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## Broad lines of a common policy on oils and fats

(Communication from the Commission to the Council submitted on 30 July 1963)

### Explanatory memorandum

1. In certain Member States oil-seeds and oils are of great importance to farmers, to trade, to the processing industries and consequently to the economy as a whole, while for consumers fats are a staple article of diet. The Community's agricultural policy would therefore lack balance if joint action were not taken in this field also.

2. The aims of this common policy must be:

i) To maintain the output of oil-seeds and olive oil in the Community at the requisite level and to ensure an adequate return to producers;

ii) To make available to consumers good quality fats at reasonable prices.

In pursuing these aims due regard must be paid to the interests of the processing industry, to the interests of the associated African States and Madagascar and of Greece and, with a view to the harmonious development of world trade, to the extensive trade with non-member countries.

3. As regards the system by which these objectives may be attained the following points are relevant:

a) If, in the framework of a regulated Community market, the prices of oils were to be raised sufficiently to make oil-seed production satisfactorily profitable, the average prices of margarine and edible oils would have to go up sharply;

b) Since two million tons of oil-seeds and oils and fats derived from these are imported while Community production is only about 150 000 tons, a system of subsidies to internal production of oil-seeds would seem appropriate. Production could thus be maintained without any heavy burden on consumers.

4. As regards olive oil the situation is different. Consumers prefer high quality olive oil and this is reflected in higher prices. It is therefore possible that consumers will themselves pay the price it is desired to obtain for the producers.

The Community's production of olive oil can vary between 200 000 and 400 000 tons from one year to another. In order to

prevent a rise in consumer prices in years when production is low or a fall in producer prices when harvests are abundant, supplies must be equalized from year to year. This can be done by government intervention and stocking.

Should the approximation of vegetable oil prices within the Community under the common policy make it impossible to market all olive oil stocks at prices above the intervention price, the surpluses would have to be disposed of cheaply but in such a way as not to interfere with normal sales.

Since olive oil prices in international trade may vary between DM 2 and 3 per kg. over a relatively short period, the intervention price must be protected by levies combined with a threshold price.

5. Olive production in Southern Italy raises special problems since the economic activity of whole regions depends on the growing and pressing of olives. The main objectives here must be:

i) To offset rising production costs by rationalizing the production, processing and marketing of olives and olive oil;

ii) To increase outlets for olives and olive oil in the Community by improving quality;

iii) To support the Italian Government's efforts to promote the general economic development of these regions.

To this end the Italian Government will need to draw up a programme in co-operation with the Community. In view of the Community responsibility for development in this field, Community bodies which have funds available for schemes of this kind should be called on to contribute.

6. Under the new Association Convention the Community has agreed to take account of the interests of the associated African States and Madagascar in its common agricultural policy. The measures taken should accordingly ensure for the associated States a privileged position in Community markets in relation to non-member countries and aid in the event of a downturn on world markets.

The common tariff deals differently with oils and oil-seeds. There is a common external tariff for oils, and the elimination of customs duties between the Member States following the system which these States apply between themselves would also apply to the associated African States and Madagascar.

The common external tariff is nil for oil-seeds, so that no tariff preference can be granted. Special measures to ensure for these States a certain privileged position could be envisaged if circumstances so required.

Having regard to the production aids supplied by the Community to enable them to adapt themselves, the associated African States and Madagascar are expected to sell at world prices. However, these prices are subject to wide fluctuations which are particularly dangerous for the countries whose economies largely depend on the sale of these products.

Oil-seeds and oil-seed products are the staple export of the associated African States and Madagascar and the pronounced downward trend in world price for edible oils is likely to threaten the economic development of some of them.

For this reason exporters of oil-seeds and derived products in these countries could perhaps be guaranteed a "world market minimum price" on the basis of the quantities imported into the Community. If the world price fell below this minimum the Community would grant help, on a scale to be decided, to mitigate the consequences of such a fall.

The measures in favour of oil-seed production in the associated African States and Madagascar should not, however, influence conditions of competition between African and European oil mills nor favour the import of seeds as against seed oils.

7. It is difficult to estimate the cost of applying the policy here proposed in the final stage of the Common Market, but the total needed will probably not exceed DM 200 to 250 million. According to a calculation by the Federation of Community Oil Industries, about DM 30 million was spent in 1959 to support colza production. If we suppose that on the average 320 000 tons of olive oil are marketed annually, even a reduction of DM 0.50 per kg. applied to this total would require only DM 160 million (with the producer price around Lit. 470, about DM 3, per kg.).

If fluctuations in the world price of groundnuts and groundnut oils had required intervention costing DM 25 to 50 per ton of nuts, the total amount of aid on the basis of 1961 imports would have been about DM 15 to 30 million.

These funds could be found by a levy on the 2.5 million tons of vegetable and marine mammal oils consumed in the Community. An average DM 0.10 per kg. added to the consumer price of table oil or margarine would yield about DM 250 million.

8. With duty-free oil-seed imports into the Community countries — the common external tariff applicable to them is bound at zero — margarine prices should in the long run tend towards the lowest current prices in the Community. Despite the above-mentioned contribution, it would therefore be possible in most Member States to reduce consumer prices of edible fats produced from vegetable sources.

*Average retail prices for margarine in the Member States in 1962*

Belgium . . .	DM 2.00 — 3.00	per kg.
Germany . . .	DM 2.50	per kg.
France . . .	DM 2.50	per kg.
Italy . . .	DM 4.60	per kg.
Luxembourg . . .	DM 2.00 — 3.00	per kg.
Netherlands . . .	DM 1.60	per kg.

*The Council of the European Economic Community,*

*Whereas* Community production of vegetable and marine mammal oils covers only about 20 % of requirements;

*Whereas* a common policy based on the market prices which would be needed to maintain internal production of oils would result in a considerable increase in consumer prices of these oils in most Member States;

*Whereas* it is more advantageous for these reasons to maintain production of oil-seeds in the Community by direct aids to production;

*Whereas* for olive oil a system of intervention on the internal market and of levies at the frontier is best calculated to offer producers the necessary guarantees as regards their employment and standard of living;

*Whereas* in certain regions of Southern Italy olive-growing poses special problems which need to be dealt with under a general plan to improve production and

marketing, in the financing of which the Community's competent financial institutions should co-operate;

*Whereas*, under the Convention with the associated African States and Madagascar, the Community has undertaken to pay due regard to the interests of these States when framing its common agricultural policy; and whereas this undertaking can be fulfilled by granting these countries a privileged position in relation to non-member countries;

*Whereas* oil-seeds and oil-seed products are the most important export of the associated African States and Madagascar as a whole;

*Whereas* there is a pronounced downward trend in world prices of edible oils, affecting the economic development of the associated States which derive almost all their external income from groundnut exports;

*Whereas* the necessary funds can be obtained through a levy on the edible vegetable or marine mammal oils produced in or imported by the Community;

*Whereas* trade liberalization and the reduction by certain Member States of present taxes on oils and fats could have a favourable effect on their prices,

*Agrees* that the following principles should be adopted as the basis for a common organization of the market in oils and fats:

i) Free import of oil-seeds and oils and fats of vegetable or marine origin and application to these products (except olive oil) of the duties under the common external tariff;

ii) Maintenance of the necessary oil-seed production at home by direct financial assistance to producers;

iii) Fixing of a threshold price for olive oil and levies on imports;

iv) Fixing of an intervention price for olive oil and purchase of oil offered at that price;

v) Co-operation between the Italian Government and the Commission in working out a programme to improve production and marketing of olives and olive oil and economic conditions in olive producing areas, with a financial contribution by the Community;

vi) Abolition of national customs duties on seed oils imported into the Community from the associated African States and Madagascar in accordance with the system which the Member States apply among themselves; where necessary, special action to ensure a certain measure of preference in the case of oil-seeds from the associated African States and Madagascar;

vii) Financial aid to oil-seed and oil imports by the Community from the associated African States and Madagascar to mitigate the consequences of any fall in world prices below an average reference price to be determined;

viii) A levy on edible fats of vegetable or marine origin imported by or produced in the Community, the proceeds thereof to accrue to the Community;

ix) Financing by the European Guidance and Guarantee Fund of the interventions and aids provided for,

And *invites* the Commission to submit proposals for the gradual introduction of a common organization based on the principles.

## **Proposals by the Commission to the Council for measures under the common policy in the event of structural surpluses on the milk market**

(Submitted by the Commission to the Council on 30 July 1963)

1. In most countries prices for milk and dairy products tend to lag behind the general advance of prices — a fact which has led numerous governments to spend large sums to ensure for dairy farmers an ade-

quate return. This applies to most of the Community States, which in 1961 spent a total of DM 1 550 million and, in 1962, DM 1 530 million for this purpose (see table below).

