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Revised proposal for a regulation and a directive relating to the free movement of workers within the Community

(Submitted by the Commission to the Council on 17 May 1963)

Explanatory memorandum

I. *General*

The present revised proposal for a regulation and a directive on the free movement of workers relates to all persons in paid employment.

Consequently, it replaces the proposals that the Commission has submitted to the Council relating to freedom of movement for frontier workers and seasonal workers during a first stage and the corresponding proposals for "permanent" workers.

By a letter dated 28 February 1962 the Commission, in pursuance of Article 46 of Regulation No. 15, laid before the Council proposals for regulations and directives concerning measures for giving effect to freedom of movement for seasonal workers and frontier workers during a first stage.

The Council consulted the Economic and Social Committee and the European Parliament on these proposals.

The Economic and Social Committee elaborated its opinion when it met on 16 July 1962, and the European Parliament at its session of 28 and 29 June 1962.

On 23 January 1963 the Commission sent the Council a working document setting out the amendments which the European Parliament and the Economic and Social Committee suggested should be made to the original proposals, and stating that it was ready to accept these amendments.

The Commission's proposals and the working document are now before the Council's Working Party on Social Affairs, which examined them at its meetings of 7 and 8 March and 5 April 1963.

On 5 October 1962, the Commission, in implementation of Article 52 of Regulation No. 15, submitted to the Council proposals for a regulation and a directive on the free movement of "long-term" workers during a second stage.

On these proposals too, the Council consulted the Economic and Social Committee and the European Parliament; the Committee rendered its opinion on 31 January and the Parliament on 28 March 1963.

Lastly, under the General Programme for the removal of restrictions on the freedom to supply services, which was approved by the Council on 18 December 1961⁽¹⁾, a number of directives have been laid before the Council by the Commission or are now being drafted. These directives can be fully effective only if at the same time measures are enacted which liberalize the movement of dependent workers in the relevant sectors.

The supply of services will not really be free unless a paid employee accompanying the supplier of a service or working on his behalf is able to perform his duties without let or hindrance. This being so, the experts consulted by the Commission, and especially the members of the Technical Committee set up by Regulation No. 15, thought it best to regulate the position of these workers under the provisions relating to the free movement of labour. This view is shared by the Working Party on Social Affairs, which at its meeting on 5 April 1963 asked the Commission to include in the regulation on the free movement of workers, specific provisions relating to the staff of the supplier of a service.

As the measures relating to frontier workers, seasonal workers and "long-term" workers and those relating to the supply of services in certain sectors are awaiting approval at the same time, the Commission considers it would be most useful to combine them in a single proposal.

II. *Preparatory Work.*

In drawing up this revised proposal the Commission did not think it necessary to adopt the usual procedure of consulting the three interested parties — Governments,

(1) Official gazette of the European Communities, No. 2, 15 January 1962.

employers' representatives and workers' representatives — as they had been consulted when each of the foregoing proposals was being elaborated. All three parties had the opportunity of expressing their opinions on the original measures, and these are basically unaltered in the present proposal. Furthermore the European Parliament, in its resolution of 28 March 1963, urged that all provisions relating to the free movement of workers during a second stage be contained in a single proposal.

III. *Choice and form of legal instruments.*

The new proposals are based on the provisions made by the Council for the first stage and on those contained in the proposal on frontier workers and seasonal workers. This is why the Commission is putting forward both a regulation that would apply during the second stage to the spheres covered by Regulation No. 15 and those that the Commission intended to cover for frontier workers and seasonal workers by its proposal of 28 February 1962, and a directive intended to replace the directive of 16 August 1961 and the similar draft directive on frontier workers and seasonal workers, and thereby to make administrative practice and procedure more flexible.

The proposed regulation has the same form as Regulation No. 15 and comprises :

- a) A first part relating to the employment of workers and the admission and employment of members of their families;
- b) A second part relating to the clearing of applications and vacancies;
- c) A third part relating to the institutions responsible for ensuring close co-operation between Member States on matters concerning the free movement and employment of workers;
- d) A fourth part containing the final provisions.

The proposed directive comprises a set of provisions specifying measures to be taken with respect to administrative practice and procedure.

The regulation and the directive will apply to the following categories of worker :

- a) Workers falling within the scope of the Commission's proposals of 5 October 1962;
- b) The frontier workers and seasonal workers whose position the Commission intended to regulate by its proposal of 28 February 1962;
- c) Paid employees accompanying the supplier of a service or performing such service on his behalf, as and when the directives implementing the General Programme on the freedom to supply services are adopted.

Proposed regulation on the free movement of workers within the Community

The Council of the European Economic Community,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 48 and 49 thereof;

Having regard to Council Regulation No. 15 of 16 August 1961 relating to first steps for the achievement of free movement for workers within the Community, published in the official gazette of the European Communities, No. 57, of 26 August 1961, and in particular Articles 46 and 52 thereof;

Having regard to the proposal of the Commission;

Having regard to the opinions of the Economic and Social Committee;

Having regard to the opinions of the European Parliament;

1. *Whereas* any discrimination based on nationality between workers of Member

States with respect to employment, remuneration and other working conditions is to be abolished no later than the end of the transitional period, with the object in particular of enabling workers to move about freely on the territory of the Community for the purpose of pursuing a paid occupation, subject to any limitations warranted on grounds of public policy, public safety or public health;

2. *Whereas* it is intended that the aforesaid objective, which involves the elimination of time-limits and other restrictions constituting obstacles to the free movement of workers, shall be achieved gradually in respect of workers applying for definitely offered posts as long-term, seasonal or frontier workers; whereas on the other hand this objective must be achieved in respect of workers accompanying their employer or acting on his behalf as the relevant activities are liberalized under Council directives

issued in pursuance of the General Programme for the removal of restrictions on the freedom to supply services, so that all impediments shall be removed which might prevent the supplier of a service from employing his staff on the territory of the Community; whereas the domestic legislation of Member States or agreements previously concluded between Member States must therefore be modified; and whereas the special machinery established under Regulation No. 15 for clearing applications and vacancies must continue to operate, as must the Advisory and Technical Committees set up to assist the Commission;

3. *Whereas*, within the framework of this gradual approach, the provisions of Regulation No. 15 must be followed up by measures relating to a subsequent stage that must be completed on the expiry of the second stage of the transitional period laid down in Article 8 of the Treaty, i.e. on 31 December 1965;

4. *Whereas* during this subsequent stage, priority for the national labour market may, in accordance with the preamble to Council Regulation No. 15, be invoked only in more limited circumstances than during the first stage;

5. *Whereas* Regulation No. 15, in making the removal of restrictions on admission to employment imposed on foreign workers under the domestic legislation of each Member State conditional on specified periods of regular employment, limited the exercise by workers of their right to freedom of movement to the territory of that Member State in which they could show that they had been employed for the required period; whereas this method, though justified during an initial stage, cannot bring about freedom of movement for workers within the Community; whereas action to establish the right of workers to move about throughout the territory of the Community therefore needs to be taken and a reduction in the periods of employment to be completed by the worker is not sufficient to establish this right;

6. *Whereas*, for the reason set forth above, the right of all workers of Member States to carry on the activity of their choice throughout the territory of the Community should be affirmed from the beginning of the second stage, while the need for a gradual approach must be respected by giving the Member States the right to restrict the admission of foreign workers in regions or occupations where there is a serious threat of disturbance;

7. *Whereas*, however, this right may no longer be invoked during the following stage;

8. *Whereas* Regulation No. 18, which lays down ways and means of applying Regulation No. 15 to artists and musicians, who are paid employees will lapse when the present regulation comes into force; and whereas, in order to ensure gradualness in conferring on these employees the benefits of the freedom of movement to which they will in any case be fully entitled on expiry of the transitional period, rules adapted to their calling will have to be retained during this second stage to cover cases of individual offers of employment which cannot be covered by any provisions allowing maintenance or re-establishment of priority for the national labour market.

9. *Whereas* since the first steps to achieve freedom of movement for workers in the Community came into force the number of nationals of Member States working in other Member States has increased considerably; and whereas discrimination between workers in a given country may thus be intensified, although it is just in the removal of all discrimination that the second stage is intended to bring appreciable progress;

10. *Whereas* for these reasons and in the light of the studies made as a result of the Council's statement on this point, discrimination in connection with eligibility to workers' representative bodies in the enterprise should also be abolished now that Regulation No. 15 has given foreign workers the right to vote in elections to these bodies; and whereas in view of the powers and duties conferred on these bodies under some domestic legislation, it seems advisable, as a transitional measure during this second stage, to make the eligibility of foreign workers conditional upon guarantees that they intend to stay permanent and have gained the minimum of experience required to exercise a mandate on workers' representative bodies;

11. *Whereas* the objectives of the Treaty with respect to employment involve the implementation of a Community employment policy and lead to priority for the Community labour market, with the result that in member countries with labour shortages nationals of the other Member States should be given the first opportunity of employment;

12. *Whereas* there are close links between the free movement of workers, employment and vocational training, in so far as the

purpose of vocational training is to enable workers to apply for vacancies that occur in other regions of the Community; whereas such links require that in future the relevant problems be studied not in isolation but as interdependent factors and with due regard for employment problems at regional level; and whereas they make it necessary that the Community should endeavour to establish a Community employment policy,

Has adopted the present regulation :

PART ONE

Workers and their families

TITLE I — WORKERS

Chapter 1 Employment of workers

Article 1

1. Any national of a Member State shall be entitled to take up, in the territory of another Member State and on the same terms as nationals of that State, any paid employment in respect of which the competent employment service has been notified of a vacancy.

2. Any person in paid employment who is a national of a Member State shall be entitled to carry out on behalf of his employer duties in the territory of another Member State when the paid employer is supplying in the territory of the other Member State services that, under provisions made in pursuance of the General Programme for the removal of restrictions on the freedom to supply services and adopted by the Council on 18 December 1961, have been freed of all restrictions.

Article 2

1. Notwithstanding the provisions of Article 1, if application is made for a work permit for a region or an occupation which the Member State concerned, acting in accordance with the procedure laid down in sub-paragraph c) of Article 29 (1), shows to have a manpower surplus, it shall be granted if no suitable applicant from the regular labour market of that Member State has been found within two weeks of the competent employment service being notified of the vacancy.

2. If the grounds put forward in a return showing a manpower surplus made in pursuance of sub-paragraph c) of Article 29 (1) are inadequate, the Commission shall inform the Advisory Committee and shall consider what measures should be taken, without prejudice to the institution of other procedures laid down by the Treaty.

Article 3

1. If there are special circumstances seriously endangering the balance of the labour market in a given occupation or region other than the occupation or region covered by Article 2, a Member State may suspend the application of Article 1 for the occupation or region concerned. The Member State must immediately notify the Commission of any such measure; the Commission shall without delay inform the other Member States thereof and, after consulting the Standing Group set up in the Advisory Committee under Article 47, shall decide whether the measure is to be retained, amended or cancelled, and — if it is to be retained — for how long.

2. In the regions or occupations referred to in paragraph 1 above, the Member State must in any case issue a labour permit if no suitable applicant has been found on its regular labour market within two weeks.

Article 4

1. Workers who, receiving through the authorized channels individual offers from employers in the regions or occupations specified in Article 2 or Article 3 shall automatically be granted a permit to fill the vacancy if the employment offered is of a special kind owing to:

a) reasons connected with the work: the special skills required, the confidential nature of the post offered, or the worker's previous service with the employer;

b) the existence of family ties, either between the employer and the worker whose services are sought, or between the latter and a worker who has held a regular post in the enterprise for not less than one year;

c) the fact that the offers apply to staff essential to the operation of the enterprise and whom an employer is transferring with the whole or part of his business from one country to another.

Sub-paragraphs a) and b) shall be applied in accordance with the provisions set out in Appendix 1.

2. The provisions of the present Article shall apply only to genuine vacancies or contracts.

Article 5

1. In the event of Article 2 or Article 3 being applied to artists and musicians in paid employment, the issue of labour permits to persons in this category who apply for the permit on the grounds of their work being of a special kind within the meaning of sub-paragraph *a*) of Article 4 (1) shall be automatic only if the monthly remuneration shown in the employment contract submitted in support of the application is not less than the equivalent of 400 EMA units of account.

2. The foregoing provision shall apply to any paid employee who is not working full-time and is not being paid on a monthly basis, provided his pay is the equivalent of at least 25 EMA units of account per day worked.

3. Pay received from two or more employers during the same period shall not be aggregated for the calculation of the minimum pay specified in paragraphs 1 and 2 above.

4. For the purposes of the present Article, "artists and musicians in paid employment" shall mean all persons who perform in public or private theatres, concert halls or other places of entertainment or on radio or television or in film productions or on gramophone records.

Article 6

1. The provisions of Articles 2 to 5 may not be applied in the frontier zone of a Member State to frontier workers wishing to find employment there.

2. "Frontier workers" shall mean workers who, though residing in the frontier zone of one of the Member States and returning to their place of residence daily or at least once a week, are employed in the contiguous frontier zone of another Member State.

3. In principle, the frontier zone referred to in paragraph 1 must be 50 kilometres deep. However, if two Member States make a joint request, the Commission shall fix some other limit to the frontier zones of the States concerned.

