incompatible with the application of an intra-Community levy system and so is recourse to Article 44 of the Treaty.

2. Application of the intra-Community levy system shall render inapplicable Article 45 of the Treaty as well as any long-term agreement or contracts which may have been concluded before the date on which the system comes into force.

3. The export by one Member State to another Member State of products covered by Article 1 of the present Regulation is incompatible with the application of the intra-Community levy if products have been used in their manufacture which are covered by the said Article and on which the levies applicable to them in the exporting Member State have not been paid or for which a partial or total drawback on these levies has been made.

#### *Article 13*

1. As soon as the levy system comes into force, and subject to the provisions of Article 8, the provisions of the Treaty set out in Articles 92 to 94 shall be applied to the production of and trade in the products listed in Article 1 of the present Regulation.

2. Nevertheless, paragraph 1 and the first sentence of paragraph 3 of Article 93 of the Treaty shall apply to these aids as soon as the present Regulation comes into force.

#### *Article 14*

Member States shall take all necessary steps to adapt their statutory and administrative provisions so that the present Regulation, save where the contrary is stated therein, may come into force with effect from 1 July 1962.

#### *Article 15*

1. The application of the levy system to trade with non-member countries will result in the abolition of any customs duty or charge with equivalent effect on imports from non-member countries.

2. The application of the levy system to trade with non-member countries shall entail, except as provided for in the Protocol

concerning the Grand Duchy of Luxembourg, the abolition of any quantitative restriction or measure with equivalent effect on imports from non-member countries, save for any exceptions decided upon by the Commission and communicated without delay to the Council. Such exceptions shall be deemed to have been adopted if within two months from the date of their being communicated the Council, acting by means of a qualified majority vote, does not amend the decision submitted to it.

#### *Article 16*

The first of July 1962 is hereby fixed as the date on which the levy system established by the present Regulation shall become operative.

The present Regulation shall be binding as to all parts thereof and shall apply directly in all Member States.

## **Draft Regulation providing for the Institution of a System of Levies and for the Gradual Establishment of a Common Market Organization in the Grain Sector**

### **Explanatory Memorandum**

1. The attached draft regulation includes a first set of general provisions for the establishment of a common policy in the grain sector in accordance with the provisions of Articles 38, 40 and 43 of the Treaty establishing the European Economic Community. In drafting it, the Commission has worked on the assumption that it will be approved by the Council in time for it to come into force on 1 July 1962. The object of these provisions, which will have to be complemented by action to bring prices into line, by the creation of a European Guidance and Guarantee Fund for Grain, the setting up of executive and consultative bodies and the preparation of forecasts, is to institute a common market organization for grain and to ensure that it shall be fully established within the time-limits laid down by the Treaty.

2. In view of the need to guarantee prices and ensure the sale of produce by measures which are applied and financed in common, and of the type and scope of the methods used in the national market organizations, it cannot be expected that the aims which a common grain policy must pursue can be

attained by mere co-ordination of the various national market organizations and application of the common rules of competition.

3. The development of the common grain policy must lead to an integration of the markets of the Member States which has the characteristics of an internal market inasmuch as there is no longer any discrimination between producers and consumers. This implies the harmonization of existing price systems until a common price for grain can be established.

4. The purpose of this policy must be to establish a balance between production and marketing possibilities both inside and outside the Community, without neglecting the traditional trade channels. The guidance and the guarantees to be given to producers must take into account the existence of specialization consonant with the structure of the economy and the natural internal conditions found in the Community. This means that the price system to be established must allow the development of regional price differentials which will reflect

the differences in the conditions governing production and marketing.

5. Commercial policy towards non-member countries, which is an indispensable corollary to the policy of a common market, must be mindful both of the need to support trade and of the political and economic links stemming from agreements made with non-member countries, and it must guarantee the stability of the price level which it is deemed desirable to ensure for Community producers.

In view of the special characteristics of the international grain trade and the desire of the Community not to hinder its expansion, protective measures affecting imports from non-member countries will be limited, in normal circumstances, to the application of a uniform levy system. The adoption of such a system demands that a decision on the fate of the measures at present in force in the various countries shall have been taken when the present regulation is adopted.

6. Before there can be a common market there must be a growing interpenetration of the national markets. If this interpenetration is to be not only effective but also to develop gradually in each of the Member States and to work without discrimination within the Community, the many different import systems adopted by the various countries will have to be replaced by a single system; the particulars of its application will have to be decided in common and to provide readily for the introduction of a preference. The establishment of a system of intra-Community levies will achieve this.

7. Finally, the common organization of the grain market would not only be incomplete but would run the risk of being hampered in its development if concerted measures were not also decreed for a certain number of items derived from grain. Under the attached regulation, therefore, special provisions will be laid down in respect of such products, taking into account their importance, their position in the processing economy and the purpose they serve. (Articles 1 (c and d), 13, 19 and 23).

8. These then are the reasons why the Commission's proposals include provisions covering both prices and levies. In them the two are closely linked and the imposition of levies — which constitutes for the present the most concrete expression of a common grain policy — depends on the introduction of a set of general measures intended to give the price system a Community character.

The application of the provisions contained in the attached regulation must therefore enable Member States to revoke, progressively and without unfortunate consequences for their economy, the domestic organizational measures at present in force, and replace them by Community arrangements which will enable all concerned to benefit from a free development of trade and the maintenance of price stability at a level consonant with the requirements of the Community's economic well-being.

9. Together with the price system, the levies system here proposed is one of the Community methods for the organization of a European market. It is applicable to grain and to the items derived from grain.

10. The object of the levy is to compensate for price differences between the member country which imports and that which exports. Save for a few points connected with the calculation of the levy, the system holds good both for non-member countries and between Member States [Articles 2 (1) and 9 (1)].

In trade between Member States the period that it remains in force will be limited to the period during which prices are being brought into line; during this time the levies will be progressively reduced because their object is to counter any differences of price which still exist between Member States and to enable the internal price of an importing Member State to be maintained [Article 2(2)].

11. The levies will in effect take the place of the various traditional measures of protection by ensuring the price stability deemed desirable within the Community.

In such conditions, therefore, the establishment of a system of levies on trade both with non-member countries and Member

States (except as provided for in the Protocol concerning the Grand Duchy of Luxembourg and saving special exceptions concerning trade with certain non-member countries) will be incompatible with the maintenance of measures such as the collection of customs duties or charges with equivalent effect or the application of quantitative restrictions and, in so far as intra-Community trade is concerned, it makes it possible to forego recourse to Articles 44 and 45 of the Treaty (Articles 18, 20 and 21).

12. The levies system in intra-Community trade will have the immediate effect of giving price preference to exporting Member States with the lowest prices, because of the opportunity it gives them of making export sales on the basis of their domestic prices and no longer on those of the world market price.

This advantage alone is not, however, sufficient to ensure an expansion of trade between Member States and it is therefore necessary to provide for a preferential system as well.

This will consist of reducing the levy applicable between Member States each year by a lump sum fixed at a level which will encourage this trade and ensure its gradual and regular expansion in a manner that corresponds with the conditions needed to establish a single market within six years. This reduction must not adversely affect the average level of the target prices of the Member States. If the objectives aimed at are not attained, the amount of the reduction could be adjusted for the current farming year (Articles 2 (1) and 8).

13. In trade with non-member countries the levy system can, under certain conditions, be coupled with additional safeguard measures, such as the suspension of the issue of import certificates if imports increase to such an extent or occur on such a scale or in such conditions as to cause or threaten to cause serious injury to Community producers. Any such suspension will remain in force until there is no further injury or threat of injury (Article 21).

14. Certain aid, especially that granted on exports, would compromise the working of

the levy system. The provisions of the Treaty providing for the prosecution and condemnation of such aids as are incompatible with the Common Market must therefore be applied to any aids which distort the levy system.

The Commission proposes to apply the procedure provided for by Article 93 (1 and 3, first sentence) of the Treaty, acting in consultation with the Member States and in such a way that the procedure in question can be completed when the levy system comes into force (Article 19).

15. The levy system as provided for is based on a price system which includes target prices, threshold prices and intervention prices (Articles 4, 5 and 6).

16. The target price is the main pillar of the price and levy system. To simplify matters, the fixing of target prices will apply only to certain varieties of grain which have a decisive economic influence on the market; these are wheat, barley and maize (the latter only where it is produced in large quantities) (Article 4).

This decisive influence leads to their being used as "pilot" grains whose prices serve as a yardstick in the formation of prices for the other grains and in fixing a threshold price for them.

During the preparatory stage the target price of "pilot" grains will be fixed by each Member State. It is therefore a national target price.

As, however, the target price fixed for home-grown grains is an indirect factor in the calculation of the levy, it must be comparable with the price of imported grain and must therefore be fixed at a marketing stage comparable with that at which imports take place and which also makes it possible to ascertain rates at import centres, i.e., at the wholesale stage.