**TABLE 1**  
*State aids to milk and dairy products in EEC*

(million DM)

	Direct subsidies		Export aids		Other aids		Total	
	1961	1962	1961	1962	1961	1962	1961	1962
Belgium	38	45	40	25	7	10	85	80
Germany (F. R.)	625	625	—	—	15	20	640	645
France	—	—	284	281	192	209	475	490
Italy	—	—	—	—	1	—	1	—
Luxembourg	11	11	—	—	—	—	11	11
Netherlands (1)	343	301	.	.	.	.	343	301
<b>EEC Total</b>	<b>1017</b>	<b>982</b>	<b>324</b>	<b>306</b>	<b>215</b>	<b>239</b>	<b>1555</b>	<b>1527</b>

(1) The Netherlands give export and other aids which in the first instance are offset against a special fund mainly supplied by taxes on milk for direct consumption. These aids are therefore not shown separately in the table but are included in the total sum, since in 1961 and 1962 the difference between the price actually obtained for milk and the price guaranteed to producers for a specified quantity was paid over to the latter.

2. Of the DM 1 530 million spent in 1962, DM 891 million were used to pay producers in all the Member States an ex-farm price of about 0.29 to 0.31 DM/kg. for milk of 3.7 % fat content. In addition,

dairy farmers received direct aid amounting to DM 625 million in the Federal Republic and DM 11 million in Luxembourg. This raised the actual price to producers to about 0.34-0.37 DM/kg. (see table below).

**TABLE 2**  
*Milk prices ex-farm in the Member States in 1961 and 1962*

(in DM/100 kg at 3.7 % fat content)

	Belgium		Germany		France		Italy		Luxembourg		Netherlands	
	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961 (1)	1962 (2)
Total price ex-farm	28.96	30.51	33.00	33.80	28.40	29.18	29.37	31.21	36.58	36.99	29.28	28.51
State aids (where these directly influence the price of milk)	—	—	4.30	4.00	—	—	—	—	6.48	7.17	5.43	4.53
Producer price on the basis of market prices	28.96	30.51	28.70	29.80	28.40	29.18	29.37	31.21	30.10	29.82	23.85	23.98

(1) November 1960 - October 1961.

(2) November 1961 - October 1962.

3. Intervention costs may well rise in the coming years because milk production is increasing more rapidly than consumption. If this should result in structural surpluses of dairy produce, common policy measures in the milk market would have to be reviewed.

4. Like production in other agricultural branches milk output is very strongly influenced by weather. Years with a production increase of more than 7 % alternate with others when output remains unchanged (see Table 3).

If we postulate :

i) that even in years when weather is bad and production does not increase it must be possible to supply the population with milk and dairy products without any increase in prices;

ii) that on the other hand in years when the weather is particularly favourable producers must not receive less for milk than the producer target price,

the surpluses in years when fodder is abundant must be marketed in such a way as not to jeopardize the producer target price.

In the last thirteen years fluctuations in milk production from one year to another have never exceeded 4 million tons. Applying the above criteria this means that the dairy produce to be temporarily taken off the market may reach 4 million tons milk equivalent (about 170 000 tons of butter) without implying any long-term structural surplus. Net exports of dairy produce are included in this volume whenever refunds have been paid on exports.

TABLE 3  
Milk production (1) in EEC 1950-62

Year	'000 tons	Percentage variation from previous year
1950	47 044	—
1951	49 587	+ 5.41
1952	49 177	— 0.83
1953	52 794	+ 7.35
1954	54 732	+ 3.67
1955	55 016	+ 0.52
1956	56 614	+ 2.90
1957	58 430	+ 3.21
1958	59 889	+ 2.50
1959	60 232	+ 0.57
1960	64 356	+ 6.85
1961	65 687	+ 2.07
1962	66 458 (2)	+ 1.17

(1) Including sheep and goat's milk.  
(2) Provisional.

5. If dairy produce has to be regularly withdrawn from the market or if the Community's net exports for which refunds are paid exceed 4 million tons milk equivalent, this would certainly indicate structural surpluses. If we wish to avoid the

Community continually having to provide large funds to assist the disposal of such surpluses, the measures hitherto taken under the common policy will have to be reviewed or replaced by others. Among measures to establish a balance on the

milk market while having regard to the interests of dairy farmers the following may be suggested:

- i) Steps to promote increased consumption of dairy produce;
- ii) Study of the possibility of paying on social grounds to producers in particular areas and types of farm "neutral" subsidies, i.e. subsidies not related to the kind of production;
- iii) A change in the pattern of production of agricultural enterprises accompanied by measures to improve agricultural structures in the context of regional economic development;
- iv) Limitation of milk production.

6. The Commission therefore supplements its previous proposals on the common po-

licy for the milk market and in particular on the means of financing this policy by the following article.

*Article ...*

Should total net exports of dairy produce to non-member countries in respect of which refunds are paid and the surpluses withdrawn from the market in any year exceed the equivalent of 4 million tons of milk, the Commission shall submit to the Council a report on the situation and on the probable development of production, foreign trade and consumption in the milk market. On the basis of this report the Council shall decide, by the procedure laid down in Article 43, on measures to be taken in the framework of the common policy.

## **Proposal for a Council directive relating to the approximation of the regulations of Member States concerning cocoa and chocolate**

(Submitted by the Commission to the Council on 23 July 1963)

*The Council of the European Economic Community,*

*Having regard to the Treaty establishing the European Economic Community, and in particular Article 100 thereof;*

*Having regard to the proposals of the Commission;*

*Having regard to the opinion of the European Parliament;*

*Having regard to the opinion of the Economic and Social Committee;*

*Whereas the various national legislations attach certain descriptions to certain products incorporating cocoa, stating their composition and processes of manufacture; and whereas the use of such descriptions is obligatory in marketing such products;*

*Whereas in some Member States the packaging of such goods is also subject to regulations;*

*Whereas the differences between national legislation hinder the free movement of these goods, especially of certain types of cocoa and chocolate, and may create unequal conditions of competition, thereby directly affecting the establishment and operation of the Common Market;*

*Whereas the approximation of legislation concerning these products is necessary and to this end common definitions and rules must be laid down on the composition, processes of manufacture, packaging and labelling of such products;*

*Whereas in order to protect consumers in certain Member States the terms "à croquer" and "halbitter" are reserved for chocolate with a high minimum content of certain ingredients; and whereas these terms cannot be used throughout the EEC; and whereas the approximation of legislation among the Member States in this respect can be brought about by prohibiting fancy names for such products unless they comply with certain standards of composition, and by providing manufacturing firms with a system of universally intelligible marks reserved for chocolate products of a certain composition;*

*Whereas the definition of methods of analysis for checking the composition and processes of manufacture of such products are technical implementing measures and as such should be taken by the Commission;*

*Whereas manufacturing firms can modify their processes and market their stocks within one year from the adoption of new rules and definitions by the Member States;*



and whereas the application of the scale of weights for certain types of presentation will necessitate the modification of plant in certain Member States so that the time-limit for the application of this rule must be extended to two years;

Whereas the approximation of national regulations provided for in the present directive is without prejudice to the implementation of Articles 31 and 32 of the Treaty,

*Has adopted the present directive :*

#### *Article 1*

Member States may not, for reasons of composition, method of manufacture, packaging or labelling, prohibit the marketing under the descriptions reserved for them of the products listed in paragraph 1 of the schedule to the present directive if such products satisfy the definitions and rules laid down in the present directive and the said schedule.

#### *Article 2*

1. Member States shall take steps to ensure that the descriptions listed in paragraph 1 of the schedule cannot be used in trade to describe products for human consumption other than those set out in that schedule. They shall nevertheless authorize the use of the word "chocolate" or of a term derived from that word in the description of filled confections totally coated with chocolate, chocolate coating, milk chocolate or milk chocolate coating, even if the filling does not consist of chocolate.

2. They shall take steps to ensure that where products are designed to imitate those listed in the schedule their description shall make it clear that such products are imitations.

#### *Article 3*

In the manufacture of these products Member States shall allow the use only of cocoa beans of sound merchantable quality and they shall forbid the use of shells, germs or any residue from the extraction of cocoa butter by means of solvents.

#### *Article 4*

Until the Council shall have decided otherwise in accordance with Article 100 of the Treaty, but not later than four years from the notification of the present directive,

Member States shall not authorize any product other than petroleum spirit 60/80 (known as "essence B") as a solvent for the extraction of cocoa butter.

#### *Article 5*

Member States shall authorize only the following weights for bars or blocks of chocolate, Gianduja hazel-nut chocolate, milk chocolate, Gianduja hazel-nut milk chocolate and filled chocolate weighing more than 75 grammes : 100, 125, 200, 250, 400 or 500 grammes.

#### *Article 6*

1. Member States shall take steps to ensure that when placed on sale the products defined in the schedule bear on their wrappers or containers a legible indication of the following :

a) The description attached to such products and, where applicable, the particulars referred to in paragraphs 4 to 7 of the schedule;

b) Net weight, except where this is less than 100 grammes or less than 25 grammes if put up in blocks or bars;

c) The country of manufacture and the name and address of the manufacturer or the packaging firm where these are established in the EEC, or the name of the importer if the product is imported from a non-member country.