Article 7

The provisions of Articles 2 to 5 shall not apply to the workers referred to in Article 1 (2):

a) where such workers have special skills or occupy a confidential post, as referred to in Title II of the General Programme for the removal of restrictions on the freedom to supply services, or where their occupation is one of those expressly covered by the Council directives issued in pursuance of the General Programme;

b) if such workers do not come under any of the categories specified in sub-paragraph *a*), where they are employed for no longer than three months in succession or 120 days during a period of twelve months.

Article 8

Any offer of employment intended for a worker who is a national of a Member State and does not belong to the regular labour market of the country in which he is to be employed must state the terms of employment offered.

Article 9

1. Where legislative or administrative provisions in any Member State restrict the employment of foreign workers to a given number or percentage for each enterprise, branch of activity, region or for the whole country, the said provisions shall not apply to workers who are nationals of other Member States;

2. Where, in any Member State, advantages of any kind are accorded to enterprises on condition that they employ a minimum percentage of workers who are nationals of that State, nationals of other Member States shall be regarded as nationals of the Member State concerned.

Article 10

1. The provisions of Article 9 (1) shall not affect the establishment by Member States of quotas of seasonal workers for carrying out certain specified jobs — particularly in agriculture and the food industry. A list of such jobs must be sent to the Commission by each Member State concerned within two months of the present regulation coming into force.

2. "Seasonal workers" shall mean paid employees who, irrespective of how they are recruited, enter the territory of one of the Member States and reside therein for the duration of their employment for the

purpose of performing on behalf of one or more employers, some seasonal work which may not last more than eight months unless special circumstances prevent the work they are required to do under the terms of their contract being finished within that period. "Work of a seasonal nature" shall mean work that is determined by the sequence of the seasons and recurs automatically every year.

Article 11

1. Any national of a Member State shall be free to leave the territory of that State in response to an actual offer of employment on the territory of another Member State, or with a view to supplying a service there on behalf of his employer, subject only to restrictions imposed not on economic grounds but only in the light of any special obligations incumbent on the worker under the legislation of his own country.

2. Provided always that, where there are particularly serious difficulties involving the vital interests of the migrant workers, the Member States from which these workers come may object and submit its objection to the Commission. The Commission, working in close co-operation with the Member States concerned and after any necessary consultation of the Advisory Committee and Technical Committee, shall propose measures to overcome the said difficulties.

Chapter 2

Extension of employment

Article 12

1. A national of one Member State shall be entitled, after one year's regular employment on the territory of another Member State in a region or occupation covered by Article 2 or Article 3, to continue working in the same occupation and the same region.

The same shall apply to any worker who wishes to continue working in a region or occupation in respect of which the provisions of Article 1 have been suspended in accordance with Article 2 or Article 3 during his first year of employment or when he applies for permission to continue in his occupation.

2. A national of one Member State shall be permitted, after being employed in

regular manner for two years on the territory of another Member State, to take up any paid employment throughout the territory of that Member State on the same terms as its nationals.

3. A national of one Member State who has been employed in regular manner on the territory of another Member State for twenty-four months in a period of three consecutive years shall also be permitted to take up any paid employment throughout the territory of that Member State on the same terms as its nationals.

4. The provisions of paragraphs 1 to 3 above shall apply to workers irrespective of where they may reside.

5. The provisions of the present Article shall not apply to the workers referred to in Article 1 (2).

Article 13

1. Notwithstanding the provisions of Article 12, a frontier worker shall receive permission to take up any paid employment throughout the territory of another Member State on the same terms as its nationals :

- a) after being employed for three years in regular manner as a frontier worker;
- b) after being employed for thirty-six months in regular manner as a frontier worker in a period of four consecutive years.

2. A seasonal worker shall be deemed to have fulfilled the conditions of Article 12 (3) when he has been employed for twenty months in regular manner as a seasonal worker.

3. Without prejudice to the application of Articles 2 and 3, periods of regular employment as a frontier worker or seasonal worker shall be taken into consideration in the case of a worker wishing to take up, before the expiration of the periods stated in paragraph 1 or 2 of the present Article, paid employment outside the frontier zone or paid employment that is not of a seasonal nature within the meaning of Article 10 (2).

Article 14

1. For the purposes of Articles 12 and 13, periods of absence not exceeding forty days a year, annual holidays, sick and maternity leave and leave due to industrial accidents or occupational diseases, shall count as periods of regular employment.

2. Periods of involuntary unemployment duly certified by the component employ-

ment exchange, periods of absence due to extended sickness or to the completion of military service, shall not be regarded as periods of regular employment; they shall not, however, affect the validity of the period of employment previously completed or allowed under paragraph 1, if the worker resumes work :

a) in the case of unemployment, as soon as he is offered work in accordance with national legislation;

b) in the case of sickness or military service, within thirty days of the end of the sickness or the completion of military service.

These periods may none the less be allowed, up to a maximum of forty days, to count as periods of regular employment if, and as far as, the forty days allowable absence within the meaning of paragraph 1 have not been invoked.

3. For the application of paragraphs 1 and 2 of the present Article to seasonal workers :

a) sick or maternity leave, leave due to industrial accidents or occupational diseases, periods of involuntary unemployment and periods of absence due to extended sickness shall be taken into consideration;

b) the validity of the period of employment previously completed shall not be conditional on resumption of work within the thirty days stipulated in sub-paragraph b) of paragraph 2 if the contract of the worker concerned has meanwhile expired.

Chapter 3

Equality of treatment

Article 15

1. A worker who is a national of one Member State may not, on grounds of nationality, be treated within the territory of another Member State differently from workers who are nationals of that State. He shall enjoy the same protection and receive the same treatment as nationals of that State in respect of all terms and conditions of employment and work, particularly as regards pay and dismissal, without prejudice to the law applicable to the contracts of workers covered by Article 1 (2).

2. A worker covered by Article 1 (1) shall likewise enjoy equal treatment as regards membership of trade unions and the right to vote for or be elected to workers' representative bodies within the enterprise, in so

far as these matters are regulated by legislation or depend on the administrative authorities.

Before he may be elected to workers' representative bodies, a worker must have resided for three years in the territory of the Member State in question or have been employed there as a frontier worker in regular manner for not less than three years. He must satisfy the conditions imposed on nationals of that State, except for those depending on nationality.

Any clause in a collective or individual agreement or other collectively agreed rules governing employment, remuneration and other working conditions shall be automatically null and void in so far as it prescribes or permits terms and conditions discriminating against workers who are nationals of other Member States.

Article 16

A worker regularly employed on the territory of a Member State shall be entitled to the same rights and privileges with respect to housing as workers who are nationals of that State.

Article 17

Employment exchanges in each Member State shall afford assistance in seeking employment on the same terms as to their own nationals :

a) to nationals of other Member States residing in regular manner in the territory of such Member State and satisfying the conditions required for the issue or renewal of a labour permit, and also to frontier workers and to seasonal workers for the duration of their contracts;

b) as far as is possible, to nationals of other Member States who do not satisfy the residence requirement stipulated in sub-paragraph a).

Article 18

A worker who is a national of a Member State and is employed in regular manner on the territory of another Member State shall be fully entitled, in the same conditions as nationals of that Member State, to use the teaching facilities of its trade schools and retraining centres.

Chapter 4 Criteria for recruitment

Article 19

1. The recruitment of a worker who is a national of one Member State for employment in another Member State may not be made subject — by virtue of legislative or administrative provisions, collective agreements or other collectively agreed rules — to medical, occupational or other criteria differing on grounds of nationality from those applied to workers who, being nationals of the latter Member State, wish to engage in the same occupation.

2. No worker who is in possession of an individual offer of employment from an employer in a Member State other than that of which he is a national shall be required to undergo a test of proficiency unless this is stipulated by the employer when making the offer.

TITLE II — THE WORKER'S FAMILY

Article 20

1. The following shall be allowed to take up residence with a worker who is a national of a Member State regularly employed in the territory of another Member State, irrespective of their nationality:

- a) spouse and children under the age of 21 years;
- b) totally dependent relatives in the ascending or descending line, and other members of his family who are totally dependent on him and live under his roof.

2. Each Member State shall facilitate the entry of any member of the worker's family who lives under his roof though not wholly dependent on him.

3. For the purposes of paragraphs 1 and 2, the worker must have available for his family housing of a standard considered normal for national workers in the region where he is employed.

Article 21

1. Where the spouse and children of a worker who is a national of a Member State and is employed in regular manner on the territory of another Member State have been permitted to enter the country in pursuance of Article 20 (1), they shall be entitled, whatever their nationality, to take up paid employment in the latter Member State. This right may be restricted in

regard to such persons only in so far as the provisions of Articles 2 and 3 apply to the worker himself, and it may not be restricted at all if he is entitled to continue his occupation by virtue of Article 12 (1).

2. A national of one Member State self-employed in the territory of another Member State in which he has resided in regular manner for more than two years, shall be entitled, as shall his spouse and children whatever their nationality, to take up any paid employment throughout the territory of that State on the same terms as nationals thereof.

Article 22

The spouse of a national of one Member State who is a national of another Member State shall be entitled to take up any paid employment throughout the territory of the former Member State on the same terms as nationals thereof.

Article 23

The spouse and children of a national of one Member State who operates a family business in the territory of another Member State shall be exempt from the need for permission to take up employment in that business.

Article 24

The children of a national of one Member State who is or has been employed in regular manner in another Member State shall be admitted to apprenticeship and vocational training courses in the latter Member State on the same terms as nationals thereof provided such children reside in regular manner on its territory. Furthermore arrangements shall be made to ensure that they can, as soon as possible, follow the courses of general education available in the host country.

TITLE III — LABOUR PERMIT

Article 25

1. Nationals of Member States entitled to take up paid employment in the territory of another Member State under the provisions of Titles I and II shall for this purpose be issued by the receiving country with a labour permit stating this right.

2. The labour permit:

- a) shall be valid throughout the territory of the Member State that has issued it, subject to any restrictions imposed under Article 2 and 3;

b) may not be restricted to a given employer, except in the case of the first labour contract or where the permit is issued to workers covered by Article 1 (2);

c) shall be valid for one year, provided always that during the first year this period may be reduced to that of the contract or other engagement by virtue of which the labour permit has been issued;

d) may be restricted to the period of employment in the case of workers covered by Article 1 (2).

3¹) Notwithstanding the provisions of paragraph 2, a labour permit issued to a frontier worker :

a) shall be valid for any paid employment and throughout the frontier zone of the country of employment;

b) shall be valid for one year and shall be automatically renewed.

4. A worker fulfilling the conditions set out in Articles 12 (2) or (3), 13, 21 (2) or 22 shall be issued with a permanent labour permit stating his right to engage in any paid employment on the same terms as workers who are nationals of the Member State concerned.

5. A labour permit may be withdrawn only by the authority that issued it.

Article 26

Notwithstanding the provisions of Article 25 :

a) a worker who, in order to take up a vacant post, enters a Member State for not more than three months in twelve consecutive months shall not be required to have a labour permit unless he is to be employed in a region or occupation scheduled as having a manpower surplus under Article 2 or 3. This provision shall not apply to seasonal workers.

b) a worker employed by a supplier of services within the categories designated in Article 7 shall not be required to have a labour permit. His employer must certify his employment in writing to the competent employment exchange in the place of work at least five days before employment begins; a copy of the certificate shall be given to the worker. In the case of a worker engaged in an occupation specified in the directives issued in pursuance of the General Programme for the removal of restrictions on the freedom to supply services, the employer shall not be obliged to certify employment.

The employer's certificate shall indicate :

i) the place, date of commencement and duration of the service to be supplied;

ii) the worker's surname and other names, and his date and place of birth;

iii) the worker's qualifications and the special skills required or the confidential nature of the employment;

iv) the date when the worker is to begin, and the probable duration of his employment;

v) the social security scheme to which the worker will be affiliated during this period, and the institution to which contributions will be paid.

c) in the case, too, of a worker covered by Article 1 (2) who does not come under the categories of worker referred to under b), an employer's certificate may be substituted for a labour permit if the period of the employment does not exceed either three consecutive months or a total of 120 days in a period of twelve months, provided that the probable duration of the service is itself not more than twelve months.

d) a worker covered by Article 1 (2) shall not be required to have a labour permit where the service to be supplied by his employer does not last longer than ten days; furthermore, his employer shall not be required to certify the employment.

e) in the case of a seasonal worker, the labour permit may be replaced by a labour contract approved by the employment service of the Member State on whose territory the worker is to pursue his occupation; the labour contract shall then entitle its holder to engage in seasonal work throughout the territory of the Member State concerned, and no other document shall be required.

PART TWO

Machinery for vacancy clearance

TITLE I — THE ROLE OF THE EMPLOYMENT SERVICES OF THE MEMBER STATES AND THE ROLE OF THE COMMISSION

Chapter 1 — Employment services of Member States

Article 27

1. The central employment services of Member States shall co-operate closely with each other and with the Commission

in establishing joint action to clear vacancies and applications for employment in the Community and to carry out the relevant placing of workers.

2. To this end, the specialist services shown in Appendix 2 shall be responsible for organizing work in the above-mentioned spheres and for collaborating with each other and with the staff of the Commission.

3. The central employment services shall inform the Commission of any amendments relating to Appendix 2.

The Commission shall publish such amendments for information purposes in the official gazette of the European Communities.