As its name implies, the target price serves as a guide to the market, and it must therefore be fixed in a market centre. If it is to be a safe guide and to play its part in the formation of prices duly related to conditions on the market, it must be fixed



at the point most representative of the market situation, that is to say the area with the greatest deficit.

During the preparatory stage each Member State will have to decide — for its own territory — which is the marketing centre serving the area with the largest deficit. At the common market stage the target price will be fixed in the marketing centre with the greatest deficit in the Community.

Furthermore, as the farmer plans his sowing in the light of the prices fixed for the coming farming year, the target price must be published before the winter sowings [Article 5(1)].

It is, however, also necessary to tell the producer as clearly as possible what price he may expect to obtain in fact, and to do so while enabling prices to develop freely over the area in question. It is for this reason that provision is made for secondary target prices which need be laid down by the Member States only if the difference between the price in the marketing centre serving the area with the greatest deficit and that in the marketing centre serving the area with the greatest surplus exceeds 5% [Article 5(2)].

17. Calculation of the levy to compensate price differences between the exporting and the importing country involves a consideration of two prices, one the lowest price and the other the highest. The lowest price is that paid in the exporting country, the highest that paid on the importing country (Articles 2 and 9).

18. The price to be taken into consideration for the exporting country must be determined with sufficient precision to ensure that the amount of the levy covers the whole price difference.

In intra-Community trade it will therefore be necessary, if there is to be the desired degree of accuracy in assessing the price paid on the market of the exporting country — and this price must be free to reflect market influences — to take a genuine price on this market with adjustment for marketing costs, transport costs and other

factors involved up to the point of entry into the importing country (Article 3).

For imports from non-member countries the lowest price for the purpose of fixing the levy is the lowest price on the world market for delivery free at the frontier of the importing country and, from the start of the common market stage, at the common external frontier (Article 9).

19. The price taken in the importing country must be such that it gives the importing Member State the necessary assurance that goods imported will not endanger its internal price level.

For this to happen, the import price at the frontier, which constitutes a threshold price, will have to correspond, after allowance has been made for the lump sum deduction fixed for intra-Community trade, to the target price in the marketing centre serving the area with the greatest deficit less all costs, calculated on the basis of lowest rates, incurred from the frontier onward [Article 4(1)].

The threshold price is fixed annually for fixed standards of quality in all Member States. It will be a national price until such time as prices have been made uniform. Each Member State fixes only one threshold price, valid at all its frontiers, for each product in question. It is applicable both to intra-Community trade and to trade with non-member countries. At the common market stage the threshold price will be uniform for the whole Community (Article 12b).

The threshold price is fixed for all forms of grain and for flour of wheat or spelt. For the "pilot" grains it results directly from their target price, whereas the threshold price of other grains is established in relation to the threshold price fixed for the "pilot" grains (Articles 4 and 7).

Having regard to the special aspects of the flour market, the threshold prices for wheat and spelt flours are fixed in relation to special criteria (Article 7).

Threshold prices must be known in advance, and at least three months before the opening

of the farming year, in order that the import trade may make arrangements for long-term transactions and also that the authorities responsible for fixing the amount of the levy may meet importers' requests for the determination of the levy [Article 4(2)].

Furthermore, in all cases where the threshold price has not been fixed in proper ratio to the target price, the period before it comes into force must be long enough to enable the Commission to revise the amount. For this reason it must be communicated to the Commission and to the Member States at least four months before the opening of the farming year (Articles 4 and 7).

20. The levy system, which is intended to shelter the home producer from fluctuations on the world market, and to see that imported goods are sold at the target price of the importing country, gives the agricultural producer of the country concerned an opportunity to sell his output at the target price. Nevertheless, to give a producer security in connection with the prices received for his goods — this security must be constant and must refer to a price as near as possible to the target price — the national target prices (and the secondary target prices based on them) must be coupled with an intervention price lower than the target price by an amount to be fixed by the Council [Article 6 (1)].

It is at this intervention price that producers and holders of home-grown grain can, if they think it advisable, sell their produce to the intervention centres at any time during the farming year [Article 6 (2)].

The fixing of intervention prices means that the Member States must watch the market prices in the centres selected for fixing target prices so as to be able to intervene whenever the rates reach the intervention price or threaten to fall below it.

The intervention centres must also stock the produce bought and resell it, in the light of market developments, either on the home or the world market. In order to keep home market prices as close as possible to the target price, sales on the home market must take place at this price. If it is impossible to sell at this price and if the market

prospects do not indicate a change in the position, the intervention centre must choose between exporting the products either as they are or in processed form, and then the goods can be exported at world market prices [Article 6 (3)].

21. For wheat and certain coarse grains, such as barley and maize, it is in the interest both of producers and consumers that deliveries to the market should be spread over as long a period as possible during the farming year.

By stocking his products and then placing them on the market as they are required, the producer can avoid the fall in prices caused by heavy offerings at the beginning of the season; this also makes it possible for imports to be spread evenly over the marketing year, thus ensuring a qualitative and quantitative balance in supplies for the market by the combination of home production and imports.

To cover the costs incurred by stocking, a monthly scale of prices must be fixed which will take such costs into account.

However, to ease the transition from one season to another, the monthly increases are suspended during the last three months of each farming year [Article 5 (3)].

Intervention prices and threshold prices must move with the monthly scale of target prices because of their interdependence and the need to maintain a fair relationship with it.

22. There exist both on the world market and in Member States a certain number of varieties of grain which are sought after for their quality; the price paid for these varieties is, as a result, more or less constant.

It is probably impossible to fix individual prices and levies for every variety, but in view of the natural relationship of prices and quality, it will suffice if for each type of grain subject to a price fixing (target price, intervention price, threshold price) the Member States, working through the Commission, decide upon a standard quality which is to correspond to these prices and in relation to which the prices of the other

varieties can be fixed according to their quality.

For each type of grain for which a threshold price is to be fixed the Commission, in order to decide the price in the exporting country which is to be used in calculating the levy, determines the most favourable purchase price on the world market. These prices are for a given quality and must be adjusted on the basis of the standard of quality adopted in fixing the threshold price [Articles 3 and 9 (2)].

The application of a single levy will suffice to ensure that differences of price resulting from differences of quality are reflected in prices on the internal markets.

The price of hard wheat on the world market stands in a more or less constant relationship to that of soft wheat; the same levy as that applied to soft wheat will suffice to produce a similar relationship on the internal market.

However, since the difference in world prices for soft and hard wheat is not sufficient for the production of hard wheat in the Community to be maintained or expanded, a subsidy is needed to cover the difference between the price level desired for this production and that of imported hard wheat.

The Guidance and Guarantee Fund will help to pay for this subsidy up to an amount which the Council will fix yearly. The contribution made by this Fund will be increased annually, in such a way that the total amount of subsidies necessary shall be covered six years after the coming into force of the levy system.

23. To fulfil its *raison d'être*, which is to compensate for the differences between prices on the internal and those on the external market, the levy must be applied on the day when the goods arrive on the market of the importing country, that is to say, in principle, at the moment of import. Strict application of this principle would, however, involve the risk of interfering with the established practices and requirements of the trade by making it impossible for

importers to conclude contracts for future deliveries in view of the element of uncertainty which possible changes in the amount of the levy prior to the date of importation would create. It has therefore appeared advisable to eliminate this element of uncertainty by giving importers an opportunity to fix on advance the amount of the levy for imports to be effected within a certain time limit. In order, however, to prevent abusive speculation and unforeseen risks for the regulating centre, the possibility of fixing levies in this way is subject to the payment of a surcharge, the amount of which is decided at the same time as the levy and increases in relation to the length of time between the date of the request for the fixing of the levy and that of the actual import. It also depends on the state of the world market and on that of the Member States as well as on the number of import certificates issued. Furthermore, to ensure the proper working of the system and the regularity of imports, importers may only import after paying a bond for the levy as well as the surcharge; this bond is forfeited even if the transaction does not take place (Article 16).

24. Although intended to increase intra-Community trade in home products, the proposed lump-sum reduction involves the risk of abuses in favour of produce imported from non-member countries. When products from non-member countries are sent directly to the importing country, or transit through a Member State they are subject to the system applicable to non-member countries, that is to say to the whole of the levy. However, after payment of the levy in an intermediary Member State such produce could be exported and benefit from the preferential system. In order to avoid such diversion of trade, certain measures will be necessary; these will include supervision of threshold prices and of the issue of import and export certificates (Articles 8 and 14).

25. Export both to Member States and to non-member states will give rise to a refund if the prices of the exporting country are higher than those of the importing country [Article 20(2)].

In intra-Community trade the exporting Member State may make a refund on exports equal to that which it grants for exports to non-member countries. This refund is justified by the fact that the exporting Member State, in order to find an outlet for its excess produce on the world market, would have to lower its prices to the level of the latter and consequently to bear the resulting loss, while the importing Member States benefit financially by obtaining supplies on the world market. It is therefore logical in intra-Community trade to permit exporting Member States to lower their prices by granting a refund equal to that which they would allow for export on the world market and so to be in a competitive position vis-à-vis the importing Member State comparable to that of non-member countries. In such a case, the importing Member State will collect a levy equivalent to that applied on imports coming from the non-member country [Article 19(2)].