2. Notwithstanding the provisions of Article 1 above, any Member State may forbid the marketing in its territory of the products defined in the schedule if the information referred to in sub-paragraph a) of paragraph 1 above does not appear in its national language on one of the main surfaces of the wrapper or container.

#### *Article 7*

1. Subject to the provisions of Article 6 above, Member States shall not authorize any reference on the wrappers of chocolate or milk chocolate to the quality, composition or processes of manufacture of such products, unless :

a) The chocolate contains at least 43 % of defatted dry cocoa and cocoa butter, including at least 26 % of cocoa butter;

b) The milk chocolate contains more than 50 % of saccharose, at least 30 % of defatted dry cocoa and cocoa butter, and 18 % of solid residue from the evaporation of milk, including at least 4.5 % of butter fat.

2. Member States shall forbid the placing of asterisks on the wrappers of products listed in the schedule, other than chocolate and milk chocolate, and they shall not authorize any such asterisks except under the following conditions:

- a) 2 asterisks for chocolate if it contains at least 43 % of defatted dry cocoa and cocoa butter, including at least 26 % of cocoa butter;
- b) 3 asterisks for chocolate if it contains at least 50 % of defatted dry cocoa and cocoa butter, including at least 30 % of cocoa butter;
- c) 3 asterisks for milk chocolate if it contains at least 32 % of fatty substances and 35 % of defatted dry cocoa and cocoa butter.

#### Article 8

For a period of three years from the notification of the present directive Member States shall restrict the use of the term "à croquer" to chocolate containing at least 43 % of defatted dry cocoa and cocoa butter, including at least 26 % of cocoa butter.

During the same period and notwithstanding the provisions of Article 7(1) above, they shall restrict the use of the term "halb-bitter" to chocolate containing at least 50 % of defatted dry cocoa and cocoa butter, including at least 18 % of cocoa butter.

#### Article 9

After consulting the Member States the Commission shall issue a directive prescribing methods of analysis for checking the composition and processes of manufacture of the products listed in the schedule.

#### Article 10

1. The present directive shall also apply to provisions in national legislation concerning products imported from non-member countries for consumption in the Community.

2. The present directive shall not affect the provisions of national legislation prohibiting or authorizing the retail sale of unwrapped chocolate or concerning:

- a) Food preparations other than those defined in the schedule but derived from them;
- b) Pharmaceutical or cosmetic products containing cocoa or a product derived from cocoa;
- c) The products listed in the first paragraph of the schedule and intended for export outside the European Economic Community.

#### Article 11

Within one year from the notification of the present directive Member States shall amend their regulations in accordance with the above provisions and shall immediately inform the Commission thereof. The regulations thus amended shall be applied to products marketed in the Member States not later than two years from the date of the aforesaid notification.

However, this time-limit shall be extended to three years for the implementation of the provisions of Article 5 above for products marketed in Belgium, Italy, Luxembourg and the Netherlands.

#### Article 12

The present directive is addressed to all Member States.

### SCHEDULE

1. For the purposes of the present directive:

#### a) *Cocoa kernels*

shall mean the fermented, dried, roasted or unroasted seeds of the cocoa-tree, cleaned, peeled and free from germs, not containing, save as otherwise provided in paragraph 2, more than 5 % of residual shells or germs or more than 10 % of ash — these figures being calculated on the weight of the dried and defatted substance.

#### b) *Cocoa paste*

shall mean cocoa kernels made into a paste by mechanical process, no part of their natural fat being removed.

#### c) *Cocoa cake*

shall mean cocoa kernels or cocoa paste made into cakes by mechanical process and containing, save as provided in the definition of non-fat cocoa cake, not less than 20 % of cocoa butter, calculated on the weight of the dried substance, and not more than 9 % of water.

#### d) *Non-fat or highly defatted cocoa cake*

shall mean cocoa cake with a minimum cocoa-butter content of 8 % calculated on the weight of the dried substance.

#### e) *Cocoa powder*

shall mean cocoa cake powdered by mechanical process and containing, save as provided in the definition of non-fat cocoa powder, not less than 20 % of cocoa butter, calculated on the weight of the dried substance, and not more than 9 % of water.

f) *Non-fat or highly defatted cocoa powder* shall mean cocoa powder with a minimum cocoa-butter content of 8 %, calculated on the weight of the dried substance.

g) *Sweetened cocoa powder or chocolate powder*

shall mean the product obtained by mixing cocoa powder and saccharose in such proportion that 100 grammes of the product contain not less than 32 grammes of cocoa powder.

h) *Sweetened, non-fat cocoa powder, or highly defatted sweetened cocoa powder*

shall mean the product obtained by mixing non-fat cocoa powder with saccharose in such proportions that 100 grammes of the product contain not less than 32 grammes of non-fat cocoa powder.

i) *Cocoa butter*

shall mean the fatty substance extracted from cocoa kernels, paste or cake, whether or not highly defatted, by mechanical process or by the use of a solvent; in the latter case it must contain no trace of such solvent.

j) *Chocolate*

shall mean the product obtained by mixing cocoa kernels, paste or powder, whether or not highly defatted, with saccharose, with or without added cocoa butter, and containing — save as provided in the definitions of granulated chocolate, Gianduja hazelnut chocolate and chocolate coating — not less than 35 % of defatted dry cocoa and cocoa butter, comprising at least 14 % of defatted cocoa and 18 % of cocoa butter, these percentages being calculated after deduction of the weight of the added substances referred to in paragraphs 5 to 7.

k) *Granulated chocolate and chocolate flakes*

shall mean chocolate in the form of granules or flakes with a minimum content of defatted dry cocoa and cocoa butter of 32 % with a minimum of 12 % of cocoa butter.

l) *Gianduja (or derived term) hazelnut chocolate*

shall mean chocolate containing a minimum of 32 % of defatted dry cocoa and cocoa butter, comprising 8 % of defatted dry cocoa, mixed with finely ground hazelnuts in such proportions that 100 grammes of the product contain not more than 40 and not less than 20 grammes of hazelnuts. Almonds, hazelnuts or walnuts, whole or

in pieces, may be added in such proportions that their weight, added to that of the ground hazelnuts, does not exceed 60 % of the weight of the product.

m) *Coating chocolate*

shall mean chocolate with a minimum cocoa-butter content of 31 % and a minimum content of 2.5 % of defatted dry cocoa.

n) *Milk chocolate*

shall mean the product obtained by mixing cocoa kernels, paste or powder, whether or not highly defatted, with saccharose, milk, or solids obtained from the evaporation of milk, with or without added cocoa butter and containing, save as provided in the definitions of granulated milk chocolate, Gianduja hazelnut milk chocolate and milk chocolate covering :

i) Not less than 25 % of defatted dry cocoa and cocoa butter, including at least 2.5 % of defatted dry cocoa;

ii) Not less than 14 % of solids obtained from the evaporation of milk, including at least 3.5 % of butter fat;

iii) Not more than 55 % of saccharose;

iv) Not less than 25 % of fatty substances, these percentages being calculated after deduction of the weight of the additives referred to in paragraphs 5 to 7.

o) *Granulated milk chocolate or milk chocolate flakes*

shall mean milk chocolate in the form of granules or flakes with a minimum content of 20 % of defatted dry cocoa and cocoa butter, a minimum content of 12 % of fatty substances and a maximum content of 66 % of saccharose.

p) *Gianduja (or derived term) hazelnut milk chocolate*

shall mean a mixture of milk chocolate with a 10 % minimum content of solids obtained from the evaporation of milk, and finely ground hazelnuts in such proportions that 100 grammes of the product contain not more than 40 and not less than 15 grammes of hazelnuts. Almonds, hazelnuts or walnuts may be added, either whole or in pieces, in such proportions that their weight added to that of the ground hazelnuts does not exceed 60 % of the weight of the product.

q) *Milk coating chocolate*

shall mean milk chocolate with a minimum content of 31 % of fatty substances.

r) *Filled chocolate*

shall mean a filled confection put up in blocks or bars consisting of an outer coating and a filling, the coating being of chocolate, milk chocolate, coating chocolate or milk coating chocolate, and amounting to not less than 25 % of the total weight of the product.

2. Fermented and dried cocoa beans, cocoa kernels or paste, cocoa cake and cocoa powder, whether or not highly defatted, may be treated only with the following substances: alkaline carbonates, alkaline hydroxides, magnesium carbonate, magnesium oxide or ammoniacal solutions, provided that the quantity of the alkalinizing agent added, expressed as anhydrous potassium carbonate does not exceed 5 % of the weight of the dry and defatted substance.

Citric or tartaric acid up to no more than 0.5 % of the weight of the product may be added to products treated in this way.

The maximum ash content of a product which has undergone the treatment referred to above shall be 14 %.