Article 28

Member States, acting in particular through their central employment services and in collaboration with the Commission, the Advisory Committee and the Technical Committee shall

a) assemble, verify and circulate information on the freedom of movement and the employment of workers in the various countries, and in particular collect all data on the position and trend of the labour market;

b) instigate or carry out any surveys on employment or unemployment that they may consider is needed in order to shape the policy of free movement of workers within the Community.

Article 29

1. At the end of the month following the end of each calendar quarter, the specialist service of each Member State referred to in Article 27 shall forward to the European Co-ordinating Office referred to in Article 33 :

a) statistics on the number of vacancies and applications, listed by occupation, which it has recorded for clearance against vacancies and applications from other Member States and non-member countries, and the number of placings effected;

b) a general report showing for each region the salient features of the position and trend of employment, particularly as regards migration; this report shall in particular show the salient features of any manpower shortages in individual occupations and the position in regions and occupations with unused reserves of manpower; it shall also contain information on the work of the regional services referred to sub-paragraphs *a)* and *b)* of Article 30 (1);

c) where applicable, the list of regions and occupations with a manpower surplus within the meaning of Article 2, with the necessary comments.

2. Information supplied in application of paragraph 1 shall take into account the special position of frontier and seasonal labour. Furthermore, in respect of seasonal labour recruited by quota within the meaning of Article 10 (1), these services shall supply the European Co-ordinating Office, before the beginning of the season, with forecasts of national requirements by occupation for the said season and with a statement of surplus manpower available.

3. In assessing the position of their labour markets, Member States shall apply uniform criteria established by the Commission on the basis of studies made by the Technical Committee in pursuance of Article 50 *d)* and after seeking the opinion of the Advisory Committee.

Article 30

1. Under the authority of the central services :

a) the regional services set out in Appendix 3 may engage in direct vacancy clearance among themselves;

b) direct co-operation may be established between other regional services, particularly: in case of individual offers;

where a special clearing is required between places with manpower shortages or surpluses that can be cleared;

in order to speed up as far as possible clearing operations relating to seasonal labour;

c) direct co-operation may also be established between official employment services specializing in certain occupations or specific categories of persons.

2. Within two months of the present regulation coming into force the central services shall inform the Commission of the local services to which they delegate responsibility for clearing operations relating to frontier labour in frontier zones.

3. The central services shall inform the Commission of any changes in the list of regional services in Appendix 3 and in the local services referred to in paragraph 2 of this Article.

The Commission shall publish such changes for information purposes in the official gazette of the European Communities.

Article 31

1. The executive bodies provided for under existing bilateral agreements may continue their activities to facilitate vacancy clearance, particularly in the case of fairly large groups or where several regions are involved.

2. The services referred to in Article 27 shall, in the quarterly reports submitted to the European Co-ordinating Office in accordance with Article 29, set out the results achieved and any difficulties encountered in the work of the above-mentioned executive bodies.

Chapter 2 The Commission

Article 32

In collaboration with the Member States concerned, the Commission shall undertake or instigate any studies or research of value for a fuller knowledge of the position and trend of employment in the Community as a whole or in specific regions or branches of industry, and for assessment of the potentialities of the labour market.

Article 33

The European Office set up under Regulation No. 15 to co-ordinate the clearing of vacancies and applications for employment and referred to in this regulation as the "European Co-ordinating Office" shall remain in being. Its general duty shall continue to be that of facilitating the notification and clearing of vacancies and applications for employment at Community level, and in particular it shall deal with all technical matters in this sphere which devolve on the Commission under this regulation.

Article 34

As part of its tasks under Article 33 the European Co-ordinating Office shall be responsible more particularly for:

a) co-ordinating the practical measures required at Community level for vacancy clearance and for the resultant movement of workers between Member States and following up the results of such action;

b) promoting joint administrative and technical steps to achieve these ends;

c) arranging in case of particular need, and agreement with the services of the Member States referred to in Article 27, the linking of vacancies and applications for employment, which will then be cleared by the said services.

Article 35

1. The European Co-ordinating Office shall collate at Community level information on vacancy clearance and placing, and in particular:

a) the information referred to in Article 28 and 29;

b) data drawn from studies and research carried out under Article 32.

2. The European Co-ordinating Office shall prepare a summary of this material in a form that shows all useful information on probable trends in the labour market at Community, national and regional level.

3. The European Co-ordinating Office shall circulate this information as quickly as possible to the services concerned in Member States and in particular to the services referred to in Article 27.

Article 36

The European Co-ordinating Office shall promptly inform the services referred to in Article 27, the Advisory Committee and the Technical Committee of details concerning the regions and occupations referred to in Articles 2 and 3.

Article 37

1. The European Co-ordinating Office shall, in collaboration with the Technical Committee, draw up standardized documents the general use of which will facilitate and accelerate joint action.

2. It shall assist in the organization of the visits, periods and programmes of further training referred to in Article 38.

3. The European Co-ordinating Office shall prepare or assist in preparing all specialized documentation relating to vacancy clearance at Community level, and in particular:

a) monographs on particular occupations;

b) the compilation of a comparative glossary of the trades involved in the major movements of manpower among Member States, to be prepared in collaboration with

the Advisory Committee and the Technical Committee.

4. It shall draw up an annual report on the work of vacancy clearance at Community level, showing the results achieved.

TITLE II

SUPPLEMENTARY MEASURES

Chapter 1 — Advanced training for personnel specializing in vacancy clearance

Article 38

The competent authority in each Member State or the service designated by it shall, in conjunction with the Commission, organize visits and training periods for officials from the other Member States on terms and conditions to be decided by the Commission after consulting the Technical Committee.

The said authority shall also assist in preparing and implementing joint programmes for advanced training of specialist personnel, in particular the detachment of officials from the local employment exchanges referred to in Article 30 (2) to exchanges in the neighbouring Member State.

Chapter 2 Vocational training

Article 39

1. Where, on examining the reports and information forwarded to the European Co-ordinating Office under Article 29, the Commission finds that in order to meet manpower shortages in certain regions of the Community special action is needed or advisable in the sphere of rapid vocational training, it shall, after consulting the Advisory Committee and without prejudice to any provisions adopted in pursuance of the Council decision of 2 April 1963 setting out the general principles for the implementation of a common policy on vocational training, suggest the measures to be taken by the Member State or States concerned.

2. Member States shall keep the Commission informed of agreements made between them for the organization of rapid vocational training courses.

PART THREE

Bodies responsible for ensuring close co-operation between Member States with respect to freedom of movement and employment for workers

TITLE I

THE ADVISORY COMMITTEE

Article 40

The Advisory Committee set up under Regulation No. 15 shall remain in being. It shall continue to be responsible for assisting the Commission in examining any questions arising out of application of the Treaty and the relevant implementing measures in the field of movement and employment of workers.

Article 41

The Advisory Committee shall have in particular the following duties:

a) to examine problems concerning freedom of movement and employment in the context of national manpower policies, with a view to co-ordinating the employment policies of Member States and so contributing to the development of their economies and the balance of the labour market in the Community;

b) to make a general study of the results of implementing the present regulation and any supplementary provisions thereto;

c) to submit to the Commission any proposals for amending the present regulation, with reasons therefor;

d) to deliver, at the Commission's request or on its own initiative, reasoned opinions on general questions or questions of principle; in particular, on exchanges of information regarding trends in the labour market, on movements of workers among Member States, on programmes or measures for extending vocational guidance and, in accordance with Article 39, vocational training, on workers' housing, with a view to increasing the possibilities of free movement and employment, and on social and cultural services for workers and their families.

Article 42

1. The Advisory Committee shall be composed of thirty-six members — two Government representatives, two trade union representatives and two representatives of employers' organizations from each Member State.
2. One alternate shall be appointed for each category of representative mentioned in paragraph 1 for each Member State.
3. The term of office of members and alternates shall be equal to the term of validity of the present regulation.

Article 43

Members and alternates of the Advisory Committee shall be appointed by the Council, which shall endeavour, as regards representatives of trade unions and employers' organizations, to secure equitable representation on the Committee of the various sectors of the economy concerned.

The list of members and alternates shall be published for information by the Council in the official gazette of the European Communities, as shall any amendments thereto.

Article 44

The chairman of the Advisory Committee shall be a member of the Commission. He shall not have a vote. The Committee shall meet at least twice a year. It shall be convened by its chairman either on his own initiative or at the request of not less than one third of the members. The chairman shall make any decision on the delegation of his powers.

The secretariat shall be provided by the Commission.

Article 45

The chairman may invite any individuals or representatives of organizations with wide experience in the field of employment and movement of workers to attend meetings as observers or experts. The chairman may be assisted by technical advisers.

Article 46

1. The quorum at meetings of the Advisory Committee shall be two thirds of the membership.
2. Opinions, which must be supported by reasons, shall require an absolute majority

of the votes validly cast; they shall be accompanied by a note stating the opinions of the minority if the minority so requests.

Article 47

1. Within two months of the present regulation coming into force, the Advisory Committee shall set up from among its members a Standing Group to be responsible for advising the Commission on the implementation of Article 3.
2. The Standing Group shall be composed of eighteen members — one Government representative, one workers' representative and one employers' representative for each Member State. Its chairman shall be the chairman of the Advisory Committee or his representative.
3. The Standing Group shall submit its opinions to the Commission direct. Such opinions shall be brought to the notice of the Advisory Committee.

Article 48

The rules of procedure of the Advisory Committee shall remain in force. Should the Advisory Committee decide to amend them, the amended rules of procedure shall come into force when approved by the Council after it has consulted the Commission.

TITLE II

THE TECHNICAL COMMITTEE

Article 49

The Technical Committee set up under Regulation No. 15 shall remain in being. It shall continue to be responsible for assisting the Commission in preparing, promoting and following up the results of all technical operations and implementing measures taken under the present regulation and of any provisions supplementary thereto.

Article 50

Without prejudice to the provisions of Articles 37 and 38, the Technical Committee shall have in particular the following duties:

- a) to promote and improve collaboration between the relevant departments in Member States on all technical questions relating to the freedom of movement and employment of workers;

b) to work out procedures for organizing joint action by the departments concerned;

c) to facilitate the collection of information of value to the Commission and the execution of the studies and research provided for in this regulation and to promote the exchange of information and experience between the departments concerned;

d) to study at technical level the harmonization of criteria used by Member States for assessing the position on their labour markets.

Article 51

1. The Technical Committee shall consist of one Government member of the Advisory Committee from each Member State. Each Member State shall designate its own representative.

2. Each Member State shall appoint an alternate from among its other Government representatives, whether member or alternate, on the Advisory Committee.

3. A representative of the High Authority of the European Coal and Steel Community and a representative of the Commission of the European Atomic Energy Community shall attend meetings of the Technical Committee but shall not be entitled to speak or vote.

Article 52

The chairman of the Technical Committee shall be a member of the Commission or his representative. The chairman and members of the Committee may be assisted by technical advisers. The chairman shall make any decision on the delegation of his powers.

The secretariat shall be provided by the Commission.

Article 53

The proposals and opinions of the Technical Committee shall be submitted to the Commission and brought to the notice of the Advisory Committee. They shall be accompanied by a note stating the opinions expressed by the various members of the Technical Committee when the latter so request.

Article 54

The rules of procedure of the Technical Committee shall remain in force. Should the Technical Committee decide to amend them, the amended rules of procedure shall come into force when approved by the Council after it has consulted the Commission.

PART FOUR

Final provisions

Article 55

1. The present regulation shall not affect those provisions of the Treaty establishing the European Coal and Steel Community concerning workers with recognized qualifications in the coal-mining and iron and steel industries, nor those of the Treaty establishing the European Atomic Energy Community concerning access to skilled employment in the nuclear field, nor provisions adopted in implementation of those Treaties.

2. Notwithstanding the foregoing, this regulation shall apply to the categories of worker referred to in paragraph 1 and to members of their families in so far as their legal position is not governed by the aforementioned Treaties or provisions.

3. This regulation shall not affect any obligations incumbent on Member States by reason of their special relationship with certain non-European countries or territories arising from present or former institutional links between them. Workers from such countries and territories who, by virtue of this provision, are in paid employment on the territory of a Member State, shall not be entitled to benefit, on the territory of the other Member States, from any rights under this regulation.

Article 56

1. Offers of employment, other than individual offers, notified to the European Co-ordinating Office in accordance with sub-paragraph *a*) of Article 29 (1) and corresponding to applications for employment recorded by the services of a Member State for purposes of clearance against offers of employment from other Member States, may be made operative in a non-member country in cases where vacancy clearance between the Member States concerned has yielded no result. This condition shall be deemed to have been satisfied if the Member State with surplus manpower has not within two weeks notified its ability to meet within three weeks any offers addressed to it.

2. Where a Member State recruits seasonal labour by quotas within the meaning of Article 10, it shall — in drawing up these

quotas — take account of the manpower reserves of which the other Member States have notified the European Co-ordinating Office in accordance with the provisions of Article 29 (2).

3. The provisions of paragraph 1 above shall not apply in the frontier zones fixed by one Member State by agreement with a neighbouring non-member State with a view to the employment of frontier workers who are nationals of that non-member State.