26. The levies are collected by the importing Member State, which is entitled to the proceeds.

In order gradually to expand the area of Community responsibility, Member States should contribute to the creation of a Community Fund and progressively increase their contribution to it.

To provide an incentive for importing Member States to buy from exporting Member States or, in default of this, to provide the necessary finance for sale on the world market of surpluses which it has not been possible to dispose of in the Community, the Member States will pay to the Community Fund a contribution that will increase gradually; in the first year it will be equal to one sixth of the total receipts from levies on imports from non-member countries. This contribution will be increased by a further sixth each year.

It is also natural that the Community Fund established in this manner and financed from such a source should contribute progressively to certain expenses arising from the operation of the levy system. It would have, for instance, to play its part in the task of maintaining healthy conditions

on the home market by purchases at the intervention price and exports to non-member countries. This contribution from the Fund will increase *pari passu* with payments into the Fund, i.e., it will expand annually by one sixth till the full amount is being received at the end of six years [Articles 17, (6), (4) and 20 (3)].

27. For derived products the levy or refund will correspond to the amount imposed or refunded for an equivalent quantity of basic materials. However, in the case of certain derived products the quantity of basic material used may vary within fairly wide limits and a levy or refund based on an average might be insufficient and also encourage the manufacture of products subject to the most advantageous levy or refund. In such a case special provisions would have to be envisaged, depending on the characteristics of the product [Article 23 (1)].

There will be exemption from these provisions for goods produced from commodities not subjected to any relevant levy in the exporting state or from commodities on which the levy has been refunded partially or in full [Article 18 (2)].

To avoid distortions of competition between similar products resulting from the processing either of grains or other agricultural raw materials, all must be subject to a uniform commercial system (Article 13).

So that conditions of competition may not be unfavourable for certain processed grain products in relation to similar processed products derived from non-agricultural raw materials, it will be necessary to make exceptions to the general provisions as to levies for these particular goods. The Commission will make proposals to the Council on these measures [Articles 13 and 23 (1)].

28. In certain Member States the present organization of the market enables the consumer to acquire processed products at reduced prices which do not correspond to the internal price level for basic grains. This advantage is due to the possibility of including in the processed product a certain percentage of grain imported from outside

the Community at world market prices. To compensate for the increased price of processed products resulting from the application of a levy the Member States may refund, for the benefit of the consumer, the sum collected as levy. However, in the course of the six years of the levy system this repayment must be gradually diminished as the necessary conditions for the setting up of a common market come into play, and it must be suppressed in its entirety at the end of this period (Article 22).

29. The application of the measures described above requires the adaptation of the statutory and administrative provisions in force among the Member States, for there is a danger that internal arrangements such as the centralization of import and export trade in the hands of state, semi-official or duly authorized trade organizations might have the effect of distorting the machinery provided by the present regulation and rendering it inoperative.

## DRAFT REGULATION

*The Council of the European Economic Community,*

*Noting* the provisions of the Treaty establishing the European Economic Community and particularly of Articles 42 and 43;

*Noting* the proposal made by the Commission;

*Noting* the opinion of the European Parliament;

*Considering* that the working and the development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy which must include common market organizations for the various agricultural products;

*Considering* that the grain sector is of particular importance in the economy of the Community both as a source of direct income for producers and as a source of supply for processing operations;

*Considering* that the trade in agricultural products between Member States is hampered by a series of obstacles such as customs duties, charges with equivalent effect, quotas and other quantitative restrictions, the progressive abolition of which in the transition period would have, in the absence of harmonizing measures taken by the Community institutions, to be carried out by different procedures and at different speeds; but

that on the other hand, a uniform protective measure at the frontier in intra-Community trade makes possible a progressive reduction of barriers in all the Member States along parallel lines and at a pace which will allow of the gradual establishment of a common agricultural policy;

*Considering* that such uniform measures of protection at the frontier in place of all the different national measures must, on the one hand, give adequate support to the agricultural markets of the Member States during the preparatory stage and, on the other, make the introduction of a single market possible by ensuring that goods can move freely within the Community;

*Considering* that these results can be obtained by a system of intra-Community levies corresponding to the differences between the prices prevailing in the exporting and the importing Member States respectively in such a way as to prevent the market of a country where prices are higher being upset by imports from countries where prices are lower;

*Considering* that the substitution of intra-Community levies for other measures which, according to the Treaty, must disappear during the preparatory stage, would be contrary to the principle of the progressive establishment of the common market unless provision were at the same time made for their progressive reduction;

*Considering* that, in so far as grains are concerned, the progressive reduction of levies depends on the approximation of the prices of these products, but that on the other hand, when dealing with processed products derived from grain, it is permissible to divide the levy into a factor equal to the incidence of the difference in the price paid for the grain processed and a factor which serves to protect the processing industry, and then to provide for the progressive and automatic reduction of this second factor;

*Considering* that the introduction of a new measure of protection at the internal frontiers of the Community giving adequate guarantees to producers in the Member States is not justified in the light of the principles laid down in the Treaty save in so far as it is substituted for every other protective measure which is at present available to the Member State;

*Considering* that the system to be introduced must permit the maintenance of the preference in favour of Member States resulting from the application of the Treaty and that this requirement can be met by introducing, on imports from the non-member countries, levies which will correspond to the difference between the prices prevailing on the world market and those prevailing in the importing Member State and will replace all other protective measures at the frontier, and by making a lump sum reduction in the intra-Community levy in such a way as to permit of a gradual and regular expansion of trade in the Community;

*Considering* that by allowing the expansion of intra-Community trade, while giving producers in the Member States guarantees such as are required under the provisions of Article 45 of the Treaty, the system of levies renders the application of that Article void;

*Considering* that the working of the levy system requires that those provisions of the Treaty under which proceedings may be instituted in respect of aids incompatible with the common market shall cover aids which lead to the distortion of the machinery of this system; that, however, in the event of an export by a Member State with a

higher price to another Member State with a lower price, the practice of reducing the level of the export price to that of the world market price may continue, but must entail the collection by the importing Member State of a levy equal to the one collected from non-member states, and that, subject to this reserve, processing traffic which has the result that trade between Member States in processed products incorporating imported basic products is effected on the basis of prices paid for these basic products on the world market is incompatible with the operation of the levy system;

*Considering* that the operation of the levy system will only be possible if the purchase and sales systems in force in the Member States are adopted;

*Considering* that, if Community producers are to enjoy the necessary assurance that their employment and their standard of living will be maintained, target prices will have to be fixed annually in each Member State for the economically most important grains and be published;

*Considering* that to be able to give a guarantee to producers that the market price will at all times remain at a level as near the target price as possible, an intervention price for the above-mentioned grains has to be fixed in relation to the target price; this intervention price will govern intervention by the various competent organizations in the Member States;

*Considering* that the link between the levy system and this price system can be satisfactorily ensured by determining the threshold price of the importing Member State — on the basis of which the intra-Community levies and those for non-member countries are fixed — in such a way that the sales price of grain and imported flours enables the target price fixed for the above-mentioned grains to be attained;

*Considering* that the costs of the various measures of support for the market must be assumed progressively by the Community and more particularly by the Guidance and Guarantee Fund for Grain, which must receive the necessary funds;

Considering that it seems advisable that the common organization in the grain sector shall be fully established by the end of a six-year period;

*Adopts the present regulation :*

#### *Article 1*

In order to ensure the gradual development of the common market and of the common agricultural policy, a common organization of the markets in the grain sector will be gradually established and will include a levy system applicable both to trade between Member States and to trade between Member States and non-member states for the following products :

Number in the tariff	Description of products
a) ex 10.01	Soft wheat and meslin
10.02	Rye
10.03	Barley
10.04	Oats
10.05	Maize
10.07	Buckwheat, millet, canary seed and grain sorghum; other cereals
b) ex 10.01	Hard wheat
c) 11.01 A	Wheat and spelt flour
d)	Processed products set out in the appendix to the present Regulation.

#### *Article 2*

1. In so far as the products covered in Article 1 (a) and (c) are concerned, the amount of the intra-Community levy shall be equal to the difference between the price of the product coming from the exporting Member State, delivered free frontier to the importing Member State and determined in accordance with the provisions of Article 3 and the threshold price of the importing Member State fixed in accordance with the provisions of Articles 4 and 7 respectively but reduced by a lump sum fixed in accordance with the provisions of Article 8.

2. The intra-Community levies calculated in accordance with the provisions of the preceding paragraph shall be progressively

diminished in relation to the approximation of grain prices decided on by the Council in accordance with the procedure laid down in Article 43 of the Treaty.

#### *Article 3*

The price of a product from an exporting Member State, delivered free frontier to the importing Member State, shall be fixed by the Commission, after consultation with Member States, on the basis of the prices charged on the markets of the most representative exporting Member States for exports to the Member State in question, subject to adjustment for any difference of quality when compared with the quality taken as standard in fixing the threshold price.