3. For use in the products listed in paragraph 1, cocoa butter must not have a degree of acidity, expressed as oleic acid, higher than 2.25 %; it may be refined only by the following processes:

- i) Filtering, centrifuging;
- ii) Treatment by superheated steam *in vacuo*;
- iii) Neutralization in a soda lye of no more than 20° Baumé.

4. In place of saccharose the products listed in paragraph 1 may contain:

- i) Crystallized glucose (dextrose), fructose or lactose amounting to 5 % of the weight of the product; this does not require declaration;
- ii) Crystallized glucose (dextrose) amounting to 20 % of the weight of the product; in this case the words "Contains crystallized glucose" must appear in the description of the products.

5. Aromatic plants ground or in the form of extracts or distillates, and also vanillin and ethylvanillin, may be added to cocoa paste and to the various types of cocoa powder, chocolate and milk chocolate.

Subject to the provisions of paragraph 7 relating to the incorporation of coffee, the description of the product must include a mention of the aromatic substance added, if the latter is added to:

- i) Cocoa paste, coating chocolate or milk coating chocolate;

- ii) The various kinds of cocoa powder, chocolate or milk chocolate other than coating where the flavour of the aromatic substance masks that of the cocoa.

6. Commercially pure vegetable lecithin with a peroxide index not exceeding 10 may be added to the products listed in paragraph 1 except cocoa kernels.

The description of the product must contain a reference to such addition and its amount, except where the lecithin is added to the various kinds of chocolate or milk chocolate.

The products listed in paragraph 1 must not contain more than 0.5 % of phosphatides, calculated by weight; however, the various types of cocoa powder may contain up to 1 %.

7. Edible substances, with the exception of starchy or fatty substances unless present in permitted ingredients, may be added to the various kinds of chocolate or milk chocolate, provided that:

- a) Where they are added in visible and separable pieces the total weight of the additions is not less than 5 % and not more than 40 % of the weight of the product and provided that reference is made to the added substances in the description of the chocolate;

- b) Where they are incorporated in a practically unidentifiable form, the total weight of the additions does not exceed 30 % of the weight of the product. In that event:

- i) The description of the chocolates need not make reference to the substances added if these are honey, almonds, walnuts, hazelnuts, candied fruits, dried fruits, whole or skimmed milk, preserved milk, cream, butter or malt extract and are added in such proportion that their total weight is less than 5 % of the weight of the product;

- ii) The description of the chocolates must make reference to the substances added if these are honey, almonds, walnuts, hazelnuts, candied fruits, dried fruits, whole or skimmed milk, preserved milk, cream, butter, malt extract, eggs, egg-yolk or egg-white and are added in such proportion that their total weight is 5 % or more of the weight of the product;

- iii) The description of the chocolates must make reference to the addition of coffee if the quantity present, expressed as coffee beans, exceeds 1 % of the weight of the product;

- iv) The description of the chocolate must make reference to the substances added and to the amounts in which they are added if they consist of edible substances other than those mentioned above.

## **Proposal for a Council regulation amending Regulation No. 17**

(Submitted by the Commission to the Council on 23 July 1963)

*The Council of the European Economic Community,*

*Having regard to the provisions of the Treaty setting up the European Economic Community, and in particular Article 87 thereof;*

*Having regard to the proposal of the Commission;*

*Having regard to the opinion of the Economic and Social Committee;*

*Having regard to the opinion of the European Parliament;*

*Whereas by virtue of Article 7 of Regulation No. 17<sup>(1)</sup> the prohibition laid down in Article 85 (1) of the Treaty applies only for a period fixed by the Commission to agreements, decisions and concerted practices existing on the date of entry into force of that regulation if the Commission has been notified of them and if the enterprises or associations of enterprises terminate them or appropriately modify them; and whereas, in respect of agreements, decisions and concerted practices in the categories defined in Article 4 (2) of the said regulation, benefit of this provision is granted only if notification thereof is made before 1 January 1964;*

*Whereas the necessary modifications to these agreements, decisions or concerted practices can be better determined when the investigation of a certain number of agreements, decisions and concerted prac-*

*tices of which the Commission has already been notified has clarified the conditions for applying Article 85 of the Treaty; and whereas, in this respect, an extension of the time-limit now fixed at 31 December 1963 by Article 7 (2), seems advisable;*

*Whereas such an extension will not impede proceedings against infringements of Article 85 of the Treaty under Article 9 (2) of Regulation No. 17, nor will it prevent, whenever thought fit, making subject to notification under Article 22 of the same regulation, any agreements, decisions and concerted practices defined in Article 4 (2) which seriously affect the development of the Common Market,*

*Has made the present Regulation :*

### *Article 1*

*In paragraph 2 of Article 7 of Regulation No. 17 the words " before 1 January 1964 " shall be deleted and replaced by the words " before 1 January 1967 ".*

### *Article 2*

*The present Regulation shall come into force on the day following its publication in the official gazette of the European Communities.*

*The present Regulation shall be binding in all respects and directly applicable in all Member States.*

## **Medium-term economic policy for the Community**

(Recommendation by the Commission to the Council submitted on 26 July 1963)

1. Article 2 of the Treaty of Rome provides: " It shall be the task of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, increased stability, an accelerated raising of the stand-

ard of living and closer relations between its Member States. "

2. In sectors in which there is adequate competition the free play of the market is the most effective instrument to ensure the best use of available resources; it is a fundamental factor making for economic progress. Therefore, an active policy is needed

<sup>(1)</sup> Official gazette of the European Communities, No. 13, 21 February 1962, p. 204/62.

to maintain competition where it exists and to strengthen it where it is not sufficiently effective. This is the purpose of the rules on competition laid down in the Treaty of Rome.

3. Moreover, the state plays a decisive role in economic life, particularly in certain sectors. Government activity in this field has been continuously expanding, though not to the same degree in all countries. It often takes the form of financial intervention and in all Member States about one-third of the national income passes through the hands of public financial authorities; in many cases state action takes the form of protective measures or rules and regulations which are of special importance in such sectors as agriculture, energy, transport and housing.

4. This situation produces difficult problems of two kinds. In the first place, the real usefulness must be examined of actions which restrict competition and distort the market mechanism whilst producing but little of the expected result. Secondly, there is the problem of the effectiveness of state intervention where this is accepted as necessary. Of course, the state can limit itself to taking action only as and when problems arise in various sectors or regions; often there will be *ad hoc* measures, taken solely for their immediate and short-term effect. This means that the final measures adopted may come too late to affect the course of events and may turn out to be patchy and contradictory. It seems therefore to become more and more necessary that an overall view be taken, in terms of several years of coming economic development, so that state action can be made to fit into a coherent framework and will neither be inconsistent in itself nor upset the free play of the market except in so far as this is essential and expressly agreed to by all authorities concerned.

5. Since the advent of the European Economic Community this problem of the efficacy of economic policy no longer arises only at the national level, but also at the European level. The free movement of persons, goods, capital and services has increased the interdependence of the economies involved and means that economic policy can no longer be confined to the national context. In economies which are open to one another, measures of economic policy taken in one country influence the other economies, whilst in the country in which they are taken they can, in many cases, be effective only if they are not

neutralized by contradictory measures adopted in the others.

There is a serious risk of decisions being taken by national authorities or common institutions without sufficient regard to their longer-term effects on the Community's economy and of the policies planned by national authorities and the Community turning out to be incoherent or incompatible with one another. Co-ordination must therefore be made easier; the decisions of national authorities and European institutions must be brought more into line and all action must be concerted to attain a common goal.

6. Under Articles 6 and 145 of the Treaty of Rome the Member States have undertaken to co-ordinate their general economic policies, which include their social policies. This commitment is not limited to short-term policies. Certain results have been obtained as the result of the Member States co-ordinating their monetary policies. In the field of conjunctural policy the need for short-term forecasting was recognized, as was the advisability of co-ordinating proposed measures. The economic budgets of the Member States are compared each year and are valuable instruments of economic policy. The question suggests itself why something that is useful for short-term economic policy should not be equally useful for medium-term policy. Many government measures have repercussions extending far beyond the yearly period usually considered for purposes of conjunctural policy. If the aims set out in Article 2 of the Treaty are to be attained, it is therefore necessary to study the longer-term prospects of the Community and to consider what measures are likely to ensure continuous and balanced development and a high level of employment while maintaining monetary stability.

7. In its formal opinion of 29 May 1963 (CES 234/63) the Economic and Social Committee of the European Economic Community unanimously concurred in this view:

"Like the Commission, the Committee is of the opinion that the Community's economic policy should be aimed at rapid expansion, stability and the mitigation of economic fluctuations and national or regional imbalances. To this end economic policy should be based on forecasts and directed towards long-term targets. Such forecasts should be made and the targets fixed after consulting those concerned with economic affairs and social policy in the Community.