Member States shall inform the Commission, within two months of this regulation coming into force, of the extent of frontier zones in either side of their common frontiers with non-member States. Before making any change in these zones, the Member States concerned shall consult the Commission.

4. The provisions of paragraphs 1 and 2 shall in no case be invoked in a Member State against nationals of that State.

Article 57

The present regulation shall not affect :

a) any rights acquired by nationals of one Member State who, at the date when this regulation comes into force, were already in paid employment on the territory of another Member State;

b) any provisions of the domestic law of a Member State that are more advantageous to the workers of other Member States and to members of their families.

Article 58

Member States shall not introduce fresh restrictions or discriminatory procedures in the spheres covered by Article 48 (2) of the Treaty nor make more stringent any such restrictions or procedures as are not abolished by this regulation.

Article 59

The Commission shall adopt the measures necessary for the implementation of this regulation. It shall act in close liaison with the central administrations of Member States both as regards general questions and questions of principle and as regards the technical problems of implementing the regulation.

Article 60

The operating costs of the Committees referred to in Articles 40 and 49 shall be included in the budget of the European Economic Community under the section relating to the Commission.

Article 61

1. The present regulation shall apply to the territories of Member States and its benefit shall extend to their nationals without prejudice to the provisions of Articles 20 and 21.

2. For the purposes of the present regulation, refugees recognized as such under the terms of the Convention relating to the status of refugees signed in Geneva on 28 July 1951, and stateless persons covered by the Convention relating to the status of stateless persons signed in New York on 28 September 1954, who reside on the territory of one of the Member States shall be regarded as nationals of the said Member State.

Article 62

The Commission shall submit to the Council before 31 March 1965 a proposal for a regulation on definitive liberalization measures to apply to all categories of worker. The provisions of the present regulation shall continue to be applied until such subsequent regulation comes into force.

The present regulation shall come into force on 1 September 1963.

The present regulation shall be binding in all its parts and directly enforceable in all Member States.

APPENDIX 1

[Article 4 (1 a and b)]

For the purpose of Article 4 (1 a and b) —

i) The expression "special skills" shall mean a high degree of skill or a rare skill relating to a job or trade calling for special technical knowledge; in the case of seasonal workers recruited by quota it applies in particular to foremen;

ii) The expression "confidential nature of the post" shall have reference to posts which in the receiving country usually demand a special relationship of trust between employer and worker;

iii) The expression "previous service with the employer" shall apply where an employer proposes to engage, in the territory of a Member State, a worker who has already worked for him in the said territory for not less than six months during the past five years;

iv) The expression "family ties" shall have reference to blood relationship or relationship by marriage up to the second degree between an employer and a worker and blood relationship of the first degree between two workers.

APPENDIX 2

[Article 27 (2)]⁽¹⁾

APPENDIX 3

[Article 30 (1 a)]⁽²⁾

(1) The list of specialist services referred to in Article 27 (2) was published in the official gazette of the European Communities, No. 48, 23 July 1962.

(2) The list of regional services referred to in Article 30 (1 a) has not yet been drawn up by the Member States.

Proposal for a directive on administrative procedure and practice relating to entry, employment and residence where workers and their families move from one Member State of the Community to another

The Council of the European Economic Community,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 48 and 49 thereof;

Having regard to Council Regulation No. ... on the free movement of workers within the Community, published in the official gazette of the European Communities, No. ..., dated ... 1963;

Having regard to the proposal of the Commission;

Having regard to the opinions of the Economic and Social Committee;

Having regard to the opinions of the European Parliament;

Whereas the Council directive of 16 August 1961, accompanying Council Regulations No. 15 relating to first steps for the achievement of free movement for workers within the Community, laid down that national regulations regarding administrative procedure and practice should be adapted to the degree of liberalization of manpower movements effected by that regulation;

Whereas Regulation No. ... introduces further substantial liberalization measures for a second stage; whereas, in consequence, measures corresponding to the new rights conferred upon nationals of Member States by virtue of Regulation No. ... must be adopted in regard to entry into and residence in the territory of the country of em-

ployment and to the issue of labour permits;

Whereas Regulation No. ... already provides for the abolition of labour permits in certain cases and such abolition is due to become general not later than the end of the transition period; and whereas in order to render administrative procedure speedier and more flexible and to eliminate waiting periods for access to vacancies, which impede the liberalization of manpower movements, it is desirable that the central services of each Member State should authorize their regional and local services to issue at least temporary labour and residence permits or to apply any other formalities required in their stead;

Whereas co-ordinating measures concerning reservations on grounds of *ordre public*, public safety or public health form the subject of a special directive made, under Article 56 (2) of the Treaty,

Has issued the present directive :

Article 1

1. For the purposes of the present directive :

- a) "Regulation" shall mean Council Regulation No. ...
- b) "Frontier workers" shall mean workers as defined in Article 6 of the Regulation.
- c) "Seasonal workers" shall mean workers as defined in Article 10 of the Regulation.

d) "Member of the family" shall mean persons to whom the provisions of Article 20 (1) of the Regulation apply.

2. The present directive shall apply to workers falling within the scope of the Regulation and to members of their families.

Article 2

1. Each Member State shall recognize the right of the persons referred to in Article 1 (2) to enter its territory simply on production of a valid identity card.

2. If in a Member State there is no identity card, that State shall in accordance with its legislation issue to such persons, or renew, passports valid for all Member States and for countries of direct transit between the same. The term of validity of such passports shall be not less than five years.

3. No entry visa or similar requirement shall be imposed.

Article 3

1. Each Member State shall issue to the worker the document necessary for residence on its territory, hereinafter referred to as "residence permit".

2. The residence permit :

a) Shall be valid for the whole of the territory of the issuing Member State;

b) Shall be valid for a period at least equal to that of the labour permit or to the duration of the employment in question in the case of workers referred to in Article 1 (2) of the Regulation who are exempt from the requirement to hold a labour permit by virtue of Article 26 of the Regulation.

3. Each Member State shall issue to members of the family residence permits having the same term of validity as that of the worker whose dependents they are.

4. For the issue of a residence permit each Member State shall require the applicant to produce only the following documents :

a) The document by which he was enabled to enter the territory of the State concerned;

b) A document endorsed by the competent employment services certifying that he has regular employment offered to him on its territory. This document shall not be required for members of his family. In the case of workers referred to in Article 26 b) and c) of the Regulation, this document shall be replaced by a copy of the certificate of employment supplied by the employer in pursuance of the said Article.

5. Periods of unemployment such as are referred to in Article 14 of the Regulation shall not impair the validity of the residence permit.

6. Residence permits of workers who satisfy the conditions set out in Articles 12 (2 or 3), 13, 21 (2) or 22 of the Regulation shall be valid for a term of not less than ten years and shall be automatically renewable.

7. Workers covered by Article 26 (a and d) and those whose employer is not obliged to furnish a certificate of employment in accordance with Article 26 b) of the Regulation shall not be required to hold a residence permit. The identity document by which the person concerned was authorized to enter the territory shall also authorize his residence. A declaration of arrival may, however, be required by the receiving country.

8. Frontier workers also shall be absolved from the obligation to hold a residence permit.

Article 4

Notwithstanding the provisions of Article 3, the labour contract of a seasonal worker, replacing the labour permit under Article 26 e) of the Regulation and approved by a diplomatic or consular representative or by a labour-recruitment office of the Member State on whose territory the worker is to be engaged, shall also be accepted in place of a residence permit and shall enable its holder to reside there freely during the term of validity of his labour contract.

The signature of approval mentioned above shall be affixed to the labour contract before the worker leaves his country of origin, save in special circumstances when it may be affixed in the country of employment by the authorities which are competent to issue the residence permit.

Article 5

1. Identity cards, residence permits and labour permits and, where applicable, passports issued to persons referred to in Article 1 (2) shall be issued and renewed free of charge or on payment of a sum not exceeding the administrative expenses involved. This shall also apply to any documents or certificates needed for the issue or renewal of the above-mentioned documents.

2. The signature of approval specified in Article 26 e) of the Regulation and in Article 4 of the present directive shall be affixed free of charge.

3. Member States shall take steps to simplify as far as possible the formalities and procedures for issue of the documents referred to in paragraph 1.

4. Member States shall authorize their regional and local services to issue at once to workers and members of their families who satisfy the conditions set out in the Regulation, save in the cases covered by Articles 2 and 3 thereof, either labour permits and residence permits or temporary documents in place of them. In the latter case, the definitive document shall be sent to the holder within two weeks. In the cases covered by Articles 2 and 3 of the Regulation, the document made out by the competent central authorities shall be sent to the holder immediately after the two-week waiting period laid down under those provisions.

Article 6

1. A Member State may not refuse entry into its territory to workers or members of their families save on grounds of *ordre public*, public safety or public health.

2. A Member State may not refuse to issue a residence permit save on grounds of *ordre public*, public safety or public health.

3. During the term of validity of the residence permit, the latter shall not be withdrawn and no deportation order may be made save on grounds of *ordre public* or public safety.

Article 7

1. The present directive shall be without prejudice to the provisions of the Treaty establishing the European Coal and Steel Community which relate to workers having recognized qualifications in the coal and steel industry, nor those of the Treaty

establishing the European Atomic Energy Community which relate to access to skilled employment in the nuclear field, nor any regulations made under those Treaties.

2. Notwithstanding the foregoing, the present directive shall apply to the categories of worker referred to in paragraph 1 above and to members of their families in so far as their situation is not governed by the above-mentioned Treaties or regulations.

Article 8

The present directive shall be without prejudice to any provisions of municipal law in a Member State that may be more favourable to workers of other Member States and the members of their families.

Article 9

1. Member States shall give effect to the necessary measures to conform to the provisions of the present directive before 1 January 1964 and shall inform the Commission thereof immediately.

2. They shall notify the Commission of any amendments to their laws, regulations or administrative instructions designed to simplify the procedure and formalities for the issue of such documents as are still necessary for the entry, employment and residence of workers and members of their families.

Article 10

The provisions of the present directive shall supersede those of the directive of 16 August 1961 notified to the Member States on 21 August 1961.

Article 11

The present directive is addressed to all Member States.

Proposal for a Council regulation establishing in the EEC an information service on farm incomes and conduct of business

(Submitted by the Commission to the Council on 16 May 1963)

The Council of the European Economic Community,

Having regard to the Treaty establishing the European Economic Community and in particular Articles 43 and 209 thereof;

Having regard to the proposal of the Commission;

Having regard to the opinion of the European Parliament;

Whereas for the purpose of elaborating the common agricultural policy, particularly in relation to prices, structure and social questions, the Commission must be in possession of objective and pertinent infor-

mation on the incomes of various types of farm and the conduct of business of certain types;

Whereas the information collected must, if it is to be objective, be obtained from judiciously selected farms and based on factual and verifiable data derived from books of account;

Whereas the information collected must, to answer its purpose, relate to the technical, economic and social aspects of farming, concern individual farms, be readily available, presented in a common form using standard definitions, and at all times and in all respects be open to use by the Commission;

Whereas such information can be obtained only by means of a farm accounts information service established at Community level which relates to farms specially selected in accordance with common rules, enjoys the support of agricultural accounting offices or centres in each country and the confidence of all concerned, has been prepared with the assistance of Member States, and is operated and financed by the Commission,

Has made the present regulation :

PART I

Establishment of a farming accounts information service in the European Economic Community

Article 1

In order to facilitate at Community level :

- a) periodical assessment of incomes on the various types of farm, and
- b) study of the conduct of business of certain types of farm,

there shall be established in the Community a farming accounts information service, hereinafter referred to as the "Information Service".

Article 2

For the purposes of the present regulation :

- a) "Account-keeping farm" means any farm to which the Information Service relates or may relate;

- b) "Region" means the territory or part of the territory of a Member State as defined for the selection of account-keeping farms. The regions concerned are listed in the Annex to this regulation;

- c) "Details of accounts" means all technical, financial or economic data relating to farms, derived from closed accounts containing systematic entries made during an accounting period;

- d) "Liaison office" means a liaison service or body designated by a Member State;

- e) "Return sheet" means a form on which entries are made giving details of farm accounts.

PART II

Assessment of income

Article 3

Every operation included under this heading shall have reference to the periodical assessment of incomes mentioned in Article 1 a).

Article 4

1. The account-keeping farms selected must :

- a) be operated for purposes of sales;
- b) be the main source of the farmer's income and that of the members of his family employed on the farm;
- c) be managed by farmers who are willing and able to keep operational accounts and to allow details to be supplied to the Commission.

2. The farms must be typical of their region as regards :

- a) system of operation;
- b) area;
- c) labour employed;
- d) conditions of tenure.

3. Conditions of production and location in relation to markets must be such as are considered normal in the region.

4. The Commission, after consulting the Community Committee set up in accordance with Article 7, shall decide how the provisions of the present article are to be implemented and how many farms are to be included.

Article 5

1. Each Member State shall, within two months of the present regulation coming into force, set up a committee for each region, hereinafter referred to as the "Regional Committee", to select farms for inclusion.

2. The Regional Committee shall consist of not more than 12 members representing:

- a) The relevant Government department;
- b) The farming profession;
- c) Science and research;
- d) Agricultural education and advisory services or farm management;
- e) Farm accounting offices;
- f) The bureau of agricultural statistics.