#### *Article 4*

For soft wheat, barley, and for maize in such Member States as are large producers of this grain :

1. The threshold price shall be fixed in each Member State in such a manner that the sale price of imported products on the markets of the marketing centre of the area with the largest deficit shall, when allowance is made for the lump sum provided for by Article 2 (1), be at the level of the basic target price provided for by Article 5.

2. The threshold price shall be fixed annually by the Member States for the same standard of quality. It shall be communicated to the Commission and to the other Member States before March 1st for the following marketing year. Should the threshold price not have been decided in accordance with the provisions of paragraph (1), the Commission shall, after consultation with Member States, revise this price.

#### *Article 5*

1. The Member States shall each year fix, for each of the products covered by Article 4 at the wholesale purchasing stage, and for a given standard of quality, a basic target price which shall apply in the marketing

centre of the area with the largest deficit; the basic target price shall take into account the price to be obtained by the producer under the Council's decisions on the fixing of prices. This price, fixed before the winter sowings, shall come into force at the beginning of the marketing year and both the Commission and the other Member States shall be informed of it.

2. Should the natural conditions which govern the formation of market prices lead to a difference in excess of 5% between market prices in the marketing centre of the area with the greatest deficit and market prices in the marketing centre with the greatest surplus, the Member States shall lay down secondary target prices in the most important marketing centres, calculated on the basic target price referred to in paragraph 1 and related to the differences in price caused by the natural conditions which govern their formation.

3. The Member States shall establish a monthly scale of target prices for the first nine months of the marketing year which shall take into account storage and interests costs. After consultation with the Member States the Commission shall issue the necessary directives for the progressive harmonization of the decisions taken for this purpose by the Member States.

#### *Article 6*

1. In order to guarantee to producers the sale of their produce at a price as near as possible to the target prices referred to in Article 5 (allowing for fluctuations in the market), the Member States shall, before the opening of the marketing year, fix intervention prices for the products referred to in Article 4. These intervention prices shall be equal to the target prices less a fixed percentage determined by each Member State between a minimum of 5% and a maximum of 10%.

2. The organizations authorized to intervene in the Member States shall be obliged to purchase all home-grown grain offered to them by its possessors throughout the whole of the marketing year at the prices deter-

mined in accordance with paragraph (1); throughout the marketing year they may also intervene by purchases or other measures whenever the situation on the market so requires.

3. The organizations authorized to intervene in each Member State may not sell, within the State concerned, any produce purchased in accordance with the provisions of paragraph (2) above in such a way that it will prevent the target price in the marketing centre where the purchase was made, from reaching the level applicable thereto.

4. Before the end of the third year after the levy system has come into force the Council, acting on a proposal from the Commission, shall fix the contribution that shall be made by the Guidance and Guarantee Fund for Grain to the cost of the intervention in the markets required by the present Article. This contribution shall increase in such a way that the said cost shall be entirely borne by the Fund in the sixth year of the working of the levy system.

#### *Article 7*

For those products referred to in Article 1 (a) which are not covered by Article 4, including maize in the Member States which are not large producers of this grain, and those products referred to in Article 1 (c) :

1. The threshold price for each product shall be fixed in such a way that, when allowance is made for the lump sum provided for in Article 2 (1), it shall be possible to reach the level of target prices fixed for the homegrown grains referred to in Article 4 — either the soft wheat or the coarse grains referred to in the said Article, as the case may be.

2. The price referred to in the preceding paragraph shall be fixed annually by the Member States for the same standard of quality and communicated to the Commission and the Member States before April 1st for the following marketing year.

3. For spelt or wheat flour, however, the Council, acting on a proposal from the Commission and bearing in mind the provi-



sions of paragraph (1), will determine by means of a qualified majority vote the criteria according to which the Member States shall fix the threshold price; this price shall be communicated to the Commission and the Member States before March 1st. Should the criteria laid down by the Council not have been respected, the Commission, after consultation with the Member States, shall revise the price.

#### *Article 8*

1. The lump sums provided for by Article 2 shall be so fixed that trade between the Member States shall expand gradually, such expansion being spread uniformly over the six years during which the establishment of the single market is to be prepared. They shall be laid down annually by the Commission, after consultation with the Member States, and communicated to the Council before the opening of the marketing year. They shall be deemed to have been adopted by the Council unless it decides upon different amounts by means of a qualified majority vote within one month after the date on which the sums were communicated to it.

2. If during the marketing year the Commission should find, in the light of the availabilities of home-grown grain on the markets of the Member States, that intra-Community trade is not expanding in the gradual and regular manner provided for by paragraph (1), it may, after consultation with the Member States, revise the lump sums. Any such revision, which must be communicated to the Council forthwith, shall come into force immediately. The Council may alter it within one month from the date of its communication by means of a qualified majority vote.

#### *Article 9*

In so far as the products referred to in Article 1 (a) and (c) are concerned :

1. The amount of the levy in trade with non-member countries shall be equal, for each product, to the difference between

the cif price of the product, determined on the basis of the most favourable purchase price on the world market and the threshold price of the importing Member State, fixed in accordance with the provisions of Articles 4 and 7 respectively.

2. The cif price referred to in the preceding paragraph shall be for products delivered to a single point of entry selected by each Member State in respect of its own imports, and shall be determined by the Commission for each product, after consultation with the Member State, on the basis of the international rates adjusted to allow for possible difference of quality when compared with the quality taken as standard in fixing the threshold price.

3. If free quotations on the world market do not determine the price quoted and this price is lower than that on the international markets, the cif price is replaced solely by the quoted price as determined by the Commission, after consultation with the Member States, for the imports in question.

#### *Article 10*

1. The amounts of the levies on imports of hard wheat from other Member States and from non-member countries shall be equal to those imposed on imports of soft wheat.

2. The Member States which grow hard wheat shall fix a guaranteed price for hard wheat of an identical quality in accordance with the Council's decisions concerning the fixing of prices. They shall subsidize the production of hard wheat so as to compensate for the difference between the guaranteed price and the purchase price of hard wheat at the wholesale stage.

3. The Council, acting on a proposal of the Commission, shall each year decide on the extent to which the Guidance and Guarantee Fund for Grain shall contribute to the subsidies granted by the Member States which grow hard wheat; this contribution shall increase each year in such a way that in the sixth year of the working of the

levy system the whole cost of the subsidy referred to in paragraph 2 shall be borne by the Fund.

#### *Article 11*

The Commission shall, after consultation with the Member States, decide upon the single standard of quality to apply in Member States under Articles 4 (2), 7 (2) and 10 (2), in respect of which the threshold price or the guaranteed price is fixed, and upon the coefficients to be used in making the adjustments for differences in quality, as laid down in Articles 3 and 9 (2).

#### *Article 12*

The Council shall prescribe, in accordance with the procedure laid down by Article 43 of the Treaty, the necessary provisions for arriving at a uniform price system in the Community at the common market stage correlated with the approximation of the price of grain and including, for each of the products for which the present regulation so provides,

- a)* A basic target price valid throughout the Community;
- b)* A single threshold price;
- c)* A single method of determining intervention prices;
- d)* A single entry point for the Community for determining the cif price of products imported from non-member countries.

#### *Article 13*

For the products referred to in Article 1 (*d*):

1. The amounts of the levies on imports from other Member States and from non-member countries shall be made up of two parts:

- a)* A variable element which can be fixed and altered as a lump sum
  - i) which corresponds, for processed products made from basic products referred to in Article 1 (*a*) and (*b*), to the incidence on

their costs of production of the levies on the basic products from which they are produced; the resulting amount will be revised as changes occur in the levies charged on the basic products;

- ii) which is fixed, for processed products which do not contain basic products referred to in Article 1 (*a*) and (*b*), by reference to the market conditions for the processed products referred to in the preceding paragraph which resemble them most closely.
- b)* A fixed element which will take into account the processing industry's need for protection. For trade between Member States this fixed element will be reduced annually by one fifth as from the second year after the levy system comes into force.

2. The Council, acting on a proposal of the Commission and by means of a qualified majority vote, shall lay down the provisions under which implementing regulations under the present Article shall be fixed for each of the products referred to.

#### *Article 14*

1. The amounts of the levies on imports from other Member States and from non-member countries shall be calculated by the Member States in accordance with the provisions of Articles 2, 9, 10 and 13 respectively and will be communicated to the Commission and the other Member States.

2. These amounts shall be adjusted in the light of changes in the factors which were used in their determination; the Commission, after consultation with the Member States, shall lay down implementation arrangements.

3. The Commission, after consultation with Member States, shall give the necessary instructions for the avoidance, in trade with products from Member or non-member states, of diversions of trade between Member States or between Member States and non-member states which might be occasioned by differences in the level of levies.

#### *Article 15*

1. On any import from Member or non-member states or on any export to Member

or non-member states of the products referred to in Article 1, Member States shall give a certificate of import or export as the case may be. They shall advise the Commission regularly of the quantities covered by the certificates delivered.