The Committee believes that such long-term forecasts and targets can serve as a basis for governmental economic action and offer guidance for the private sector. The Committee endorses the Commission's view that the fixing of long-term objectives does not in any way amount to drawing up an authoritarian plan which would interfere with the freedom of the market and be imposed on individual enterprises; it would rather provide a framework within which the Community institutions, the governments and private trade and industry could conduct their activities."

8. The Commission believes, therefore, that the Community should look several years ahead in estimating its future development and should work out an overall framework of medium-term economic policy, into which the work of the governments and the European institutions would fit. For the purposes of this document the expression "medium-term" is meant to cover a period of 4 or 5 years.

9. In the Commission's opinion two distinct operations must be carried out.

The first would consist of making economic prospect studies. The outlook would have to be jointly considered on the basis of all available information; thus medium-term estimates would be worked out for the Community.

Then, on the basis of these studies, a medium-term economic programme would have to be outlined, which would be addressed exclusively to the governments of the Member States and the institutions of the Community. Its purpose would be, in conformity with the objectives of the Treaty, to co-ordinate decisions of the governments or the European institutions which have a special bearing on the course of medium-term economic development. It would also assist the working out of coherent and effective policies in the fields in which common policies are required under the Treaty (agriculture, transport, external trade, vocational training etc.).

### **I. Studies of economic prospects**

10. First, the outlook for the future would have to be considered in common on the basis of all available information. The purpose of studying medium-term prospects would be to obtain an indication of future developments so that national and Community decisions whose repercussions are not felt until a certain time has elapsed may be taken with the fullest knowledge of their probable effects.

11. To obtain such a picture of the Community's future course over a few years, the latest methods of national accounting and economic analysis must be applied; by studying past trends and making certain assumptions it is possible to obtain an indication of the economy's chances of expansion over a given period. Of course these would not be firm estimates, since unforeseen circumstances can always change the expected course of events; they would rather be projections subject to amendment in the light of new information.

12. These projections would be worked out at the European level with the help of the studies made in all the Member States, and on the basis of any other information available. This would offer the additional advantage of allowing sufficient account to be taken in national projections of the developments expected in other countries and of avoiding such projections being incompatible with one another.

13. Projections would be prepared of the development of the gross national product and its utilization (public and private investment, public and private consumption, foreign trade balance). There then arises the question to what extent these projections could be considered as general economic growth targets.

It may be noted that the prospect studies made in the various Community countries differ considerably from one another. In some countries they are made by official bodies, their results are incorporated in overall programmes and, once approved by the competent authorities, become tentative aims. In other countries it is felt that the government should not assume responsibility for quantitative projections; they are made by private economic research institutes and therefore do not have the status of objectives — even tentative.

14. At the first meeting of the OECD Council on 16 and 17 November 1961 a collective aim was set for the Member States; they were to increase their GNP over the years 1960 to 1970 by 50 %.

15. Several of the programmes put in hand by Member States of the Community or of the European Free Trade Association include sector projections and sector indicative planning on production, employment and investment. In these countries both government and industry feel that such indications are a useful instrument of economic policy and that far from restricting freedom of action in trade and industry, especially in the investment field, they are

a valuable help to efficient management. This is in particular true for small and medium-sized firms; the large ones can make their own studies of this kind or commission specialized economic research institutes to do so for them. These studies are generally kept confidential and the small and medium-sized firms do not have the same access to information of this kind. Since they rarely have such expert advice as to the probable development of the market they are at a disadvantage.

16. The Commission nevertheless prefers to avoid any risk of the projections it recommends being considered as growth targets for the Community. Therefore, and in particular to prevent trade and industry from believing that such projections commit the governments or the European institutions, the Commission suggests that they be made at the Community level by independent experts drawn from appropriate public or private organizations.

17. It would be the purpose of such projections to indicate what is possible or probable in the development of the economy. Any such work must be based on certain hypotheses, especially concerning the economic policies of the governments. To make sure that those responsible for economic policy are given some quantitative indication of the probable outcome of their decisions, the experts should not limit themselves to a single projection but should consider the variants entailed by different hypotheses of economic policy.

18. Another question that arises is to what extent such projections should be broken down by main economic sectors. The Commission believes that the closest study should be given to the medium-term outlook for those sectors in which government or Community policy plays a predominant part (e.g. agriculture, energy, transport or housing).

19. The results of the overall projections and of the studies mentioned in the previous paragraph would be submitted to the Medium-Term Economic Policy Committee the establishment of which is proposed below. The manner in which these studies would contribute to the co-ordination of economic policies is explained in paragraphs 26 et seq.

20. To check the accuracy of overall projections and to avoid widening the margin of error by making only isolated projections for sectors in which state action has a preponderating influence, it would be necessary to break down the overall pro-

jections by main branches of activity. This is a technical point, such a breakdown being necessary to avoid incoherences and incompatibilities which could not otherwise be detected or eliminated. These checks should be an internal matter and should not be made public. Here again it would be better not to be content with a single projection but to work out variants in accordance with different hypotheses.

21. These studies would also concern the Community's external trade and would be linked with the work done by the UN at world level. In recent years the rapid increase of external trade has been of the essential factors in the expansion of the EEC and projections would help towards a better understanding of the conditions needed if this trend is to continue.

The connection between economic evolution in the Community and in the developing countries also needs to be better understood; a further knowledge of their interdependence would offer a sounder foundation for development policy.

22. An effort must be made in the medium-term projections to make a rough estimate of the possible increase of incomes corresponding to the expected increase of production, and to consider the consequent effect on the balance between consumption and investment and on the future development of the economy.

23. The Commission therefore proposes to call a meeting of independent experts to study the outlook for the Community's medium-term development. They will in the first place consider the period from 1966 to 1970, the latter already being the final year in certain studies of economic prospects carried out at the national or European levels. The experts will review their projections from time to time. Thanks to modern methods of calculation such a review could be made each year and the period considered could be extended each time by one year; in this way projections for the following five years would always be available.

These studies could help to pinpoint any obstacles which may arise, during the period considered, to healthy economic expansion coupled with price stability and equilibrium in the balance of payments, and could prove useful in seeking measures of economic policy to overcome them. The only object would be to determine the consequences of various possible policies, the governments and the European institutions retaining their entire freedom of action.



## II. Medium-term economic policy

24. Thanks to these forecasts made by specialists on the subject, the authorities directing economic development policy in the Member States, and also the competent departments of the Community, should attain a better understanding of the essential factors for continued and balanced expansion accompanied by price stability, a rising standard of living and a high level of employment, and should be able to co-ordinate their policies to that end. A common medium-term economic programme could be worked out, beginning with a confrontation of the policies of the Member States in fields which are of decisive importance for the progress of the European economy. Such a programme is necessary if the national economic policies are to be co-ordinated and it would facilitate the implementation of effective and coherent common policies in those fields where they are envisaged. In agriculture, transport, energy, vocational training or commercial policy, a common framework must be laid down for the Member States and the Community institutions so that in arriving at decisions due regard can be had not only to their immediate effects in a particular sphere, but to their longer-term repercussions upon the Community as a whole.

25. This programme would be transmitted to the Member States and to the competent European institutions. It would be an instrument for co-ordinating economic policies and not the activities of trade and industry. It would not be intended in any way to tie the hands of the latter but to help in decisions regarding investment or production by affording certain indications concerning the policies which the European institutions or the national governments propose to follow.

In no circumstances must the co-ordination of medium-term economic policies result in an increase of government intervention in the economy. On the contrary, since the only intention is to improve the efficacy of existing interventions, it is probable that a rational framework for Community decisions and governmental action will, far from extending such interventions, tend to diminish their number and scope.

26. This alignment of economic policies will be based on the medium-term projections made by experts as proposed in the first part of this paper. The main purpose of these projections is to keep objectives and measures of economic policy un-

der constant review. The governments and the European institutions will thus take their policy decisions jointly on the basis of these projections. They will not be pledging themselves to reach any particular targets but to pursue co-ordinated policies likely to ensure the best possible growth for the economy whilst maintaining price stability.

Should the forecasts not fully materialize, the reasons for the divergence would have to be closely studied, establishing with some degree of precision whether the situation had been viewed too optimistically or whether the shortfall is to be attributed to the trend of certain factors having a marked effect on expansion, such as investment. Those directing economic policy could then discuss together the adjustments needed. The value of the projections would thus lie in the fact that the governments and Community institutions would constantly have occasion to study the causes of divergencies between forecasts and actual developments, and at the same time keep their economic policy under review.

27. Studies of medium-term economic prospects may also help in comparing the ideas and projects of the governments regarding incomes policy. By discussions between representatives of the governments and the Commission conclusions may be reached on means of ensuring a fair distribution of the fruit of expansion.

28. The proposed programme would contain measures to be taken by the national governments and the European institutions, each within their sphere of competence, in fields where official action may decisively affect the development of the economy; these are discussed below.

### Finance

29. In view of the importance of public finance in economic affairs, this instrument of policy should be used with an eye to general economic development.