3. It shall be the Regional Committee's task:

- a) To select farms in accordance with the provisions of Article 4;
- b) To classify farms;
- c) To obtain particulars for each farm which justify such selection and classification;
- d) To indicate the accounting office designated for each farm in pursuance of Article 10;
- e) To forward the results of such activity to the Liaison Office provided for in Article 6.

4. After consulting the Community Committee set up in accordance with Article 7 the Commission shall decide how the provisions of the preceding paragraph are to be implemented.

Article 6

Each Member State shall, within two months of the present regulation coming into force, set up a Liaison Office to maintain contact between the Commission and the Regional Committees and to collect and forward to the Commission the farm return sheets sent in by accounting offices.

Article 7

1. For the purpose of assisting the Commission in verifying that Regional Committees have selected farms in conformity with the provisions of this Part of the regulation, there shall be set up a Community Committee.

The Commission shall consult the Community Committee on all questions connected with the selection of farms.

2. The Community Committee shall consist of not more than three representatives from each Member State, with a representative of the Commission as Chairman.

3. The secretarial services for the Committee shall be provided by the Commission.

4. The Community Committee shall draw up its own Rules of Procedure.

Article 8

The Commission may, in conjunction with the Community Committee, make on-the-spot investigations to ascertain that Regional Committees have selected farms in conformity with the provisions of this Part of the regulation.

Article 9

1. An individual return sheet containing no names shall be completed for each farm.

2. The entries made on the return sheet shall be such as to enable:

- a) Farms to be classified under main production factors;
- b) Income to be assessed under different headings;
- c) Details of accounts to be checked.

Article 10

Farmers whose undertakings have been selected as account-keeping farms shall designate the accounting offices which are to complete their return sheets.

Article 11

A contract shall be concluded between the Commission and accounting offices setting out the nature of the services to be rendered, the appropriate lump-sum fee and the facilities available to the Commission for verification.

Article 12

The Commission shall decide how the provisions contained in Articles 6 to 11 are to be implemented.

PART III

Study of conduct of business

Article 13

Every operation mentioned under this Part of the regulation shall have reference to the study of the conduct of business mentioned in Article 1 b), hereinafter referred to as "study".

Article 14

For the purposes of this study the provisions of Articles 9 (1), 10 and 11 shall apply.

Article 15

The Commission shall select farms in accordance with the aims of the study and shall decide as to their number.

Article 16

In addition to the items mentioned in Article 9 (2), farm return sheets shall in-

clude any further items and details necessary for the study.

Article 17

The Commission shall decide how the provisions of this Part of the regulation are to be implemented.

PART IV

General provisions

Article 18

The Information Service shall be directed by the Commission.

Article 19

Appropriations to cover the operating expenses of the Information Service, other than the expenditure of Regional Committees and Liaison Offices, shall be made in the Community budget.

This Regulation is binding in all its parts and directly applicable in all Member States.

Feasibility of establishing an information service in 1963

(Supplement to the Council regulation establishing in the EEC an information service on farm incomes and conduct of business)

To set up a properly-equipped Community farming accounts information service in the Community will take several years. Sustained efforts, co-ordinated at Community level and in Member States, will be needed. The service will have to be established by stages, each planned in the light of experience gained.

In 1963 the foundation should be laid and the groundwork solidly established. Initial information will have to be collected in order to present the first annual report on the agricultural situation in the Community which the Commission has undertaken to publish in 1964. (see Action Programme for the Community in the second stage, sec. 57).

The technical and financial aspects of establishing this service in 1963 are discussed below.

A. TECHNICAL ASPECTS

a) Regional Committees and Community Committee

Regional Committees, set up within two months of the regulation coming into force, should be in a position to commence operations forthwith.

The Commission will consult the Community Committee as soon as possible after the regulation has come into force in order to decide on detailed procedure for the selection of farms which keep accounts.

b) Account-keeping farms

For 1963 selection will be confined to farms which already keep accounts⁽¹⁾. The results of the agricultural year which includes the 1962 harvest will be noted. The

⁽¹⁾ In its first year the service will thus cost very little, accounting expenditure being practically nil.

Community's view is that it should be possible to observe 5 000 farms, each of which will be supplied with a return sheet for purposes of establishing income. Regional Committees will steadily increase the number of farms included in following years until the density of the sample is satisfactory.

c) Return sheets

Work done in recent years by the Commission's staff, in collaboration with Government and outside experts, has led to the production of two types of farm return sheet, a simplified version for determining farm income and a detailed version for use in studying the conduct of farm business.

Suitable terminology and definitions have also been devised.

These sheets have been tried out over various areas in Member States and have proved in practice to be satisfactory.

d) Staff

At Community level a nucleus of specialists has been engaged for over two years in examining the problems of a Community Information Service. This nucleus will have to be expanded by the addition of planning and executive staff in 1963, as recommended by several expert groups.

At national and regional level the Commission will organize intensive training courses on the Community Information Service in theory and practice for national and regional specialists. They, in their turn, will pass on the knowledge they have acquired to local accountants or technicians through regional schemes.

B. FINANCIAL ASPECTS

a) General

Expenditure incurred in setting up and operating the Information Service, other than expenses already a charge on Member States or incurred by Regional Committees and Liaison Offices will be borne by the Community, the necessary appropriations being made under a special sub-head in the Community budget.

The Community will bear the expenses of inauguration and meetings of the Commu-

nity Committee, plus its administrative expenses; book-keeping expenses on farms included in the scheme which did not hitherto keep accounts; the expenses involved in completing return sheets, checking and processing data, training or briefing accounting officials, and printing the return sheets and the accounting data obtained.

b) Prospect for 1963

Though no rational estimate can be given at present of the cost of the Information Service once it is in full operation, since that depends on a number of factors still undetermined, it may be estimated on the basis of the foregoing, and by adopting return sheets as units, that costs in 1963 (1) will amount to approximately

$$5\,000 \times 1\,000 = \text{Bfrs. } 5 \text{ million.}$$

The expenditure incurred in organizing training courses for book-keepers (2) as well as expenditure in connection with analysing and processing the data received should be added to the above figure. The first head would comprise, say, 40 courses at Bfrs. 25 000, per course, or approximately Bfrs. 1 million in all. The second may be estimated at Bfrs. 400 000.

For 1963, therefore, a total of Bfrs. 6 400 000 would need to be allocated to the Information Service.

This sum could be charged to Head XVIII of the 1963 budget: "Unanticipated Expenditure", thus avoiding any supplementary contribution for Member States in respect of 1963.

From the above it is clear that it is both technically and financially feasible to establish a Farm Accounts Information Service in the Community in 1963.

ANNEX

List of regions in which farms may be selected for the purpose of determining farm incomes

Federal Republic of Germany

The following Länder :

1. — Schleswig-Holstein
2. — Niedersachsen

(1) Including costs of collection, presentation and transmission of data, but not training for accountants or technicians, nor expenditure on analysis and processing of data.

(2) This is in the nature of capital rather than current expenditure.

3. — Nordrhein-Westfalen
4. — Hessen
5. — Rheinland-Pfalz
6. — Baden-Württemberg
7. — Bayern
8. — Saarland

France

Regions combined as follows :

1. — Nord, Picardie
2. — Basse Normandie, Haute Normandie
3. — Bretagne, Pays de la Loire, Poitou-Charente
4. — Centre, Région parisienne
5. — Franche-Comté, Champagne, Bourgogne
6. — Lorraine, Alsace
7. — Limousin, Auvergne
8. — Rhône - Alpes
9. — Aquitaine, Midi-Pyrénées
10. — Languedoc, Provence - Côte d'Azur - Corse.

Italy

Regions combined as follows :

1. — Piemonte, Valle d'Aosta
2. — Lombardia
3. — Veneto, Trentino-Alto Adige, Friuli - Venezia Giulia
4. — Liguria
5. — Emilia-Romagna
6. — Toscana
7. — Umbria, Marche
8. — Lazio, Abruzzi (Provinces of Aquila, Teramo, Pescara, Chieti)
9. — Campania, Calabria, Molise (Province of Campobasso)
10. — Puglia, Lucania (or Basilicata)
11. — Sicilia
12. — Sardegna

Belgium, Luxembourg, Netherlands

each constituting a region.

Proposal for a decision authorizing the Commission to adopt conservatory measures in certain cases of supply difficulty

(Submitted by the Commission to the Council on 20 May 1963)

The Council of the European Economic Community,

Having regard to the Treaty instituting the European Economic Community and particularly Articles 103 and 155 thereof;

Having regard to the proposal of the Commission;

Whereas if unforeseen difficulties occur in the supply of certain products and are likely to entail serious consequences, measures required to resolve the difficulties must, under the terms of Article 103 (2), to which paragraph 4 of the same article also refers, be appropriate, and therefore capable of speedy adoption and of immediate application;

Whereas when such situations occur the Commission should therefore have power to decide on the immediate application of certain measures of a limited character, for a brief period of time, the Council nevertheless retaining the possibility of amending or revoking such decision;

Whereas in trade between Member States measures of liberalization, tariff reductions or reductions of equivalent effect may be adopted by each Member State indepen-

dently under Articles 15 and 35 of the Treaty, so that there is no need to provide for such measures in the present decision;

Whereas this is not the case, however, with agricultural products which are subject to a common organization of the markets comprising a levy system, since Member States have no power to reduce intra-Community levies independently; and whereas action concerning the said levies must be provided for in order to remedy shortages of such products;

Whereas for trade with third countries no procedure has so far been arranged under other articles of the Treaty to provide for immediate Community action concerning supply difficulties, except in the case of certain agricultural products; whereas in particular at the present stage of the common commercial policy no action is possible on the basis of Articles 110 et seq.; whereas even as regards the agricultural products which form an exception, possibilities of action are limited and more especially do not permit the adoption of uniform measures for application by all Member States;

Whereas isolated action by a Member State concerning trade with third countries, for the purpose of increasing imports or of

reducing exports, may cause diversions of trade which would give rise to trade restrictions between Member States by virtue of Article 115;

Whereas the Commission should therefore be empowered to adopt conservatory measures of limited duration concerning trade in general with third countries; whereas the same applies also to intra-Community trade and trade with third countries in agricultural products to which a system of levies applies;

Whereas it is desirable to avoid any action tending to impede the free movement of goods between Member States,

Has made the present decision :

Article 1

Should the Commission find that unforeseen difficulties arise over the supply of certain products and are likely to entail serious and harmful consequences from the standpoint of general economic policy or from the social standpoint, it shall decide, without prejudice to any other procedures provided for in the Treaty, whether conservatory measures such as are described in Article 2 below may be adopted by Member States, or by some of them, for a period not exceeding three months, and in such a way as to avoid diversion of trade. It shall be for the Commission to determine the conditions and particulars of application.

Article 2

The Commission may decide upon measures concerning trade with non-member countries in the products in question, both import and export, affecting customs duties or charges having equivalent effect, or quantitative restrictions or measures having equivalent effect.

In particular, action may be taken to impose dues upon, or wholly or partly prohibit, exports to non-member countries and also to facilitate imports from non-member countries, especially by reducing customs duties, or, where applicable, relaxing or abolishing quantitative restrictions.

The Commission may also decide upon modifications or suspensions of levies on agricultural products imported from either non-member or Member States.

(1) In accordance with Article 191 of the Treaty, decisions of the Commission take effect upon notification to Member States.

Article 3

The measures provided for in Article 2 above must be appropriate to the situation and in conformity with the aims of the Treaty, that is to say the establishment of a common market, economic union and common action with regard to third countries. They must also be compatible with the international obligations assumed by Member States.

Article 4

Decisions taken by the Commission by virtue of the foregoing provisions shall be notified without delay to the Member States concerned and shall be immediately applicable. They shall at the same time be communicated to the Council. Acting by qualified majority the Council may, within one month, either amend or revoke the decision adopted by the Commission.

Article 5

Decisions adopted by the Commission under the foregoing provisions shall be published in the official gazette of the European Communities (1).

Article 6

The present decision is addressed to all Member States.

Explanatory memorandum

1. Before the Treaty of Rome came into force Member States could take at their discretion appropriate measures to deal with shortages of supply. Since then various Treaty provisions have come into effect which tie the hands of Governments in this matter. Inevitably the question has arisen how Member States are to deal with problems of this nature while respecting the provisions of the Treaty.

Community procedure for resolving supply difficulties is laid down in Article 103 of the Treaty of Rome. On a proposal by the Commission the Council is empowered to take a decision for the purpose of preventing Member States from adopting measures contrary to other Member States' interests. A certain length of time is, how-

ever, required to prepare and put into effect such decisions, and in cases of sudden temporary shortage this may jeopardize any prospect of restoring the situation or have serious economic and social consequences.

It is the Commission's view, shared by Parliamentary and Government circles, that arrangements should be made in pursuance of Article 103 (4) to enable emergency measures to be taken when there is an exceptional shortage of supplies in order to avoid irreparable harm.

2. The most appropriate procedure in cases of this kind, and one which also meets the requirements of Article 103, is to empower the Commission to decide on the immediate application of indispensable and urgent measures; and at the same time to limit the period of validity of such measures and make provision for notification to the Council, which would then be able either to amend or revoke the Commission's decision. There are two advantages in this method. Firstly, the Council will have the possibility of taking action, a possibility which, were no immediately applicable decision by the Commission available in urgent cases, may well prove to be illusory. Secondly, the fact that the measures later communicated to the Council by the Commission are of immediate application means that they preserve their "appropriate" character as required by Article 103.