2. The validity of import certificates is restricted to three months; their delivery shall involve an undertaking to import, guaranteed by the payment of a bond which is not refunded should the import not take place.

3. After consultation with the Member States, the Commission shall make the appropriate implementation arrangements.

#### *Article 16*

1. The amount of the levy on imports from Member States and from non-member countries which must be paid for the import of a given quantity will be that applicable on the date of import.

2. Nevertheless, for imports of the products referred to in Article 1 (a) and (b) from non-member countries, the levy applicable on the date of lodging the request, and adjusted in the light of the threshold price in force on the date when the product is to be imported may be applied to a consignment imported within the following three months. In this case a surcharge, which is decided upon at the same time, shall be added to the levy. The amount of this surcharge shall be fixed by the Commission, after consultation with Member States, in the light of the date when the product is to be imported; the later the date of the import, the higher the surcharge may be, due account being taken not only of the situation on the world market and on the market of the Member States, but also of the number of import certificates issued by the relevant services of the Member States. A final decision shall be made concerning the amounts of the levy and of the surcharge at the date of the request. The amount of the bond provided for by Article 15 (2) shall be fixed in relation to this surcharge.

#### *Article 17*

1. Intra-Community levies shall be collected by and accrued to the importing Member State.

As from the date when the costs of the refunds provided for by Articles 19 (2) and 20 (2) are completely borne by the Guidance and Guarantee Fund for Grain, the Member States shall pay to this Fund a contribution equal to the total revenue from such levies.

2. The levies in trade with non-member countries shall be collected by and accrued to the importing Member State.

The Member States shall pay to the Guidance and Guarantee Fund for Grain a contribution equal in the first year of working to one sixth of the total revenue from levies on trade with non-member countries. This amount shall be raised to two sixths of the total revenues in the second year and increase by a further one sixth annually for the following four years.

#### *Article 18*

1. In trade between Member States, the imposition of any customs duty or charge with equivalent effect, whether on imports or on exports, and the application of any quantitative restriction or measure with equivalent effect, except as provided for in the protocol concerning the Grand Duchy of Luxembourg, shall be incompatible with the application of an intra-Community levy system and so is recourse to Article 44 of the Treaty.

2. Except as provided for in Article 19(2), it is incompatible with the application of the intra-Community levy system for a Member State to export to another Member State the products referred to in Article 1 of present Regulation, in the manufacture of which products mentioned in the said Article have been used which have not paid the appropriate levies in the exporting Member State or which have benefited from total or partial drawback on these levies.

3. Application of the intra-Community levy system shall render inapplicable Article 45 of the Treaty as well as any long-

term agreements or contracts which may have been concluded before the date on which the system comes into force.

#### *Article 19*

1. As from the date on which the levy system comes into force and except as provided in paragraph 2 below and Articles 10 and 22(3), Articles 90 to 94 of the Treaty shall apply to State aids or to aids granted from State resources.

a) Which have the direct or indirect effect of bringing the prices of the products referred to in Article 1(a), (b) and (c) below the prices used directly or indirectly in calculating the amount of the levy, or

b) Which have a direct influence on the relationship between the prices of the processed products referred to in Article 1(d) and the market prices for primary products used in their manufacture.

2. Nevertheless any Member State which, in accordance with the provisions of the present Regulation, shall be entitled to apply levies in its trade with another Member State may, when exporting to the Member State in question, refund an amount equal to that refunded on exports to non-member countries under the conditions laid down in Article 20(2) and (3). If a refund is granted on export, the amount of the levy imposed by the importing State shall be equal to that imposed on imports from non-member countries under the provisions of the present Regulation, and the stipulations of Article 17(2) shall apply.

3. From the date on which the present Regulation comes into force, paragraph 1 and the first sentence of paragraph 3 of Article 93 of the Treaty shall apply to aids granted to producers and to trade in the products covered by Article 1.

#### *Article 20*

1. The application of the levy system to trade with non-member countries will result in the abolition of any customs duty or charge with equivalent effect on imports from non-member countries.

2. In order to enable exports to be made to non-member countries on the basis of prices reigning on world markets, it shall be permissible for the difference between these prices and the prices in the exporting member country to be covered by a refund made under conditions laid down by the Commission after consultation with the Member States.

3. The Guidance and Guarantee Fund for Grain will refund to Member States in the first year of the working of the levy system an amount equal to one sixth of the refunds made by them in accordance with the provisions of paragraph 2 above and of Article 19(2). This amount will be raised to two sixths of the total refunds in the second year and increased by a further sixth annually for the following four years.

#### *Article 21*

1. The application of the levy system to trade with non-member countries shall entail, except as provided for in the Protocol concerning the Grand Duchy of Luxembourg, the abolition of any quantitative restriction or measure with equivalent effect on imports from non-member countries, save for any exceptions decided upon by the Commission and communicated without delay to the Council. Such exceptions shall be deemed to have been adopted if within two months from the date of their being communicated the Council, acting by means of a qualified majority vote, does not amend the decision submitted to it.

2. If in one or more Member States the markets of those products referred to in Article 1 should suffer or be threatened by serious disturbances due to imports from non-member countries, and in particular where the intervention organizations have had to make substantial purchases on the market of the products referred to in Article 4, the issue of import certificates may be suspended, subject to possible exceptions for certain qualities, until the disturbance or threat of disturbance has disappeared. The Commission shall lay down the necessary arrangements for implementing this provision.

#### *Article 22*

1. The Member States shall take all necessary measures for adapting their statutory and administrative provisions in such a way that the provisions of the present Regulation may be effectively applied as from 1 July 1962. They shall abolish, as from this date at the latest, compulsory mixing regulations. The system of purchase and sale in force among the Member States must be so adjusted as to realize the objectives of the present Regulation, and in particular the gradual and uniform expansion of intra-Community trade, so as to achieve a common market having the characteristics of a free market.

2. On matters such as the adaptation of the various measures now applied on their markets with the object of guaranteeing certain prices to producers, the Member States shall take all measures necessary to ensure that within three years of the levy system coming into force the provisions of Article 6 shall apply to the products covered by this Article.

3. If, when the present Regulation comes into force, the final consumers in a Member State should not pay for imported grain the same price as that paid for home-grown grain, the Member States shall, in order to establish equality, be entitled to refund the levies collected on importation. They must, however, gradually reduce the level of this refund in such a way that the difference in prices shall disappear six years after the date of coming into force of the levy system.

4. In cases in which Member States guarantee a price for a certain quantity only, they shall, in addition to the provisions of the first paragraph, adapt their rules in such a way that this measure shall have been completely annulled six years after the date of coming into force of the present Regulation.

#### *Article 23*

1. The Council, acting by means of a qualified majority vote upon a proposal of the Commission, may exclude certain products from the list of products referred to in Article 1, or take any measures in derogation of the present Regulation in respect of certain quantities or qualities of product required for special purposes, as for instance for processing into particular products.

2. The Council shall lay down, within six months from the coming into force of the present Regulation, the arrangements provided for in Article 7(3), 10(3), 13(2) and 23(1). Within the same period it shall fix, in accordance with the provisions of Article 43 of the Treaty, the conditions for the functioning of the Guidance and Guarantee Fund for Grain.

#### *Article 24*

The first of July 1962 is hereby fixed as the date on which the levy system established by the present Regulations shall become operative. The present Regulation shall be binding as to all parts thereof and shall apply directly in all Member States.

No. in tariff	Description of products
ex 11.01	Cereal flours : B. of meslin C. of rye, barley or oats D. of rice E. others
11.02	Cereal groats and cereal meal; other worked cereal grains (for example rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished or broken rice; germ of cereals, whole, rolled, flaked or ground : A. Cereal groats and cereal meal; other worked cereal grains (for example rolled, flaked, polished, pearled or kibbled but not further prepared) : I. of wheat II. of rye III. of other cereals a) Barley and wheat flakes b) Others B. Germ of cereals, whole, rolled, flaked or ground
11.07	Malt, roasted or not
ex 11.08	Starches : A. Starches I. Maize starch II. Potato starch a) for the manufacture of dextrin, glues, stiffening or laundry finishing (a) III. Rice IV. Others
ex 11.09	Gluten and gluten flour
ex 23.02	Bran, sharps and other residues derived from the sifting, milling or working of cereals other than rice : A. Having a starch content of over 7% of the weight; B. Others
ex 23.07	Sweetened forage; other preparation of a kind used in animal feeding B. Others with a grain or grain flour basis

## ANNEX II

### Recommendation on the political and institutional questions examined by the Conference of the European Parliament with the Parliaments of African States and Madagascar

The first Conference of the European Parliament with the Parliaments of African States and Madagascar,

#### I

1. *a)* *Unanimously* supports the view that the association between the African States and Madagascar, on the one hand, and the European Community, on the other, should be continued in a form which takes due account of the changed political situation;

*b)* *Welcomes* the unanimity of views in the Parliament on a great number of problems connected with the association, particularly on the principle of absolute equality among the partners in the association;

2. *Notes* that the association has its foundation in the principles of the Charter of the United Nations — principles which are expressly referred to in the Treaty of Rome. Consequently the association is founded on :

*a)* Recognition of the sovereign equality of States;

*b)* Respect for territorial integrity and political and economic independence;

*c)* Respect for human rights and the fundamental freedoms, without distinction as to race, sex, language or religion.