The projections worked out by the experts could in the first place help towards a better assessment of the medium-term trends of public revenue and expenditure. Because certain taxes are progressive, fiscal receipts rise more steeply than national income. Higher receipts arising from economic expansion may allow of a reduction of certain taxes or an increase in certain expenditure in order to maintain the existing relationship between tax receipts and national income. A choice will have to be

made, and the proposed programme should contain indications as to the financial policy the Member States intend to adopt, it being understood that in budget matters the decision still lies with the governments and parliaments of the Member States.

30. In this context a particularly important question is the balance between expenditure to meet public needs (roads, hospitals, schools etc.) and expenditure in the private sector. The Member States must jointly consider means of ensuring that the total of public investment, especially for infrastructure, is sufficient to meet public needs and those of economic development in general.

31. Whereas investment in the private sector can be left to the mechanism of the market, public investment is governed by entirely different principles; living conditions in Europe in 1970 will depend to a large extent on government decisions taken several years before in such matters as town planning, roads, school building, hospitals and so on.

Even though present techniques of projection may be imperfect there is no good reason for not using them. We must not produce a few years hence, for lack of foresight, a society concerned first and foremost with the satisfaction of private consumption while neglecting the needs of education, scientific and technical research, health and social institutions, roads and communications, or conversely a society in which undue priority for public needs hampers individual freedom.

32. The probable medium-term development of the various sources and classes of savings will also have to be studied and the methods of investment financing and the functioning of the Community's capital markets analysed.

The purpose of the free movement of capital as laid down by the Treaty is gradually to create a European capital market to which all enterprises in the Community have access without discrimination. To this end, and quite apart from exercise of the powers conferred by the Treaty upon the Community institutions in this respect, state intervention in the capital market must be taken into consideration. By the size of, and terms for, the loans they issue in the capital market, and in certain cases by the priorities they fix for access to the market, governments strongly influence the functioning of these markets. A common approach must therefore be progressively

worked out as regards the limits of such intervention and the medium-term objectives of capital market policy in order to ensure that the market will finance both private investment needed for economic expansion and essential public investment.

## 2. Balanced regional development in the EEC

33. If regional policy is to be effective, a medium-term view is essential because structural changes are inevitably slow.

Medium-term projections will make it easier to decide upon the necessary measures, at both national and European levels, to lessen the backwardness of the less favoured areas of Europe as required by the Treaty.

Regional studies of the probable trend of labour supply and demand will be particularly useful to indicate the number of jobs to be created regionally to avoid abnormal migration, which could mean a further increase of the already excessive urban concentrations or, as a result of the departure of the youngest and most active elements of their population, obstruct the development of regions at present at a disadvantage. It would also help to bring about harmonious growth in the various regions of the Community.

A programme would afford the occasion to confront the various methods employed and measures proposed by the Member States and the Community organs (in particular the High Authority of the ECSC, the European Investment Bank and the Social Fund) to see that they are compatible with one another and adequate for the purpose — a balanced development of the Community.

Special importance must be attached to the development of regional infrastructure, whether it be transport facilities, vocational training establishments, schools or general social and cultural capital, so that conditions for effective competition may be established in all the major regions of the Community.

## 3. Problems connected with certain categories of public expenditure

### a. Infrastructure

34. When dealing with matters of infrastructure one year is generally considered too little for governmental decisions and as a rule the authorities therefore draw up

sector plans covering several years. Such plans are necessary if the work, be it on road construction, harbour installations, waterways, town planning, land improvement, school building or hospital equipment is not to be held up by annual budget decisions. If decisions on major investments involving considerable sums over several years are to be taken by the national authorities on the basis of the fullest information, there must be not only a medium-term concept of what the development of the economy is likely to be, but certain information must also be obtained concerning the programmes of the other countries. The overall proposals made at the European level must therefore contain indications of the policy which the authorities intend to adopt and must make provisions for flexible co-ordination wherever this should prove necessary. It may be noted in this context that in its action programme for the common transport policy dated 13 May 1962 the Commission announced its intention of proposing that from 1965 onwards there should be built up by stages a true Community network for the three types of inland transport, ensuring the constant adaptation of the transport network to the development of the Common Market.

b. *Teaching and vocational training*

35. The Treaty lays down in Article 128 that a common policy for vocational training shall be implemented, capable of contributing to the harmonious development both of national economies and of the Common Market. The experts' projections concerning employment trends and the main lines of economic development will facilitate the implementation of that common policy, which will have to take account of the regional outlook for employment.

More generally, the medium-term projections can help in determining the main lines of educational policy. The interconnection of education and economic expansion must be studied, so that educational policies can be adapted to the requirements of economic progress.

c. *Scientific and technical research*

36. Since the working population of Europe will increase very little during the coming years, progress in production will have to come largely from rising productivity. Moreover competition between the major groups of industrialized countries will centre more and more on quality.

In all countries, and on a rising scale, governments are taking steps to stimulate scientific research and technical progress. It would be useful if the efforts made in each country could be confronted at the European level. It would then be possible to seek ways of making the measures taken in the various countries complementary and mutually helpful, to study how to improve the spread of industrial know-how, and to have the combined efforts of the Member States strengthen the effectiveness of national efforts.

4. Measures in various sectors : agriculture, energy, transport, housing

37. The general framework which is proposed should include indications on the policies the public authorities propose to pursue in these sectors where state action exerts a considerable influence.

If the measures contemplated for each of these sectors were incorporated in a general Community programme, action could be taken to ensure that the policies followed in these sectors are compatible with one another and contribute to harmonious economic development in the Community.

The incorporation of sector policies in one overall framework is particularly necessary in those fields where common policies are envisaged (agriculture, transport, energy).

### III. Organization proposed

38. The above may be considered an ambitious task requiring a complex administration. The implementation of the Treaty has, however, already necessitated studies of economic prospects. The working party on problems of structure and long-term economic development has drawn up a first report on the outlook for economic development in the EEC from 1960 to 1970; several studies have been undertaken in the field of regional policy; a committee on agricultural structures has been set up; the inter-executive working party on energy has published long-term energy projections; the major European transport links are under study.

The Commission's recommendation is intended to improve and to complete the present organization and to strengthen the co-ordination of the Member States' policies on the basis of work already accomplished and by bringing existing organizations into one coherent framework.

39. The Commission proposes to convene a group of independent experts to study the outlook for medium-term economic development in the Community on the basis of the projections already existing in the Member States and of any other information available. Several variants would be studied, based on different hypotheses of economic policy.

The members of this group would be selected from persons specially qualified in the field of economic projection. They would be appointed in a personal capacity and would be independent in the exercise of their functions.

These experts would have to have access to all official sources of information, such as statistics, sector programmes or financial information. The Commission would need the full co-operation of the member governments in improving the supply of information — especially statistical data — needed for projections of this kind.

40. The programme would be drawn up in accordance with the procedures laid down in the Treaty for the co-ordination of general economic policies. To facilitate the working out of this programme and to assist the co-ordination of medium-term economic policies among the Community countries, it would be desirable for an advisory body to be set up whose composition and functions would be similar to those of the Monetary Committee or the Economic Policy Committee in their respective fields. It is suggested that each Member State and the Commission appoint two members and two alternates. The representatives of the Member States would be selected from senior officials concerned with medium-term economic policy. The Commission would provide the secretariat for this "Medium-Term Economic Policy Committee".

41. Its terms of reference would be :

1. To prepare a draft medium-term economic programme on the basis of all available information and especially the projections of the expert group referred to above, a programme indicating in broad outline the courses of economic policy which the Member States and the European institutions propose to follow during the period under consideration and co-ordinating these courses of policy. The work of the Committee would cover the period 1966-1970. The Committee would annually review the programme and suggest any modifications required.

2. To observe the medium-term economic policies of the Member States and to examine their compatibility with the programme adopted in accordance with the procedure envisaged in paragraph 47;

3. To analyse economic developments in order to determine the causes of any divergence from the projected development;

4. To render opinions, either at the Commission's request or on its own initiative, to assist the Community institutions in carrying out the proposed economic policy.

42. The basic work on the various parts of the programme would normally be done by the appropriate departments of the Commission, including the Statistical Office of the European Communities, assisted by the existing advisory bodies and working parties.

On matters of regional development, for instance, the working party of national experts on regional policy in the Member States could study the policy to be adopted, making use of the results obtained by the sub-groups on certain aspects of regional policy.

On matters of employment, the Advisory Committee for the Free Movement of Workers, the Consultative Committee on Vocational Training and the Committee of the Social Fund would be consulted.

The Standing Committee on Agricultural Structures would be consulted on matters falling within its terms of reference.

As regards energy the Inter-Executive Working Party would, in accordance with present arrangements, draw conclusions from the work done by the appropriate bodies and incorporate them in the programme.

43. Particularly important work would have to be done in the field of public finance. The Medium-Term Economic Policy Committee might ask the Budget Policy Committee — the establishment of which the Commission has also proposed — to undertake this.