3. Once it be admitted in principle that the best solution in urgent cases of supply difficulty lies in Community procedure authorizing the Commission to adopt conservatory measures, then it becomes necessary to define the instances and measures concerned as precisely as possible, particularly since the procedure is exceptional.

4. Conditions under which the Commission may adopt conservatory measures.

Conservatory measures are only desirable when unforeseen difficulties occur with regard to the supply of certain products and these difficulties threaten serious economic or social consequences. Though Article 103 (4) is much wider in scope, no other cases need be considered in which such measures should be immediately applicable.

In view of the strictly conservatory character of the measures decided on by the Commission it seems desirable to keep their period of validity as short as possible, say three months. A Council decision, adopted on a proposal by the Commission, would

therefore be required for measures of longer duration. Furthermore, the Council should be able by qualified majority to amend or revoke the measures adopted by the Commission. Should the Commission in the meantime withdraw the said measures, it would of course become pointless for the Council to examine them.

5. Measures which may be the subject of emergency procedure

It is obviously only possible to make conservatory measures immediately applicable when they are appropriate to the situation and in conformity with Article 103. Clearly the Commission has no desire to obtain powers for any purpose other than that of preventing shortages.

The question arises also whether emergency procedure might apply to measures designed to restrict intra-Community trade by means of customs duties, charges, quantitative restrictions or measures of equivalent effect. Without entering into the question of whether such measures are reconciliable with the Treaty, the Commission is of the opinion that decisions of such significance for the Common Market cannot be immediately applicable under any circumstances, even if only provisional.

Tariff, fiscal, quantitative or other measures to stimulate intra-Community trade have also kept outside the scope of emergency procedure, since the Member States have freedom of action in this field except as regards agricultural products (see point 6). Normally in cases of shortage Member States take such action on their own initiative under Articles 15 and 35 of the Treaty. It would be superfluous therefore to confer special powers on the Commission for such purposes.

The Commission considers on the other hand that emergency procedure should apply to trade with third countries, including both imports and exports, and to quantitative, tariff, fiscal and other measures. In this connection a delicate problem of some importance arises, namely, whether interim measures adopted by the Commission should apply to several Member States or only to the one affected by the shortage. It is not difficult to imagine situations in which, as a result of the freedom of intra-Community trade, measures adopted in one or more Member States might give rise to diversions of trade. There would then be two alternatives: measures restricting exports to third countries, accompanied by

restrictions on intra-Community trade, might be applied in order to prevent such diversions; or immediate common action might be taken by all Member States directly or indirectly affected to restrict exports to third countries. The first of these would again raise the legal problems mentioned above and might on occasion impede intra-Community trade.

The same considerations apply to quantitative or other measures designed to increase imports from third countries. Here, too, similar measures adopted by a single Member State might not be "appropriate to the situation". The Commission should then be able to extend such measures to other Member States.

6. The authority vested in the Commission to adopt certain conservatory measures should apply to all products, including agricultural products. Doubtless, agricultural products already covered by, or to be

covered by, a common organization of the markets may be provided for by special emergency procedure designed to safeguard short-term supplies. In the absence of such provisions, however, the procedure laid down in the attached draft decision should be made applicable to such products also. Measures should, in that case, be extended to intra-Community trade also where the products concerned are subject to a levy system, since Member States are not free to reduce intra-Community levies independently, as they are in the case of customs duties.

Account must also be taken of the special requirements of the common agricultural policy. When reducing levies on imports from third countries, Member States must be obliged to apply the same measures to imports from other EEC countries, in order not to jeopardize trade preference among Member States.

Proposal for a Council regulation amending certain provisions of Council Regulation No. 55 concerning the system applicable to flour and starch of manioc and other roots and tubers

(Submitted by the Commission to the Council on 18 June 1963)

Explanatory memorandum

A provisional system applicable to products originating in and coming from the Associated African States and Madagascar (AASM) was laid down in Council Regulation No. 156, which contains special provisions derogating from Articles 7 and 9 of Council Regulation No. 55. The period of validity of Regulation No. 156 was extended by Council Regulations No. 6/63/EEC and 11/63/EEC, the latter terminating on 30 June 1963, on which date the system established by Council Regulation No. 55 would, in the absence of any further decision, again have come automatically into operation.

Being unable to consult the Associated States concerned beforehand, the Council took a decision on 21 June 1963 further extending the system for a period of six months⁽¹⁾.

Regulation No. 156 had been adopted pending the renewal of the Association Con-

vention between the EEC and the African States and Madagascar, in the light of the decision reached at the ministerial meeting of 20 December 1962, whereby in framing the common agricultural policy due regard was to be paid to the interests of the Associated States with respect to those of their products which were similar to and competed with European products.

The purpose of the draft regulation herewith submitted to the Council is to make permanent arrangements for such imports in the spirit of that decision. It provides for the preference in operation between Member States to extend also to trade between Member States and the AASM. This preference will differ in form according to the products concerned, namely: —

1. Flour and meal of manioc and of other products coming under tariff heading 11.06, not denatured, and manioc starch (heading 11.08A);
2. Flour and meal of manioc and of other products coming under tariff heading 11.06, denatured.

⁽¹⁾ Council Regulation No. 55/63/EEC: see official gazette of the European Communities, No. 96, 27 June 1963.

In the first case, the preference created in favour of Member States by the annual 2/15ths reduction in the fixed component will be extended to trade between the EEC and the AASM.

Special provision is made for manioc starch from the AASM which on 21 April 1962 was not subject to import duty in certain Member States. In this case the fixed component will be nil.

This provision, granting as it does a greater preference than Member States grant to each other, is justified by the situation already existing. The AASM have so far been totally exempted from levies on certain exports. There would therefore be no economic justification for imposing a higher levy than the one applicable at the end of the transition period.

No obstacle to trade between the AASM and Member States with which they had special relations should be created by applying the provisions of the present draft regulation to imports of starch of manioc. Since it is impossible, however, to foretell exactly what the economic consequences of the provisions will be, the Commission proposes that a Declaration of Intent be inserted in the Minutes and in due course communicated to the Association Council, in the following terms:

"Should application of the provisions of Article 9 of Council Regulation No. 55

cause serious disturbance to trade in manioc starch between Member States and the Associated African States and Madagascar, the Community, after consultation in the Association Council, shall take the necessary steps to remedy the situation".

In the second case the problem was rendered more difficult by the following factors:

- a) No preference existed in intra-Community trade and none could therefore be granted to the AASM;
- b) In principle no facilities were to be granted to countries outside the Community in excess of those which applied between Member States;
- c) Nothing was to be done which would raise the level of protection vis-à-vis third countries.

A solution has been found by amending the existing levy. (1) The variable component has been reduced from 30 to 15 kg. of barley, and a fixed component of 0.35 units of account has been introduced, corresponding to the average levy applied during the first four months of 1963 in France, Belgium and the Netherlands, on the 15 kg. of barley basis.

The preferential element is constituted by the fact that in trade between Member States, and between Member States and the AASM, the fixed component is forthwith entirely abolished.

Proposal for a Council regulation amending certain provisions in Council Regulation No. 55 which concern the system applicable to flour and starch of manioc and other roots and tubers

(Submitted by the Commission to the Council on 18 June 1963)

The Council of the European Economic Community,

Having regard to the Treaty establishing the European Economic Community;

Having regard to the Council Regulation No. 19 on the gradual establishment of a common organization of the markets in the

cereals sector (2), and in particular Articles 14 (3) and 24 thereof;

Having regard to the Commission's proposal;

Whereas the system applicable to products under headings 11.06 and 11.08 A of the common external tariff, hereinafter referred

(1) The variable component applicable to denatured flour and meal of manioc and of other products under tariff heading 11.06, will in accordance with the provisions of Council Regulation No. 10/63 be equal, per 100 kg. of such products, to the levy applicable to 30 kg. of barley. Since existing measures of protection have not given rise to any disturbance to trade in such products or on the forage grain markets of Member States, the level of protection afforded under Council Regulation No. 10/63 may appropriately be retained.

(2) See official gazette of the European Communities, No. 30, 20 April 1962, p. 933.

to as manioc flour and manioc starch, is laid down in Articles 7 and 9 of the Council Regulation No. 55 on the system in respect of processed products based on cereals (1); and whereas Council Regulation No. 10/63 of 20 February 1963 (2) and Council Regulation ... have varied until 31 December 1963 the provisions of Article 7 of Council Regulation No. 55, concerning the variable component applicable to denatured manioc flour, which has temporarily been made equal to the levy on 30 kilogrammes of barley instead of 40 kilogrammes;

Whereas special provisions concerning trade in such products with the Associated African States and Madagascar were contained in Council Regulation No. 156 (3), which has been extended by Council Regulations No. 6/63 (4), 11/63 (5), and ... until 31 December 1963;

Whereas the system applicable to trade with the Associated African States and Madagascar has so far been provisional in character and it is necessary to institute a more permanent system;

Whereas the interests of the Associated African States and Madagascar must, in accordance with provisions at present applicable, be taken into consideration as regards those of their products which are similar to and compete with European products;

Whereas as regards manioc flour and manioc starch this requirement can at present be met by applying to trade with the Associated African States and Madagascar the fixed component which is applicable to intra-Community trade;

Whereas, however, Article 7 of Council Regulation No. 55 lays down for denatured manioc flour a fixed component of nil; and whereas the existing system needs to be amended by introducing a fixed component applying only to trade with third countries, the variable component of the levy being reduced by that amount to avoid raising the level of protection vis-à-vis such countries;

Whereas as regards manioc starch certain of the said Associated States were at 21 April 1962 benefiting in their trade with Member States from special treatment as compared with other Associated States; and

whereas to avoid serious disturbance to the flow of trade a preferential system should be maintained by establishing the fixed component in this case at nil,

Has made the present regulation :

Article 1

1. Article 7 (2 and 3) of Council Regulation No. 55 concerning the system to be applied to processed products based on cereals is superseded by the following :

2. " The variable component applicable to 100 kilogrammes of each of the processed products referred to in paragraph 1 shall, however, be equal to the levy applicable to 15 kilogrammes of barley where such product has undergone a denaturing process as defined in Article 26 of Council Regulation No. 19, which shall be applicable by analogy.

In order to prevent any disturbances to the market in grain products for animal feed this variable component may be adjusted in accordance with Article 26 of Council Regulation No. 19, which shall be applicable by analogy.

3. The fixed component of the levy applicable :

a) To 100 kilogrammes of the processed product referred to in paragraph 1 shall be equal to 1.70 units of account.

On the importation of such products originating in and coming from the AASM the amount of the fixed component of the levy shall be that which is applicable in intra-Community trade.

b) To 100 kilogrammes of each of the processed products referred to in paragraph 2 shall be equal to 0.35 units of account. This fixed component shall not be applicable in intra-Community trade or on the importation of such products originating in and coming from the AASM".

Article 2

Article 9 (3 a) of Council Regulation No. 55 is superseded by the following :

" a) In intra-Community trade, and also upon the importation of manioc starch

(1) See official gazette of the European Communities, No. 54, 2 July 1962, p. 1583.

(2) *ibid.*, No. 30, 27 February 1963, p. 403.

(3) *ibid.*, No. 140, 28 December 1962, p. 2928.

(4) *ibid.*, No. 18, 1 February 1963, p. 191.

(5) *ibid.*, No. 30, 27 February 1963, p. 404.

originating and coming from the Associated African States and Madagascar, to the amount obtained by applying to a basic value of 11.25 units of account the customs duty applicable on 21 April 1962 in each Member State in respect of intra-Community trade. This amount shall be reduced, however, in accordance with the provisions of Article 14 (1 B) of Regulation No. 19. In the case of Member States which on 21 April 1962 imposed no customs duty on imports of manioc starch

originating in and coming from certain states of the AASM, the amount of the fixed component applicable to such imports shall however be nil."

Article 3

The present regulation shall take effect on 1 January 1964. It is binding in all respects and directly applicable in all Member States.

Proposal for a Council regulation amending Regulations Nos. 20, 21 and 22 as regards the fixing of levies and sluice-gate prices applicable to imports from non-member countries

(Submitted by the Commission to the Council on 18 June 1963)

The Council of the European Community,

Having regard to the Treaty establishing the European Economic Community and in particular Article 43 thereof;

Having regard to the proposal of the Commission;

Having regard to the opinion of the European Parliament;

Whereas Article 5 of Regulation No. 20 and Article 4 of Regulations Nos. 21 and 22 provide (1) that one component of the levy on imports from non-member countries shall correspond to the effect on feeding costs of the difference between feed-grain prices within the Community and on the world market; and whereas present methods of fixing this component do not allow of following sufficiently closely feed-grain price adjustments in Member States resulting mainly from the approximation of such prices;

Whereas the above-mentioned provisions should therefore be amended;

Whereas feed-grain price adjustments in Member States are reflected in the threshold prices fixed by them; and whereas account should therefore be taken of such threshold prices by means of an annual adjustment of the feed-grain prices used in computing feeding costs;

Whereas the first approximation of grain prices is scheduled for the beginning of the second year of operation of the levy system;

and whereas an adjustment is required for the quarterly review taking effect on 1 October 1963, since the 1963/64 threshold prices could not be fixed early enough to permit of adjustment being made on 1 July 1963;

Whereas it is necessary to ensure a certain stability in the rate of levies and sluice-gate prices vis-à-vis non-member countries in order to simplify their application and take due account of the interests of importers,

Has made the present regulation :

Article 1

The provisions of Regulation No. 20, Article 5 (1 *b*) shall be replaced by the following :

" *b*) a component representing the difference in feeding costs resulting from differences between the price of feed-grain in the Member State having the lowest average price for slaughtered pig, calculated in accordance with Article 3 (4), and that on the world market.