3. *Approves*, with a view to the renewal of the provisions governing the association, the following definition of its aims :

“To promote the economic and social development of the associated States and to establish close economic relations between them and the European Community with

the primary aim of furthering the interests and prosperity of the inhabitants of these States in such a manner as to lead them to the economic, social and cultural development which they expect”;

4. *Affirms* that, on this basis, the new forms of association and of participation in the directing bodies to be established in this connection must be prepared forthwith;

5. *Stresses* that the new association will have to be brought into being by the conclusion of conventions between the European Community and the associated States — separately or jointly — on the basis of a model convention worked out together and agreed by all concerned;

6. *Considers* that the new association, which will not be limited to a specific term, should be open to all African States, subject to the proviso that none of them may belong to another economic grouping which pursues ends incompatible with those of the association;

7. *Submits* that the following aims be put into effect when the association is renewed on reaching the date of 31 December 1961 :

*a)* A parliamentary conference constituted on a basis of parity and meeting at least once a year, alternately in Europe and Africa, continuity being ensured by cooperation in committees set up by this conference;

*b)* A Council of association, constituted on a basis of parity, to deal with all problems affecting the association. This Council of Association will comprise one representative from each African Government, one

from the Government of Madagascar, one from the EEC Council of Ministers and one from the EEC Commission, the Council of Association being entitled to establish any committee which may help it in the execution of its work;

*c)* The direct representation of the associated States with the Institutions of the European Community and that of the European Community with the African States and Madagascar;

*d)* A Court of Arbitration competent to deal with all disputes on the interpretation and the implementation of the Convention of Association;

8. *Insists* that these objectives be attained during the current period of association, the associated African States and Madagascar being of course entitled to participate in these common institutions if they wish;

9. *Recalls* the need for the frank exchange of information both in Europe on associated Africa and in the associated States on the European Community.

## II

### The Conference

*invites* the European Parliament and the Parliaments of the African States and Madagascar to make the following recommendations to the Institutions of the European Community and to the Governments of the associated States respectively:

*a)* To open negotiations without delay for the renewal of the association, so that the new Convention may enter into force on 1 January 1963;

*b)* To consider the possibility of extending the future association to the ECSC and to Euratom;

*c)* To abide, in the drafting of the Convention which is to govern the new association, by the principles set out above in order to ensure the success of the great experiment begun with this fresh co-operation between the European Community and the African States and Madagascar.

### **Recommendation on the economic and commercial problems examined by the Conference of the European Parliament with the Parliaments of African States and Madagascar**

The Conference of the European Parliament with the Parliaments of African States and Madagascar, meeting in Strasbourg from 19 to 24 June,

*Aware* of the efforts made by the associated States to establish structures and define coherent and forward-looking national schemes into which are to be fitted their various economic and social development projects;

*Aware* also of the desire shown by these same States to harmonize these planning schemes through the confrontation, notably within the Afro-Malagasy Organization for Eco-

nomie-Co-operation, of their production, consumption and export targets, and of their objectives in the fields of applied technical research and of the training of qualified personnel;

*Considering* that the association with the European Economic Community which the African States and Madagascar, now independent, declare themselves anxious to pursue leaves entire freedom of action to the associated countries in the field of economic and commercial affairs without reservation save that the rules of the Convention and the spirit of the association shall not be infringed;



*Draws the attention* of all the participating States to the present structure of the economics and foreign trade of the associated countries, to the firm and close ties which have bound them to the former mother countries and to the shock these nations would undergo if, within the framework of association with the European Community, they could not continue to enjoy at least the same degree of support as they have enjoyed in the past and which is essential to them for the maintenance of their national incomes;

*Proposes* that the association as established by Part Four of the Treaty of Rome and the current Association Convention, and as it will be extended in a next form, to be settled by free negotiation, for a further period beginning on 1 January 1963, should be based on the following principles and should ensure their realization.

## I. Increased trade between the Member States and the associated States

The Conference is of the opinion that all possible steps should be taken by the Member States and by the associated States to increase trade.

### A. Preferential tariffs

a) The Conference considers that certain measures taken by the EEC Member States have whittled away the tariff advantages which the Treaty intended that the associated States should enjoy. In this connection, the Conference holds the view that one of the main difficulties arises from the continued levying of internal consumer taxes on tropical products — or indeed any other form of tax on the consumption of these products — as this is very harmful to the producers and acts as a brake on the consumption of these products. Consequently, the Conference calls for the abolition, without delay, of these internal consumer taxes on tropical products.

In any case, the Conference considers that firm steps must be taken to abolish any specific taxation, as this on practice nullifies a substantial proportion of the preferences now accorded to the associated States.

b) The Conference considers that in the approximation of national tariffs to the level of the common external tariff, care must be taken to see that the tariff preference margins are strictly maintained, so that the associated States retain within the Community the preferential benefits which must be accorded to them in accordance with the letter and spirit of the Treaty of Rome.

c) On the subject of tariff quotas, the Conference takes the view that the associated States should be the first to benefit from any increase in consumption and that in no circumstances should such an increase lead to the establishment of fresh tariff quotas or the widening of those already in existence. The Conference urges that no tariff quota should be established or maintained which infringes the provisions of the Treaty.

d) More generally speaking, the Conference feels that the principle itself of tariff preference cannot be called into question and that the present level of the common external tariff for products affecting the associated States must not be altered save after consultation with these States and provided compensating benefits are accorded. A further point at the present time in favour of maintaining the common external tariff at its existing level is that opportunities may later arise for negotiations under the GATT or otherwise, with other area groupings such as the Commonwealth, the European Free Trade Association or the Latin American Free Trade Area.

### B. Economic co-operation and trade preferences

a) The Conference considers that the arrangements for stabilizing the prices of tropical products at present in the hands of domestic stabilization or price support

funds should be brought under a stabilization system set up as part of the association with the EEC. This should be done in such a way as to ensure that as far as possible the natural laws of the market would be obeyed. Once such a system were put into effect at association level, an international precedent would be set and an important contribution made to efforts on a world-wide scale.

The system could be launched on the basis of an initial endowment comprising contributions from all the Member and associated States.

*b)* Independently of measures for ironing out fluctuations in the trade cycle, steps should be taken to establish :

i) A system ensuring the guaranteed disposal of minimum quantities; the aim would be to prevent the occurrence of the crisis which might follow the establishment of the free movement of goods within the common market and from the disappearance of bilateral quotas;

ii) Support for the prices of tropical products, now available to the associated States through a system assuring a fair return to the producer whatever the fluctuations in world market prices may be;

iii) An obligation on the Member States to encourage the building of stocks of those tropical products which can be stored and to facilitate the requisite provision of funds, this action being complementary to the other operations for the stabilization of raw material prices.

Such guarantees and such support should be given effect in a way that would impose only a minimum of constraint on the trading activities of the Member States. Both might well be degressive in character, so as to prepare the associated States for free access to the world markets, particularly during the period when the conversion programmes established to deal with cases of excess production are being put into effect.

The Conference invites the Governments concerned and the intergovernmental conference to finalize and implement these measures, for which it considers that the Development Fund for the associated countries might well serve as an instrument of fundamental importance.

## II. Co-operation in the economic development and the planning of the associated States.

The Conference feels that the establishment of an Afro-Malagasy Study and Development Institute might well make a contribution to this co-ordination. The Member States could take part in this work by providing for a contribution from the common fund to the activities of this Afro-Malagasy Study and Development Institute.

III. The Strasbourg Conference has noted the discussions on the problem of the right of establishment in the various associated or Member States. It was the view of the Conference that any conclusion from this discussion should be postponed until the associated States are able to co-ordinate their views on the problem in the light of their decisions on development plans.

IV. For the development of energy resources, the Conference attaches great importance to the help Euratom can give the associated States. The Conference feels that energy supply difficulties constitute a heavy handicap for development in a number of these States, particularly those which are in a specially unfortunate position because of their geographical location.

In this context, the Conference considers that the installation of atomic energy power stations may well prove necessary and economically viable in certain areas where the use of conventional forms of energy would, for geographical reasons, be particularly costly. The Conference has noted with interest opportunities for

assistance from the European Atomic Energy Community in the practical application of isotopes, and in the training of senior technical staff, the drawing up of health and safety regulations, etc.

Again in connection with the development

of energy resources, the Conference requests that a study be made of the possibility of supplying gas and petroleum directly and as economically as possible to those associated States which are handicapped by their geographical situation.