44. Only on fields where Community bodies do not yet have all the necessary information would the Medium-Term Economic Policy Committee have to turn to special working parties.

A special organization would have to be set up to carry further the work done in the field of scientific and technical research.

45. Moreover, the principal associations of trade and industry in the Community

should be consulted and share in the task described above. The Commission may establish contacts with representatives of these associations, but in the main it would seem desirable for consultation to take place through the Economic and Social Committee; arrangements should therefore be made to use this channel expeditiously.

46. The Commission would also keep the European Parliament informed of progress so that the Parliament may make its views known at the drafting stage.

47. The programme worked out by the Commission with the help of the Medium-Term Economic Policy Committee would then, after formal consultation of the Euro-

pean Parliament and the Economic and Social Committee, be approved by the Council and the Member States. It would, therefore, bind the latter and the European institutions, each in their own field, to take the appropriate measures and pursue the appropriate policies.

48. For the above-mentioned reasons the Commission :

1. proposes to convene at an early date the group of independent experts referred to in paragraphs 23 and 39 of the present communication;

2. recommends that the Council adopt the attached draft decision to set up a Medium-Term Economic Policy Committee.

## DRAFT COUNCIL DECISION TO SET UP A MEDIUM-TERM ECONOMIC POLICY COMMITTEE

*The Council,*

*Having regard to the Treaty establishing the European Economic Community;*

*Having regard to the opinion of the Economic and Social Committee dated 27 May 1963;*

*Having regard to the proposals of the Commission,*

*Whereas Article 2 of the Treaty of Rome lays down that "it shall be the task of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States";*

*Whereas under Article 6 of the Treaty of Rome the Member States have pledged themselves to co-ordinate their economic policies, and under Article 145 the Council shall ensure the co-ordination of the general economic policies of the Member States;*

*Whereas studies of medium-term prospects directed by the Commission will furnish indications of future economic and social development and thus guide the Member States and the Community in taking decisions whose effects will not become apparent until some time has elapsed;*

*Whereas there is a special need for close co-ordination of the policies of the Member States and the Community institutions in fields which have a decisive influence on the Community's economic and social development and whereas such co-ordination is particularly important in :*

i) bringing the common policies on agriculture, transport, energy, vocational training and foreign trade into one economic framework;

ii) public investment to meet collective requirements;

iii) measures to lessen the backwardness of the less-favoured regions and to promote harmonious growth throughout the Community;

iv) the steps taken by the Member States to promote scientific and technical research;

*Decides :*

1. There shall be established a Medium-Term Economic Policy Committee, attached to the Commission, to assist the co-ordination of the general economic policies of the Member States.

2. It shall be the task of this Committee, using all available information and especially the studies of economic prospects made by a group of experts attached to the Commission, to draft a medium-term economic programme setting out the main lines of the economic policies which the Member States and the European institutions pro-

pose to follow during the period under consideration and co-ordinating these policies.

The programme shall cover a period of approximately five years.

On the basis of the Committee's deliberations the Commission shall, after consulting the European Parliament and the Economic and Social Committee, propose to the Council and the Member States the adoption of a medium-term economic programme.

The Committee shall annually review this programme and suggest any modification it considers necessary.

3. The Committee shall observe the medium-term economic policies of the Member States and shall examine whether these are compatible with the programme adopted in accordance with the procedure laid down in Article 2 of the present decision.

It shall study the development of the economy in order to determine the reasons for any divergence from the projected development.

It shall render opinions, either at the Commission's request or on its own initiative, to

guide the Community institutions in carrying out the proposed economic policy.

4. Each Member State and the Commission shall appoint two members of the Committee and may also designate two alternates.

The members and alternates appointed by the Member States shall be selected from senior officials concerned with general economic policy in their respective countries.

Members and alternates shall be appointed for two years. They shall be re-eligible.

5. The Committee shall appoint its officers for a period of two years. It shall draw up its own rules of procedure.

The Commission shall provide secretarial services for the Committee and shall maintain liaison with existing committees and working parties.

6. The Committee may set up working parties composed of its members or alternates or of experts to study specific questions.

7. The Committee shall address its reports and opinions to the Commission, which shall transmit them to the Council.

## **Memorandum from the Commission to the Council on the Action Programme in the sphere of customs legislation**

(Submitted by the Commission to the Council on 2 August 1963)

### **Introduction**

#### **The Action Programme : its aims and scope**

In its Memorandum containing the Action Programme of the Community for the second stage, the EEC Commission said that a common set of rules in customs legislation would have to be prepared and applied, supplementing the unification which is in progress in this sector, before customs union could be brought to fruition and consolidated. If this was not done in good time, throughout the transition period the Community would lack the customs mechanisms necessary for the proper application of the common external tariff and the implementation of the Community's trade policy towards third countries. Within the Community itself the continued existence of

inconsistent customs regulations, unhelpful for resolving the particular problems of the Common Market, would cause difficulties in competition and the movement of goods which were already beginning to show themselves and would inevitably go on growing with the lowering of customs barriers between Member States.

Though various forms of customs union can be envisaged and have in fact been tried, they invariably aim at replacing a number of customs areas by a single area, abolishing in the process trade, tariff, and other barriers between the member countries until the union has a common customs fron-

tier and forms a single unit as far as trade relations with third countries are concerned. Historical precedent and the preparatory work on the constitution of customs unions in Europe especially after the last war, as well as the principles behind international organizations such as the League of Nations and GATT, all go to show that a tariff community is only the first step towards customs union. To be complete and satisfactory in operation, a customs union must also rest on a body of common regulations concerning the importation, exportation and transit of goods in the relevant customs area, in other words a set of customs regulations which give meaning and direction to the tariff by defining when and how it will or will not be applicable.

Clearly the EEC is far from having reached the stage of a fully-fledged customs union at present. Behind political frontiers national customs territories still remain largely independent, the process of unification being confined to gradually aligning domestic duties on those of the common external tariff. If substantial progress is not made in the sphere of customs legislation to round off what has been achieved with regard to tariffs, the stage reached by the end of the transition period will be scarcely more than a simple tariff community; and the mere fact that customs duties have been abolished will have no decisive impact in internal economic frontiers and the obstacles thereby created.

Unless the Community succeeds in eliminating the existing differences in customs regulations which are affecting the establishment and operation of the Common Market, it is to be feared that even the progress already made in customs disarmament between Member States may only create fresh difficulties.

The Member States will therefore have to proceed with the necessary approximation of their laws and regulations as required, even though at present it cannot be foreseen just how far that approximation may have to go. Problems may arise one after another as the Common Market becomes a reality and increased incursions into the public and private law of Member States take place.

In view of the demands made by the development towards customs union however, and the Treaty's economic aims, the points outlined below must be thoroughly examined now, if definite results are to be

achieved within the required time-limit and the Common Market brought harmoniously into being. The points enumerated are by no means exhaustive.

The Action Programme has been divided into three sections. The first two cover all customs problems raised or likely to be raised by the EEC's trade relations with third countries. The third deals with creating the conditions for establishing the EEC internal market.

The first section lays stress upon the need to unify the rules of free circulation applicable to goods imported from non-member countries, upon which the execution of common trade policy and the application of the common external tariff will depend.

In particular the national provisions governing the application of the tariff must be unified so that equality of customs duties in Member States means also an equal degree of protection as regards products imported into the Community and in free circulation (definition of basis of assessment for duties in the common external tariff, regulations on customs exemptions, etc.).

The second section deals with all systems apart from free circulation, some of them of considerable importance in the economic life of Member States (processing traffic, entrepôt trade, etc.). In customs parlance it is a question here of making common rules to cover cases where the tariff does not apply or is deferred.

The third section concerns measures gradually to abolish obstacles at internal frontiers. Though such action will have to be taken as soon as possible, the fact must nevertheless be faced that success here depends not only on carrying out the measures outlined in the two previous sections, but also on the progress made in approximating legislation other than purely customs legislation.

In due course the Commission will present proposals for executing this programme without prejudice to any other measures it may deem appropriate. The present programme does not of course prejudice the application of any Treaty provision concerning the establishment of customs union to legislative matters which are the subject of the harmonization envisaged in the said programme.

## SECTION I

### Legislation concerning the importation of goods from non-member states with a view to free circulation within the Common Market

#### THE OBJECTIVE

The importation of products from abroad and their free circulation raises a number of problems which find their solution within a complex pattern of laws, regulations and administrative provisions. The customs authorities must discover for instance whether a product declared on importation is or is not banned or subject to licence, whether it enjoys preferential treatment, what tariff heading it comes under, and so on. The rate of duty applicable having been determined, the question next arises of defining its precise basis of assessment, a delicate matter in view of the fact that

ad valorem duty has become the general practice.

Free movement of goods throughout the Common Market and competition on equal terms imply that there must be customs regulations for imports into the Community which will ensure that such goods receive uniform treatment under the common commercial policy and under the terms of association agreements concluded by the EEC with other countries; and that the CET duties and the agricultural levies imposed in the various Member States will fall upon them equally.