This component shall be fixed in advance for a period of three months.

The provisions of Article 3 (3 *a* and *b*) shall be taken into account in calculating this component.

The price of feed-grain in the Member State having the lowest average price for slaugh-

(1) See official gazette of the European Communities, No. 30, 20 April 1962.

tered pig shall be determined annually at the time of the quarterly review taking effect on 1 October each year.

In the case of the quarterly review taking effect on 1 October 1963, the prices noted during the period from 1 October 1962 to 31 March 1963 shall be adjusted in accordance with the differences obtaining between threshold-price levels applying from 1 October 1963 to 31 March 1964 and those applying from 1 October 1962 to 31 March 1963.

In the case of the reviews taking effect on 1 October in subsequent years the prices thus fixed in 1963 shall be subject to annual adjustment in accordance with the differences obtaining between the threshold-price levels applying from 1 October to the succeeding 31 March and those applying from the preceding 31 March to 1 October.

World market prices for feed-grain shall be noted during the six months preceding the quarter in which the said component has been fixed. Nevertheless at the time of the 1 January, 1 April and 1 July reviews no account shall be taken of any changes unless these are such as to constitute a variation in grain prices of more than 3 % as compared with those used in computing levies for the previous quarter."

Article 2

The provisions of Regulation No. 21, Article 4 (1 *a*) shall be replaced by the following :

" *a*) a component corresponding to the effect on feeding costs of the difference between the price in the importing Member State of each feed-grain entering into the composition mentioned in Article 3 (3 *b*) and the world market price for the same grain.

This component shall be fixed in advance for a period of three months.

The provisions of Article 3 (3 *a* and *b*) shall be taken into account in calculating this component.

The price of feed-grain in the importing Member State shall be determined annually at the time of the quarterly review taking effect on 1 October each year.

In the case of the quarterly review taking effect on 1 October 1963, the prices noted during the period from 1 October 1962 to 31 March 1963 shall be adjusted in accord-

ance with the differences between threshold-price levels applying from 1 October 1963 to 31 March 1964 and those applying from 1 October 1962 to 31 March 1963.

In the case of the reviews taking effect on 1 October in subsequent years, the prices thus fixed in 1963 shall be subject to annual adjustment in accordance with the differences between the threshold-price levels applying from 1 October to the succeeding 31 March, and price levels applying from the preceding 31 March to 1 October.

World market prices for feed-grain shall be noted during the six months preceding the quarter in which the said component has been fixed. Nevertheless at the time of the 1 January, 1 April and 1 July reviews no account shall be taken of any changes unless these are such as to constitute a variation in grain prices of more than 3 % as compared with those used in computing levies for the previous quarter."

Article 3

The provisions of Regulation No. 22, Article 4 (1 *a*) shall be replaced by the following :

" *a*) a component corresponding to the effect on feeding costs of the difference between the price in the importing Member State of each feed-grain entering into the composition mentioned in Article 3 (4 *b*) and the world market price for the same grain.

This component shall be fixed in advance for a period of three months.

The provisions of Article 3 (4 *a* and *b*) shall be taken into account in calculating this component.

The price of feed-grain in the importing Member State shall be determined annually at the time of the quarterly review taking effect on 1 October each year.

In the case of the quarterly review taking effect on 1 October 1963, the prices noted during the period from 1 October 1962 to 31 March 1963 shall be adjusted in accordance with the differences between threshold-price levels applying from 1 October 1963 to 31 March 1964 and those applying from 1 October 1962 to 31 March 1963.

In the case of reviews taking effect on 1 October in subsequent years the prices thus fixed in 1963 shall be subject to annual adjustment in accordance with the differences between the threshold-price levels applying from 1 October to the succeeding

31 March and those applying from the preceding 31 March to 1 October.

World market prices for feed-grain shall be noted during the six months preceding the quarter in which the said component has been fixed. Nevertheless at the time of the 1 January, 1 April and 1 July reviews no account shall be taken of any changes unless these are such as to constitute a variation in grain prices of more than 3 % as compared with those used in computing levies for the previous quarter."

Article 4

The provisions of Regulation No. 20, Article 7 (2) and Regulations Nos. 21 and 22, Article 6 (2) shall be supplemented by the following :

" Nevertheless at the time of the 1 January, 1 April and 1 July reviews no account shall be taken of this trend unless the changes are such as to constitute a variation in grain prices of more than 3 % as compared with those used in computing levies for the previous quarter."

Article 5

The present regulation shall enter into force on the day following publication in the official gazette of the European Communities.

The present regulation shall be binding in all its parts and directly applicable in all Member States.

Monetary and Financial Co-operation in the European Economic Community

(Communication from the Commission to the Council,
submitted on 24 June 1963)

1. Article 105 (1) lays down that :

" In order to facilitate the attainment of the objectives stated in Article 104, Member States shall co-ordinate their economic policies. They shall for this purpose provide for collaboration between their appropriate administrative departments and between their Central Banks.

The Commission shall submit to the Council recommendations on how such collaboration should be achieved."

2. The Commission has so far abstained from submitting to the Council, as required by paragraph 2 of Article 105 (1), formal recommendations on how collaboration between administrative departments and Central Banks shall be achieved. During the first stage of the transition period such a step did not yet appear to be necessary. In the exceptionally favourable general economic conditions that existed, the collaboration which developed pragmatically both in the Monetary Committee and at informal meetings between the Ministers of Finance and the Governors of the Central Banks, was quite sufficient for the needs of this period.

3. However, the first stage of integration led only to a partial elimination of all that restricted and hampered economic relations

between Member States. The elaboration of common policies in the various fields was also in a more or less early stage. In this first stage, integration in the Common Market did not play a particularly decisive role in deciding how the monetary situation developed or, consequently, in the monetary policy pursued in the Member States. In future, however, its role will become increasingly important. Integration will depend even more than in the past on monetary developments in the Member States, while these developments will themselves be determined in large measure by integration as economic relations are freed from restrictions and common policies introduced in certain important fields, common rules applied in others.

4. This growing interdependence between national monetary policies and integration in the Common Market means that all concerned must co-operate more and more closely in monetary matters. The progress of integration would be endangered if the monetary policy of one Member State were to deviate in basic principles and broad outlines from that pursued by the other members. Every advance towards complete freedom of economic relations between Member States reduces the possibility of maintaining such a divergent monetary policy. The movement of goods and money would be so distorted that the State con-

cerned would have to alter its monetary policy or else accept responsibility for endangering the existence of the Common Market.

5. The co-ordination that is necessary if the aims of the Treaty are to be realized must apply not only to the basic principles and broad outlines of monetary policy, but also, as the obstacles hampering economic relations are eliminated, to the more important measures taken in the monetary field. The existence of great differences in the methods and instruments used to apply a policy that in its broad lines is quite effectively co-ordinated could, as the interdependence of national economies develops, lead to situations which would make it difficult to eliminate restrictions or to maintain the freedom of economic relations, especially with regard to movements of capital. It is therefore in the common interest that Member States should keep each other informed as early as possible of their intentions in this field and should examine together the possible repercussions in the Common Market of the more important measures contemplated.

6. Monetary co-operation cannot be limited to the action of the Central Banks alone; it must also be extended to the action of the authorities responsible for financial policy. Public budgets, and the economic policy decisions which they reflect, exercise on monetary developments an influence comparable with and sometimes even more decisive than that of the Central Banks.

Today, a large proportion of national income passes through the public coffers. The surpluses or deficits in the public budgets, and the method of financing any deficits, inevitably exercise a determining influence on the evolution of internal liquidity and the monetary situation as a whole. The effectiveness of monetary policy in the broad sense therefore depends on Central Bank policy and budgetary policy being co-ordinated both in each Member State and at Community level.

7. Close co-ordination between the Member States is also necessary in their international monetary relations, for this constitutes the natural prolongation of co-ordination at home. This is especially true of policy regarding exchange rates. The effect of changes in these rates on international price and cost relations is direct, and their repercussions on the functioning of the Common Market might be of the greatest importance. This applies also to the case of a Member State having, because

of a deficit in its balance of payments, to seek international assistance in the shape, for instance, of recourse to the International Monetary Fund. It would be in the common interest of the Member States that they should examine what should be the nature and scale of the support as well as the conditions on which it was offered.

More generally the Member States, as parties to the international monetary system, are themselves dependent on the functioning of that system, for which they in any case carry an increasing share of the responsibility. The manner in which the system operates is of cardinal importance for the maintenance of orderly monetary relations between countries; at the same time it can have considerable repercussions on the spread of inflationary or deflationary pressures within the Common Market itself. This means that the attitude of the Member States in international monetary matters must also be co-ordinated.

It is evident from the foregoing that Member States should take major decisions in international monetary matters only after prior consultation.

8. In view of the progress already made with integration and of the further steps to be taken during the second stage, the Commission is convinced of the need to ensure the closest co-operation between the governmental authorities responsible for monetary and financial policy, and also between Central Banks. In the attached documents, the Commission has submitted to the Council recommendations under paragraph 2 of Article 105 (1) of the Treaty which would establish such co-operation by means of systematic consultation prior to any important decision relating to Central Bank, finance or foreign exchange policy.

In making these recommendations the Commission has drawn on the experience gained in the co-operation that has developed pragmatically in the Monetary Committee and the informal meetings of the Ministers of Finance and the Governors of the Central Banks — experience which shows the need for such co-operation.

9. The close collaboration evolved in Central Bank, finance and foreign exchange policy must form a coherent whole with policy on current economic developments. According to Article 145 of the Treaty, the Council must ensure the co-ordination of the general economic policies of the Member States. This could be done in the

course of a debate on general economic policy that could be held early each year in the Council. This debate could be based on material submitted by the Monetary Committee, the Economic Policy Committee and a Budget Policy Committee, the creation of which is among the Commission's recommendations to the Council under Article 105 (1). As the discussions would cover matters falling within the province both of the Governments and of the Central Banks, the Ministers of Finance, the

Ministers for Economic Affairs and the Governors of the Central Banks would all have to take part.

For the foregoing reasons, the Commission suggests that the Council should meet, if possible, in January every year to discuss the general economic policies of the Member States, and that the meeting should be attended by the Ministers of Finance, the Ministers for Economic Affairs and the Governors of the Central Banks.

RECOMMENDATION BY THE COMMISSION TO THE COUNCIL CONCERNING COLLABORATION BETWEEN THE CENTRAL BANKS AND THE EUROPEAN ECONOMIC COMMUNITY

The collaboration provided for under Article 105 (1) as regards Central Banks has already been initiated both within the Monetary Committee and in the course of informal meetings between the Governors. It consisted at first of regular and extensive exchanges of views concerning the reasons that had led to changes in policy by the various banks of issue, together with the effects of such changes. Moreover, it enabled systematic comparisons to be made between the instruments of monetary policy utilized in the countries of the European Economic Community, to form a better judgment of their advantages and disadvantages, and to make the criteria for their utilization more homogeneous.

It is important now, at the present stage of fruition of the Common Market, that the highest financial authorities of the EEC countries should be able to obtain information direct and in good time of any circumstances liable to call for changes in the monetary policy of individual Member States, and that they should consult each other as to the extent of such changes and of any repercussions these might have on their partners.

It is therefore advisable that a consultative "Committee of Governors of Central Banks in the European Economic Community", be set up, providing these authorities with regular opportunities for joint discussions and enabling them to contribute more effectively towards the harmonious working of the Common Market.

The main functions of this Committee of Governors of Central Banks would be:

To watch monetary developments in each of the Member States (to this end, the opinions addressed by the Monetary Committee to the Council and to the Commission on this subject would be placed at its disposal).

To hold consultations on the general principles and broad outlines of Central Bank policies, particularly in regard to credit, the money market and the foreign exchange market.

To exchange information regularly concerning the principal measures that come within the province of the Central Banks, and to study such measures. So far as circumstances and the dates set for the adoption of these measures allow, these studies will be made before the relevant decisions are taken by the national authorities concerned.

The members of the Committee, if unable to attend a meeting, could be represented by a member of the Board of their Bank.

It should be noted that there is no Central Bank in the Grand Duchy of Luxembourg, and that agreements drawn up within the framework of the Belgo-Luxembourg Economic Union set up a monetary association between Belgium and the Grand Duchy.

The Commission considers that as a general rule one of its members should be present at meetings of the Committee. The Chairman of the Monetary Committee might also be invited to attend.

The Committee of Governors of Central Banks would decide on the venue for meetings. It would be desirable, however, for

meetings to be held at least once a year at the headquarters of the European Economic Community.