### **Recommendation concerning the problems of technical and cultural co-operation examined by the Conference of the European Parliament with the Parliaments of African States and Madagascar**

The first Conference of the European Parliament with the Parliaments of the African States and Madagascar,

Having considered the working documents on technical and cultural co-operation drawn up by the European parliamentarians and the African and Malagasy parliamentarians;

*Adopts* the principles expressed in these documents;

*Congratulates* the EEC Commission on the work already done in the field of technical and cultural co-operation with the associated countries;

*Hopes* that in the future the Executives of the other European Communities will be able to help in this work;

*Welcomes* the degree of unanimity evinced in the discussions on these problems both in committee and in plenary sessions of the Conference;

*Is of the opinion* that the determination of priorities and the scale of projects for technical and cultural co-operation should be left to the initiative of the associated States themselves, in the framework of decisions fixed by common agreement between the parties of the association;

Gives its particular *approval* to the following points, which it regards as essential and to which it wishes to draw special attention :

1. A country rich in natural resources but lacking skilled workers is condemned to poverty;

2. Development aid extends, according to the needs of the States concerned, to all fields, since technical and cultural co-operation, capital investment and the growth of trade are all means which contribute to the same end;

3. Technical co-operation in the form of pre-investment, that is to say, co-operation in activities which precede the granting of aid, often determines the effectiveness of the financial aid itself;

4. Aid already granted to African States and Madagascar in connection with technical co-operation and cultural exchanges must be continued and increased, whatever the institutional form decided in by the competent bodies, in such a way that the expansion of schools and vocational training receives particular attention,

a) *On education,*

the Conference

5. *Invites* the European Community to give the associated States more active assistance with their schools, particularly in the construction, equipment and maintenance of primary schools and also of secondary schools and institutes of higher education;

6. *Hopes* that it will also prove possible for the Community to place at the disposal of the associated States sufficient staff to train native teachers;

7. *Expresses the wish* that the programmes under which nationals of the associated

States spend training periods working with the services of the European Community should be steadily expanded;

8. *Recommends* that the system of scholarships already in use, particularly that for specialized post-graduate study, should be extended and that scholarship holders should be admitted to a greater number of schools and universities in the countries of the European Community;

9. *Would be glad* to see the systems and syllabuses used in teaching more closely adapted to local conditions and a better relationship established between them at the different levels;

b) *On vocational training,*

the Conference

10. *Requests* that substantial aid should be provided for the construction of technical education establishments and that a real contribution should be made to the equipment and functioning of these establishments;

11. *Hopes* that a special effort will be made to ensure rapid vocational training for essential supervisory staff, particularly where the need for such staff is specially acute;

12. *Urges* that essential supervisory staff should be given as rapidly as possible local training in the associated States and that the training should, in appropriate cases, be continued and completed in Europe by means of a system of scholarships and training periods in the various occupational sectors;

13. *Feels* that above and beyond the work incumbent on the EEC suitable conditions should be created, both by the Member

States and the associated States, in which private firms and organizations in the member countries could make their contribution to the common effort; in particular, consideration might be given to the possibility of a clause on occupational training and further training of managers and supervisors being written into contracts placed by associated States with foreign firms for the execution of operations financed by the European Community;

14. *Is of the opinion* that the member countries and, the European Community within the limits of its competence, should do everything possible to encourage the recruiting and selection of technicians to be placed at the disposal of the associated States;

c) *On cultural co-operation proper,*

the Conference

15. *Suggests* that a regulation should be drawn up providing for the admission each year to the future European University of students from Africa and Madagascar;

16. *Hopes* that the European Community will encourage the creation of academic chairs and centres of African and Malagasy studies in the national universities of the Europe of the Six, and that on a basis of reciprocity the associated States will encourage the creation of chairs of European studies in their universities;

17. *Requests* that, in conformity with the wishes expressed by the representatives of the European Executives, a Euro-African and Malagasy Development Institute should be created which will co-ordinate public or private efforts to provide technical assistance for the associated States and to train their experts.

## Recommendation on the Development Fund

The Conference of the European Parliament with the Parliaments of the African State and Madagascar,

Having considered the working documents on the Development Fund presented by Mr. Peyrefitte on behalf of the European

Parliament and by the African and Malagasy Parliamentarians,

Having noted the flaws which at the outset were a feature of the Fund set up by the Implementing Convention, and the improvements recently made to its functioning,

*Convinced* that these States cannot develop unless financial help to the associated States is maintained and increased by means of a fund,

*Recommends :*

I

*With respect to the activity of the present Development Fund*

1. That the EEC Commission, which is responsible for the administration of this Fund, should pursue, in direct contact with the associated States, the work already undertaken to render more flexible and to accelerate the functioning of the Fund so that all its resources shall be committed before 31 December 1962;

2. That the Commission should have the means of helping the Governments of the associated States in the presentation of projects by placing at their disposal the technical advisers without whom a speedier preparatory procedure is impossible.

II

*With respect to the Development Fund to be set up as from 1 January 1963.*

1. That the principle of parity be observed in connection with this fund;

a) As regards contributions, which should come not only from the Member States but also from the associated States according to criteria to be fixed by joint agreement between those concerned;

b) As regards administration and financial management, and also as regards parliamentary control, the establishment of which seems indispensable.

2. That this principle should be given expression in a new name for the Fund, which might well be : "Common Development Fund";

3. That the details and arrangements for the functioning of the fund should be planned along flexible lines with due regards for the need to obtain without delay a decision approving or rejecting the outline draft projects and for the need to place the necessary means at the disposal of the associated States without delay;

4. That new criteria for distribution be established jointly with the associated States;

5. That this fund should dispose of increased resources and should be established for an unlimited period;

6. That the methods of operating should be diversified (non-reimbursable subsidies, long and medium-term loans, participation in the guaranteeing of private loans and investments, in the stabilization of prices in the financing of educational and cultural activities and in certain administrative expenditure), in such a way as to take account of the varying needs of the associated States; as part of work on general programming an inventory of these needs must be drawn up, with the technical help of the EEC.

## ANNEX III

### Draft decision on the examination of transport measures prior to their issue in Member States, and on the procedure for consultation in this field

Proposal submitted by the Commission to the Council

1. In its Memorandum of 10 April 1961 showing the lines on which the common transport policy should be based, the Commission suggested that steps be taken as soon as possible to ensure that the Member States and the institutions of the Community should be informed of and should discuss any measures which the Member States proposed to introduce in the field of transport. The present draft decision on the prior examination of any statutory and administrative provisions in the transport field which are of major importance in relation to the implementation of the Treaty is intended to contribute to the working out, in the light of the obligations incumbent on Member States under Article 74 of the Treaty, of a procedure which, by introducing a system of investigation by the Commission and, where need be, consultations with the Member States, can prevent the transport policies of the Member States from growing still further apart and promote their approximation inside the common market. The Commission reserves the right to submit to the Council, when further progress has been made in working out the common policy and when some experience has been gained with the procedure here put forward, proposals on more stringent methods of harmonization between the institutions of the Community and the Member States.

2. The Commission realizes that the phrase "statutory and administrative provisions of material importance to the common transport policy" may in particular cases leave some doubt as to the extent of the obligation imposed upon the Member States. The Commission feels that the proposed study

should not get involved in a mass of details which are not or are only loosely connected with the aims of the Treaty. The Commission hopes that in practice, and as a result of the discussion of this Memorandum, criteria on which to assess the obligation to notify a measure will very soon be worked out.

The decision should be extended to cover provisions on sea and air transport when the Commission and the Council have arrived at conclusions on the Commission's Memorandum of 12 November 1960 on "The interpretation and application of the Treaty with regard to sea and air transport".

3. The procedure proposed does not in any way affect the powers and obligations conferred by the Treaty on the Institutions of the Community or the Member States. The opinions and the recommendations of the Commission are, therefore, not the only means of taking action on a project put forward by a Member State. Under Article 75 (1) of the Treaty, for instance, the Commission may submit to the Council proposals for Community measures in this field. It may in particular propose to the Council to take a decision which would oblige the Member States concerned temporarily to delay the measure proposed because the problem under discussion should be settled in a different way under the common policy.

Moreover, certain projects of Member States could be incompatible with obligations already imposed by the Treaty (for example, by Articles 76, 79, 80, 53 or 92 of the Treaty). In such a case the Commission will take action under Articles 169, 93 (3) or 102.

*The Council of the European Economic Community,*

*Noting* the provisions of the Treaty establishing the European Economic Community, and in particular its Article 75,

*Noting* the proposal made by the Commission,

*Having consulted* the Economic and Social Committee and the European Parliament,

*Considering* that, if the aims of the Treaty are to be attained in a common transport policy, a procedure must be introduced for prior study of and consultation on certain provisions which the Member States propose to issue in the transport field,

*Considering* that such a procedure may serve a useful purpose in avoiding divergent developments in the transport policies of the Member States, by which the aims of the Treaty would be jeopardized,

*Considering* that such a procedure will also facilitate the gradual establishment of the common transport policy;

*Decides :*

#### *Article 1*

When a Member State intends to take statutory or administrative measures in the field of transport by rail, road or inland waterway, which are likely to be of material importance to the common transport policy, it shall notify the Commission of its intention in good time and in writing and shall at the same time advise the other Member States accordingly.