#### THE NECESSARY STEPS

A. Preparation of customs regulations required for uniform application of measures of common commercial policy

Priority must be given to creating the necessary instruments for giving effect to the measures adopted in conformity with the Action Programme in the sphere of common commercial policy, as approved by the Council on 25 September 1962 (official gazette No. 90 of 5 October 1962). These chiefly concern the following points:

##### 1. *Definition of origin*

Upon the definition of the origin of goods depend:

a) Application of the common external tariff whenever different duties are applicable to the same product according to its country of origin (duties bound or otherwise, preferential duties) (1);

b) Application of provisions of any kind relating to the importation of goods from non-member countries or to the exportation of goods produced in the EEC (application of trade agreements; quotas; anti-dumping, countervailing and retaliatory duties).

It becomes necessary therefore:

1) To draw up a common definition of origin applicable in EEC trade with third countries both import and export;

2) To establish procedure for certifying the origin of EEC exports, and for controlling the origin of imports from third countries;

3) To introduce a system of mutual consultation to interpret and clarify the common rules as required, and also to establish methods of administrative co-operation enabling the responsible national authorities to exchange information on specific problems of application or on improper practices in the issue of certificates of origin.

##### 2. *Application of anti-dumping and countervailing duties*

In accordance with Articles 111(1) and 113 of the Treaty, Member States must base their measures of trade protection on uniform principles, including those to be taken in cases of dumping or of aids by third countries for exports to the Community.

On the basis of the rules of commercial policy to be drawn up in accordance with the above articles (especially in the matter

(1) Definitions of the scope of customs preferences based on origin, within the framework of the new EEC-AASM Convention, are in course of preparation.



of defining, and deciding as to the occurrence of, dumping or subsidies justifying the imposition of anti-dumping or counter-vailing duties) agreement must be reached on:

- a) How the duties are to be applied;
- b) What procedure and administrative co-operation is necessary to establish cases of dumping and ensure action by the customs authorities.

#### B. Introduction of the necessary customs regulations for application of the common external tariff

Common customs regulations are needed in order to ensure that by the end of the transition period the common external duties on goods admitted and in free circulation within the Community are applied on an identical basis, whatever the importing Member State, the same customs duty being imposed on imports throughout the EEC. Diversion of trade or activities will thereby be prevented, as also any disturbance of competitive conditions which might arise owing to the existence of varying national provisions. These regulations will deal with:

1. *Conditions for the free circulation of goods*
2. *Interpretation of tariff nomenclature*
  - a) Explanatory notes, supplementing those of Brussels, to facilitate the classification of goods in the sub-headings of the common external tariff;
  - b) Decisions of the central customs departments on classification and interpretation regarding tariff sub-headings will be co-ordinated and distributed (first steps towards a classified list of goods in the common external tariff). In due course consideration must be given to harmonizing national procedures for settling disputes between

importers and customs departments in Member States concerning tariffs or customs valuation.

#### 3. *Valuation of goods for customs purposes*

Uniform application of the Brussels Definition and where appropriate its adaptation to conditions in the Community customs area, in particular:

- a) Time and place elements in assessing dutiable value;
- b) Common methods of applying rules for adjusting invoice prices so as to establish the "normal price" of goods;
- c) Assigning average or representative values.

#### 4. *Methods of calculation and payment of the common external tariff duties* (1)

#### 5. *Conditions to be fulfilled to obtain refund of duty in certain cases*

#### 6. *Common list of exemptions and relevant conditions*

#### 7. *Rules applicable to reimportation into the EEC of Community products temporarily exported for processing in non-member countries, i.e.:*

- a) Conditions for treatment as temporary exports;
- b) Customs treatment of goods reimported after outwards processing (1).

#### 8. *Administrative procedure for "Community" tariff quotas*

#### C. Rules for the application of levies to agricultural imports from non-member countries

The measures provided for under B will be applied *mutatis mutandis* to agricultural levies.

## SECTION II

### Regulations concerning the importation, stay and exportation of goods not in free circulation in the Community

#### OBJECTIVE

The first section set out the steps to be taken for the uniform application of future commercial policy measures of the Com-

munity and of the common external tariff. Every Member State, however, has special arrangements whereby duties are suspended

(1) Recommendations on these subjects have already been made by the Commission.

or deferred — regulations governing the admission and stay of goods intended for re-export in the same condition or after processing, or for later consumption in the country. The object is to foster certain industrial or business activities which play an important part in international trade and

have of course been made in the interests of the Member States concerned.

These must be harmonized to the extent required to avoid distortion of competition between Member States in the Common Market or in outside markets.

### STEPS TO BE TAKEN

#### 1. Drafting of common regulations concerning inwards processing traffic

Systems governing inwards processing traffic allow foreign products intended for re-export after processing to be imported free of customs duty and normal charges. In view of their importance to Member States as regards investment policy and the growth of external trade, and in view of the problems they raise with regard to competition in the Community and on other markets, it appears advisable to organize them on a Community basis, due regard being paid to the aims of the common commercial policy. Between now and the end of the transition period the basic principles and technical regulations for processing traffic, which are at present intended only to serve national economic interests, will have to be harmonized in the perspective of the Common Market.

Harmonization must bear upon :

- a) The scope of the various systems governing inwards processing traffic, temporary admission, drawback, prior export;
- b) The economic and technical conditions qualifying for the application of these systems;
- c) The scope of rules concerning re-export on the "same-goods" principles and "equivalent goods" principle;
- d) Customs treatment of products, by-pro-

ducts and waste not re-exported to third countries.

#### 2. Drafting of common regulations concerning bonded warehouses and free ports

- a) Scope of the various bonding systems;
- b) Operations to which goods in bond may be subjected;
- c) Conditions under which goods released from bond or free ports may be placed in free circulation.

#### 3. Drafting of common regulations concerning building and repair of ships and aircraft

#### 4. Drafting of common regulations temporary admission and importation

in particular :

- a) Conditions under which tools and appliances may be imported from third countries to carry out work of any kind;
- b) Customs practice for trade fairs and exhibitions;
- c) Conditions under which motor vehicles belonging to nationals of third countries may be used in Community countries;
- d) Customs arrangements for tourism in the EEC.

## SECTION III

### Removal of obstacles to trade within the Community and progressive establishment of a common customs area

#### OBJECTIVE

The measures outlined in Sections I and II of the present programme will enable considerable progress to be made towards a true internal market in the EEC, but will not suffice to ensure the free circulation of

goods, i.e. to abolish the very idea of import and export in trade between Member States.

To bring to an end internal frontier controls it is essential :

a) to abolish obstacles resulting from disparities between various national measures applied to the importation of goods, generally by customs officers but of a non-tariff character (measures relating to public order, health, revenue, etc.);

b) to abolish obstacles of a purely administrative nature resulting from the fact that goods are imported and exported in accordance with procedures peculiar to individual

Member States, producing super-imposed checks and formalities which impede intra-Community trade.

Hence, without waiting for the first class of obstacles to be overcome, measures must be examined in the second stage to deal with national customs procedure so as to facilitate to the utmost extent the crossing of frontiers.

### STEPS TO BE TAKEN

1. Measures ensuring co-ordination and interdependence of national customs procedure in order to reduce and simplify formalities and controls within the Community

It should be possible to send any product, whether of Community origin or not, from one Member State to any other without going through transit formalities every time a frontier is crossed, in addition to the import and export formalities which are still required, with all the consequent checking, delay and expense.

Certain joint measures accompanied by increasing administrative co-operation between the customs services of Member States would facilitate the movement of goods within the Common Market and make more flexible the regulations introduced by the Commission on the basis of Articles 9 and 10 of the Treaty (system of movement certificates). The following arrangements are suggested :

a) Issue of common documents by the customs of Member States, constituting the only formality required up to the time of customs clearance in any part of the Community;

b) Mutual recognition of the probatory force of the attestations and particulars contained in such documents;

c) Harmonization and mutual recognition of the check marks on goods or vehicles;

d) Rules and procedure for mutual administrative assistance in connection with the

receipt of duties and charges levied owing to irregularities in course of transport and any penalties involved;

e) Continuation of practical improvements at the main frontier-crossing points (in accordance with the aims of the common transport policy and in conjunction with the customs authorities).

2. Progressive adaptation of the structure, organization and functioning of customs departments to the requirements of the Common Market

Clearly measures must also be considered for adapting the present customs facilities to cater for the needs arising from the progressive establishment of a customs area expanded to the scale of the EEC. Services traditionally based on customs clearance at the point of entry into national territory will have to be remoulded with an eye to the future, when they will be applying the whole body of customs and other relevant regulations only the goods imported from third countries by any Member State. A certain change of mental horizon and administrative methods will be needed, since national customs departments will more and more be called upon to consider the economy and interests of the Member States as a whole.

The national customs departments might, it is suggested, study in close co-operation what measures could usefully be adopted in the organization of work, exchanging observers, etc.