The Commission should also be able to ask the Committee to meet at short notice if it feels that the need is urgent.

The Commission considers it unnecessary to formulate other proposals regarding the functioning of this Committee. The latter would draw up its own rules of procedure

and make its own arrangements for secretarial services.

For the foregoing reasons, and in pursuance of the Treaty, in particular Article 105 (1) thereof, the Commission recommends that the Council set up a "Committee of Governors of Central Banks of the European Economic Community" in accordance with the draft decision appended to the present recommendation.

Draft decision by the Council concerning co-operation between Central Banks in the European Economic Community

The Council of the European Economic Community,

Having regard to the Treaty, and in particular Article 105 (1) thereof;

Having regard to the recommendation of the Commission dated 19 June 1963;

Considering that the advance towards economic union, and particularly the further steps to be taken to eliminate obstacles to free movement of goods and capital, and the establishment of common policies in important fields, must necessarily be accompanied by more extensive co-ordination of Central Bank policies;

Considering that a fundamental requirement for economic union is stability in the exchange parities of the currencies of the Member States and that consequently economic and monetary policies are required that will ensure such stability;

Considering that it is necessary to ensure close co-ordination of monetary policies between the Member States of the European Economic Community, as stressed by the Commission in its Memorandum on the Action Programme of the Community for the second stage and by the European Parliament in its resolution of 17 October 1962 relating to the co-ordination of monetary policies;

Considering that, in order to strengthen the co-operation provided for in the Article referred to above, it would be expedient that there should in future be consultations between the Central Banks, which would precede more systematically the decisions taken by these Banks,

decides,

Article 1

In order to further co-operation between the Central Banks of the Member States, a "Committee of Governors of Central Banks of the European Economic Community" is hereby created.

Article 2

The Committee shall be composed of the Governors of the Central Banks of the Member States. In the event of any member being unable to attend a meeting he may delegate another member of the Board of his Bank to replace him.

As a general rule, the Commission shall be invited to delegate one of its members to attend meetings of the Committee. The Chairman of the Monetary Committee may also be invited; in the event of his being unable to attend he shall be represented by one of the two Vice-Chairmen of that Committee.

Article 3

The main functions of the "Committee of Governors of Central Banks of the European Economic Community" shall be —

i) To watch monetary developments in each of the Member States. To this end, the opinions addressed by the Monetary Committee to the Council and to the Commission regarding such developments shall be transmitted to the Committee under reference;

ii) To hold consultations on the general principles and broad lines of Central Bank policies, particularly in regard to credit, the

money market and the foreign exchange market;

iii) To exchange information regularly concerning the principal measures falling within the province of the Central Banks, and to study such measures. So far as circumstances and the dates set for the adoption of these measures allow, these studies will be made before the relevant decisions are taken by the national authorities concerned.

Article 4

The Committee shall meet at regular intervals and whenever the situation makes a

meeting desirable. Should the Commission consider that the need is urgent, it may ask the Committee to meet at short notice.

The Committee itself shall decide on the place where it shall meet. However, it shall meet at least once a year at the headquarters of the European Economic Community.

Article 5

The Committee shall draw up its own rules of procedure and organize its own secretarial services.

RECOMMENDATIONS MADE BY THE COMMISSION TO THE COUNCIL CONCERNING CO-OPERATION BETWEEN THE MEMBER STATES IN INTERNATIONAL MONETARY RELATIONS

The Member States of the Community play an important part in the functioning of the international monetary system, which may profoundly affect the movement towards European economic unification. This is particularly true of changes in exchange rates. Hence the necessity for the Member States to co-ordinate closely their policies in regard to international monetary relations.

To this end, it is essential to institute within the European Economic Community arrangements for consultation before any important decisions are taken by Member States in this field and, generally speaking, before any decision of these States regarding the broad lines of international monetary policy.

In each country, policy in this matter is conducted by co-operation between government authorities and the Central Banks. Consultations in the European Economic Community should therefore take place through a body in which these institutions are represented. The Monetary Committee is in fact so composed. The discussion of international monetary problems already forms a large part of its activities. It would therefore suffice to strengthen this form of co-operation by referring more specific points to this Committee.

The principal fields in which arrangements should be made for regular consultations in the monetary Committee are the following: —

i) General functioning of the international monetary system;

ii) Recourse by Member States to the International Monetary Fund;

iii) Participation by one or more of the Member States in large-scale financial assistance to another country, either directly or through international organizations.

Preliminary consultations within the Community are also necessary in the event of changes in the exchange parity of the currency of one or more of the Member States. Such consultations have been provided for within the framework of the International Monetary Fund by virtue of Article IV(5) of its Statutes, but for various reasons they do not meet the requirements of the close co-ordination which is imperative between the Member States of the European Economic Community in this matter. As economic relations between the Common Market countries grow closer, movements in the exchange parity of a Member State's currency will have more direct and more important consequences for the other Member States than for other countries. The fourth annual report of the Monetary Committee, recalling the two currency revaluations that took place in March 1961 in the Community, said that although this problem had on several occasions been studied by the Monetary Committee, at the time the final decisions were made these changes in parity had not been preceded by adequate co-ordination at Community level.

Moreover, the introduction of common policies in various important sectors of the economy has lent substance to the principle

set forth in Article 107(1) — that each Member State shall treat its policy with regard to exchange rates as a matter of common interest. The functioning of various mechanisms for fixing prices and tariffs which are necessary in order to give effect to a common policy, particularly in agriculture and transport, can be seriously affected by changes in parity between Member States' currencies.

Consequently, it would seem that the principle of consultation before any alternation of exchange parity between Member States of the European Economic Community must be accepted, whether such changes are made by a Member State because of special difficulties or are caused by disturbances affecting the currency of one or more countries, particularly those which are widely used for international payments.

The establishment of procedures for prior consultations on these matters presents complex problems, especially having regard to the requirements of secrecy and prompt action. It is therefore recommended that the Monetary Committee as the best qualified body in this respect in the European Community should be asked to consider appropriate procedure to make these consultations fully effective and report to the Council and Commission. The Commission will then make detailed proposals to the Council.

For the foregoing reasons, and in pursuance of the Treaty, more especially Article 105 thereof, the Commission makes the following recommendations to the Council.

a) To modify Article 1 of the statute of the Monetary Committee as proposed in the first draft decision below, so as to empower it to arrange where necessary for consultations before any major decision is taken or attitude adopted by any Member State in the field of international monetary and financial relations, particularly as concerns :

i) The general functioning of the international monetary system;

ii) Recourse by Member States to the International Monetary Fund;

iii) Participation by one or more of the Member States in large-scale financial assistance to another country, either directly or through international organizations.

b) To decide, in accordance with the second proposal below, that the Member States must consult each other before any change in the parity of their currency; to ask the Monetary Committee to give its opinion as to how such consultations could be organized; and to invite the Commission, in the light of such opinion, to make precise proposals to the Council concerning procedure for the consultations in question.

Draft decision of the Council relating to co-operation between Member States in regard to international monetary relations

The Council of the European Economic Community,

Having regard to the Treaty, and in particular Articles 105, 116 and 153 thereof;

Having regard to the recommendation of the Commission, dated 19 June 1963;

Whereas the functioning of the international monetary system can profoundly affect the movement towards the economic unification of Europe;

Whereas in the event of one of the Member States having a balance-of-payments deficit it would be in the common interest to consider how such deficit may be covered and, in particular, whether recourse should be had for this purpose to the International Monetary Fund;

Whereas close co-ordination is necessary between the policies of Member States regarding international monetary relations, as urged by the Commission in its Memorandum on the Community's Action Programme for the second stage and by the European Parliament in its Resolution of 17 October 1962 concerning the co-ordination of monetary policies in the European Economic Community;

Whereas the most appropriate method of ensuring such co-ordination is to hold the necessary consultations in the Monetary Committee,

decides,

Article 1 of the Monetary Committee's statutes shall be modified as follows :

" The Committee shall keep under review the monetary and financial situation of the Member States and of the Community, together with the general payments position of the Member States, and shall report regularly to the Council and to the Commissions thereon.

Consultation shall take place within the Monetary Committee prior to any major decision taken or attitude adopted by the Member States in the field of international

monetary relations, particularly as concerns :

- i) The general functioning of the international monetary system;
- ii) Recourse by Member States to the International Monetary Fund;
- iii) Participation by one or more of the Member States in large-scale financial assistance to another country, either directly by the national monetary authorities or through international organizations "

Draft decision of the Council relating to prior consultations between Member States in the event of changes in the parity of their currencies

The Council of the European Economic Community,

Having regard to the Treaty, and in particular Articles 105, 107 and 152 thereof;

Having regard to the recommendation of the Commission dated 19 June 1962;

Whereas changes in the parity of one or more currencies of member countries of the European Economic Community may have far-reaching effects upon the functioning of the Common Market;

Whereas close co-ordination is necessary between the policies of Member States regarding international monetary relations in general and exchange rates in particular, as urged by the Commission in its Memorandum on the Community's Action Programme for the second stage and by the European Parliament in its Resolution of 17 October 1962 relating to the co-ordination of monetary policies in the European Economic Community;

decides,

Article 1

There shall be consultation between Member States before any change is made in the parity of their currency.

Article 2

The Monetary Committee shall be invited to express its opinion as to the procedure to be established for prior consultations in the event of any change being made in the parity of the currency of one or more of the Member States, and to report to the Council and to the Commission.

Article 3

The Commission shall be invited to make proposals to the Council concerning the said procedure in the light of the opinion rendered by the Monetary Committee.

RECOMMENDATION BY THE COMMISSION TO THE COUNCIL CONCERNING CO-OPERATION BETWEEN THE COMPETENT GOVERNMENT DEPARTMENTS OF MEMBER STATES IN MATTERS OF BUDGETARY POLICY

The co-ordination of monetary policies would be incomplete if it were to be confined to purely monetary matters and took no account of government decisions in the field of public finance. Such co-ordination presupposes that the budgetary policy of individual Member States does not compromise the joint conduct of monetary policies. The same applies with regard to the effects of budgetary policy on general eco-

nomie development. It is therefore necessary that the broad lines of budgetary policy be discussed within the Community before they are settled by each Member State.

This should be done in the more general context of overall economic forecasts, in the form of "economic budgets". These economic budgets are now drawn up every

year for the following year, on as far as possible a uniform plan, and are to be gradually consolidated in an economic budget of the Community. In any event, the preparation of these economic budgets involves taking into account national budget transactions, by very reason of their repercussions on economic development.

It therefore seems advisable that the confrontation of economic budgets should include a confrontation of national budgets. This should apply to estimates of total revenue and expenditure together with the breakdown into headings having the most significance as regards economic trends. It would suffice for this breakdown to show, on the one hand, the proportion of total revenue from different categories of taxes — direct and indirect — and, on the other hand, the distribution of total expenditure between government departments, transfer incomes, capital subsidies, investment by government departments themselves and, finally, loans and advances. This work could be done by a committee composed of senior officials from the Ministries of Finance competent in matters of budgetary

policy; it should proceed in close co-ordination and concurrently with the work relating to the preparation of economic forecasts.

From the preliminary stage in drawing up national budgets there should be exchanges of views in this Committee on the broad lines of the budgetary policies of the Member States, particularly from the angle of their repercussions on the economic development of the Community as a whole. In addition, the work of the Budgetary Policy Committee should go hand in hand with that of the Monetary Committee and of the Economic Policy Committee, since it is meant to provide these Committees with the necessary material for discussion on the specifically monetary and economic aspects of the execution of national budgets.

For the foregoing reasons, in pursuance of the Treaty and more especially Article 105(1) thereof, the Commission recommends that the Council should set up a Budgetary Policy Committee, as proposed in the draft decision appended to the present recommendation.

Draft decision of the Council concerning co-operation between the competent departments of Member States' Governments in the sphere of budgetary policy

The Council of the European Economic Community,

Having regard to the Treaty, and particularly Article 105(1) thereof;

Having regard to the recommendation of the Commission dated 19 June 1963;

Whereas budgetary decisions have repercussions on economic and monetary development; and whereas the co-ordination of economic policies — particularly conjunctural and monetary policies — would be inadequate without co-ordination in budgetary policies;

Whereas it is necessary to ensure close co-ordination of conjunctural and monetary policies and of budgetary and financial policies of the Member States, as urged by the Commission in its Memorandum on the Action Programme of the Community for the second stage and by the European Parliament in its resolutions of 17 October 1962 relating to co-ordination of monetary, budgetary and financial policies in the European Economic Community;

Whereas to this end it is desirable to organize such co-operation within a group composed of representatives of the Governments and of the Commission,

decides,

Article 1

There shall be set up a Budgetary Policy Committee. The task of this Committee shall be to study, when national budgets are at an early stage of preparation, the broad lines of Member States' budgetary policies, particularly from the point of view of their repercussions on the economic development of the Community as a whole, and to make a confrontation of these budgets.

Article 2

The Committee shall be composed of representatives of the Member States and of the Commission, each of which shall appoint a full member and an alternate.

Article 3

The Commission shall co-ordinate and synchronize the work of this Committee with that of the Monetary Committee and of the Economic Policy Committee.

Article 4

The Budgetary Policy Committee shall draw up its own rules of procedure. Its secretarial services shall be provided by the Commission.