#### *Article 2*

1. The Commission shall address to the Member States an opinion or a recommen-

dation within 40 days from the date of receiving the notification referred to in Article 1; at the same time it shall advise the other Member States accordingly.

2. At the request of the Member State concerned the Commission may shorten the period laid down in paragraph 1 above or it may, with that Member State's agreement, extend it. In case of urgency the time limit shall be reduced as appropriate. The Commission shall advise the Member States of any shortening or extension of the time limit.

3. The Member State shall not put the proposed provision into effect before the time limit fixed in accordance with paragraph 1 and 2 above has lapsed, or before the Commission has drawn up its opinion or its recommendation.

4. Each Member State may submit to the Commission its observations on the measures proposed; it shall at the same time notify the other Member States of such observations.

5. Before drawing up its opinion or its recommendation, the Commission may consult the Member States. It shall be required to do so if a request to this effect is made by a Member State or when a Member State has, at least 14 days before the expiry of the time limit fixed under paragraphs 1 and 2 of this Article, submitted observations in accordance with paragraph 4 above.

#### *Article 3*

The present decision is addressed to the Member States.

## ANNEX IV

### Draft submitted by the Netherlands Government for a revision of the Treaties of Rome by an agreement to establish a Council of the European Communities and a European High Commission

1. On 27 June 1961, the Netherlands Government, acting in accordance with the procedure laid down in Article 236 of the Treaty establishing the EEC, Article 204 of the Treaty establishing the EAEC and Article 96 of the Treaty establishing the ECSC, submitted to the Councils and to the Special Council of Ministers of the ECSC a draft for the revision of the three Treaties with a view to merging the Executives of the three European Communities. This proposal, which is drafted in the form of an agreement, is quoted in full below.

2. Articles 236 (EEC) and 204 (EAEC) lay down that "If the Council, after consulting the Assembly and, where appropriate,

the Commission, expresses an opinion in favour of the calling of a conference of representatives of the Governments of Member States, such conference shall be convened by the President of the Council for the purpose of determining in common agreement the amendments to be made to this Treaty.

Such amendments shall enter into force after being ratified by all Member States in accordance with their respective constitutional rules."

3. In the letter accompanying the draft agreement, the Netherlands Government stated that it had forwarded an identical draft to the Special Council of Ministers of the ECSC.

Communication : From the Permanent Representative  
of the Kingdom of the Netherlands with the European Communities,  
Mr. Linthorst Homan

dated : 27 June 1961

*to : The President of the Council of the European Economic Community, and the President of the Council of the European Atomic Energy Community. Subject : Merger of the Executives of the European Communities*

Your Excellency,

I have the honour to inform you that the Netherlands Government, acting in accordance with Article 236 (204) of the Treaty establishing the European Economic Community (European Atomic Energy Community), is submitting to the Council of

Ministers of the European Economic Community (the European Atomic Energy Community) a draft for a revision of the Treaty with the purpose of merging the Executive of the three European Communities.

The Netherlands Government has submitted identical drafts to the Councils of Ministers



of the European Atomic Energy Community (European Economic Community) and of the European Coal and Steel Community.

In preparing the proposal, the Netherlands Government has borne in mind *inter alia* the proposals on the subject of this merger submitted at various times by the European Parliament.

It is the intention of the Netherlands member of the Council to propose to the Councils of the European Economic Community and the European Atomic Energy Community at their meeting on 3 and 4 July 1961, that in conformity with the relevant

Treaty provisions a decision should be taken to consult the European Parliament and the two Commissions on the subject of the Netherlands draft agreement. After such consultation the Councils could then, in conformity with the same Treaty provisions express an opinion in favour of the calling of a conference of the representatives of the Governments of the Member States.

I have the honour to be Your Excellency's obedient servant.

(signed) J. Linthorst Homan

## DRAFT AGREEMENT

*The six Member States of the European Communities,*

Meeting in conference in accordance with Article 96 of the Treaty establishing the European Coal and Steel Community (ECSC), Article 236 of the Treaty establishing the European Economic Community (EEC) and Article 204 of the Treaty establishing the European Atomic Energy Community (EAEC),

*Desiring* to facilitate the co-ordination of action by the three Communities they have established;

*Considering* that they have already set up a single Parliament and a single Court of Justice for these three Communities;

*Have decided* to transfer the functions of the Special Council of Ministers of the ECSC, of the Council of the EEC and of the Council of the EAEC to a single Council, and the functions of the High Authority of the ECSC, the Commission of the EEC and the Commission of the EAEC to a single Commission, and to this end

*Have agreed* on the following provisions :

### *Article 1*

A Council of the European Communities shall be established. Upon taking up its

activities, this Council shall exercise, in accordance with the provisions of the Treaties establishing the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community, and with the provisions of the present agreement, the general and special functions conferred upon the Special Council of Ministers of the ECSC, the Council of the EEC and the Council of the EAEC in the afore-mentioned Treaties; simultaneously, the Special Council of Ministers of the ECSC, the Council of the EEC and the Council of the EAEC shall cease to function.

### *Article 2*

The Council of the European Communities shall be composed of representatives of the Member States. Each Government shall delegate one of its members.

The office of the President shall be exercised for a term of six months by each member of the Council in rotation according to the alphabetical order of the Member States.

### *Article 3*

A European High Commission shall be established. Upon taking up its activities this European High Commission shall

exercise, in accordance with the provisions of the Treaties establishing the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community, and with the provisions of the present agreement, the general and special functions conferred upon the High Authority and the Commissions in the afore-mentioned Treaties; simultaneously, the High Authority and the Commissions shall cease to function.

#### *Article 4*

1. The European High Commission shall be composed of fourteen members chosen for their general competence and who are of indisputable independence.

The number of members of the European High Commission may be amended by a unanimous vote of the Council.

Only nationals of Member States may be members of the European High Commission. The European High Commission shall include not less than one and not more than three members having the nationality of the same State.

2. The provisions of Articles 154, 157 (2), 158, 159 and 160 of the Treaty establishing the European Economic Community shall apply to the members of the European High Commission.

#### *Article 5*

The European High Commission shall have one President and three Vice-Presidents; Article 161 of the Treaty establishing the European Economic Community shall apply to the President and the Vice-Presidents.

#### *Article 6*

The conclusions of the European High Commission shall be reached by a majority of the number of members provided for in Article 4.

A meeting of the European High Commission shall only be valid if the number of members

laid down in its rules of procedure are present.

#### *Article 7*

Before taking office the President, the Vice-Presidents and the members of the European High Commission shall take an oath before the Court of Justice that they will carry out the duties imposed upon them by these Treaties.

#### *Article 8*

If a motion of censure concerning the activities of the European High Commission is introduced in the Assembly, a vote may be taken thereon only after a period of not less than three days following its introduction and such vote shall be by open ballot. If the motion of censure is adopted by a two thirds majority of the votes cast, representing a majority of the members of the Assembly, the members of the European High Commission shall resign their office in a body. They shall continue to carry out current business until their successors have been appointed.

#### *Article 9*

The European High Commission shall adopt rules of procedure which will guarantee its proper functioning and that of its services. It shall publish these rules of procedure.

Under the rules of procedure the President of the European High Commission shall be responsible for the administration of the services and for the execution of Commission decisions.

#### *Article 10*

The expenditure incurred by the Council of the European Communities, the members of the European High Commission and their private offices and the credits to meet such expenditure, shall be distributed among the budgets of the three Communities. Within three months of the entry into effect of the present agreement the Council shall determine the particulars of the distribution

of this expenditure among the three Communities.

*Article 11*

The Council of the European Communities shall take up its activities on the tenth day of the month following the month in which the present agreement enters into force. The President, the Vice-Presidents and the members of the European High Commission shall be appointed within two months of the entry into force of the present agreement. The European High Commission shall assume its activities upon the appointment of its members.

*Article 12*

Upon the assumption of their activities by the Council of the European Communities and the European High Commission the following provisions shall cease to have effect:

*a)* Articles 144, 146, 157 (1), the second paragraph of Article 162 and Article 163 of the Treaty establishing the European Economic Community;

*b)* Articles 114, 116, 126 to 130, the second paragraph of Article 131, Article 132 and

133 of the Treaty establishing the European Atomic Energy Community;

*c)* Articles 9 to 13, the third paragraph of Article 16, the second and third paragraphs of Article 24 and Article 27 of the Treaty establishing the European Coal and Steel Community.

*Article 13*

This agreement shall be ratified by the High Contracting Parties in accordance with their respective constitutional rules. The instruments of ratification shall be deposited with the Government of the Italian Government.

The present agreement shall enter into force on the date on which the last instrument of ratification is deposited.

*Article 14*

The present agreement, drawn up in a single original in the Dutch, French, German and Italian languages, all four texts being equally authentic, shall be deposited in the archives of the Government of the Italian Republic, which shall transmit a certified copy to each of the Governments of the other signatory States.





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