

EUROPEAN ECONOMIC COMMUNITY - COMMISSION

**Report
to the
European Parliament
on the state
of the
negotiations with
the United Kingdom**

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BRUSSELS

26 February 1963

Resolution
adopted by the European Parliament
on 6 February 1963

The European Parliament

invites the European Commission to report to it on the state of the negotiations between Great Britain and the six countries of the Common Market on 29 January 1963.

In this report the European Commission will set out both the results already obtained and the problems still outstanding and will give its opinion on the latter.

The report is to be submitted to the European Parliament within three weeks and will be discussed by the Parliament at its March session.

The report which follows has been prepared in response to this invitation from the European Parliament.

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I. OPENING OF THE NEGOTIATIONS

A. THE BRITISH APPLICATION AND THE ORGANIZATION OF THE CONFERENCE

After a series of bilateral consultations between the British Government and the Governments of the member countries of the Community, the British Prime Minister, Mr. Macmillan, made a statement to the House of Commons on 31 July 1961 in which he announced that Her Majesty's Government intended to open negotiations with the European Economic Community with a view to acceding to the Treaty of Rome under the terms of Article 237.

In this statement the Prime Minister pointed out that no British Government could join the European Economic Community without prior negotiations on how the needs of the Commonwealth countries and of the members of the European Free Trade Association could be met. The Prime Minister also drew attention to the problems posed by British agriculture.

Following this statement, the British Government was, on 3 August, authorized by the House of Commons to open negotiations with a view to Great Britain's accession to the Community; the terms of the motion conveying this authority were as follows:

"That this House supports the decision of Her Majesty's Government to make formal application under Article 237 of the Treaty of Rome in order to initiate negotiations to see if satisfactory arrangements can be made to meet the special interests of the United Kingdom, of the Commonwealth and of the European Free Trade Association; and further accepts the undertaking of Her Majesty's Government that no agreement affecting these special interests or involving British sovereignty will be entered into until it has been approved by this House after full consultation with other Commonwealth countries, by whatever procedure they may generally agree."

In the official application addressed by the British Government to the President of the EEC Council on 9 August 1961, the British Prime Minister repeated the main arguments of his statement to the Commons.

As soon as the British Government's application was received, consultations took place in the Council of Ministers of the Community after which certain lines of action were laid down for the negotiations:

“1. The negotiations provided for under Article 237 of the Treaty of Rome are negotiations between the six Community States and Great Britain.

As far as at all possible the six Community States will present a joint point of view when dealing with Great Britain.

2. The Governments of the six Member States, wishing to have the assistance of the Commission in the negotiations with Great Britain, have agreed that the Commission should take part in the Conference as adviser to the Six and would have the right to speak.

3. The Commission will share fully in the work of co-ordination between the Six.”

Speaking in the European Parliament on 5 February 1963, the President of the Commission referred to the Commission's reservations in regard to this procedure.

As to the principles to be observed in the negotiations, the Council laid down:

1. That any application for accession to the Community would mean that the country concerned unreservedly accepted the rules and objectives of the Treaty of Rome; consequently, negotiations for accession could only deal with the conditions of admission and the adaptations of the Treaty which these would involve.

2. That for political and economic reasons a country's accession to EEC would involve its accession to ECSC and Euratom also.

3. That these principles should be made known to the countries applying for membership to EEC at the very first meeting.

In the letter replying to the application to open negotiations with a view to accession by Great Britain, the President of the Council invited the United Kingdom Government to give the members of the Community full information on the problems facing it, especially in the three spheres referred to in the application, and of the solutions suggested.

The Commission of the European Economic Community, after expressing its lively satisfaction with the statement made by Mr. Macmillan, informed the Council, in reply to the request for an opinion in accordance with Article 237 of the Treaty, that since these negotiations would deal with a body of questions of interest to the Community, it would express its opinion on these problems as the negotiations progressed. It would thus be on the basis of the results obtained that the Commission would give the opinion required under Article 237 of the Treaty.

B. THE BASES OF THE NEGOTIATIONS

The proposals on procedure made by the Six were accepted by the British Government, and at a preparatory meeting in Paris on 10 October 1961 Mr. Heath, Lord Privy Seal and Leader of the United Kingdom Delegation, made a statement on the basis of which the subsequent negotiations in Brussels took place.

In this statement the Lord Privy Seal recalled the reasons which had led the British Government to make its application for the opening of negotiations with a view to Great Britain's accession; he laid particular stress on Great Britain's economic and historical links with Europe.

The British Government declared its readiness to subscribe fully to the various aims which the Governments of the member countries of the Community had set themselves.

In particular, the British Government accepted without qualification the objectives laid down in Articles 2 and 3 of the Treaty of Rome, including the elimination of internal tariffs, a common customs tariff, a common commercial policy and a common agri-

cultural policy. The British Government was also ready to accept and play its full part in the institutions established under Article 4 and other articles of the Treaty.

The British Government considered that if the accession of a new member called for adaptations it should be possible to deal with these special problems by means of protocols.

After thus accepting the principles of the Treaty, the Lord Privy Seal referred to the problems which were to be covered in the negotiations, in particular those already mentioned by Mr. Macmillan, and outlined the solutions he hoped to see accepted.

In addition to the major problems mentioned in its application, the British Government reserved the right to discuss other subjects arising from various articles of the Treaty, particularly in regard to the regulations, directives, decisions and recommendations adopted since the Treaty came into force.

The British Government suggested that the examination of some of these problems could wait until after the United Kingdom had acceded to the Treaty, although for the more vital matters the British Government considered that it was desirable to establish mutual understanding before accession.

In taking official note of this statement, the Six expressed their pleasure at Mr. Heath's acceptance of the general framework of the Treaty and its aims. At the same time both the speaker for the Member States and the President of the Commission indicated the limits within which the negotiations could take place, in particular:

“We have been assured that the United Kingdom's accession will, apart from the necessary adaptations, not require any amendments to the Treaty establishing the European Economic Community and that it will be possible to settle by means of additional protocols the problems which will arise in connection with this accession. Nevertheless, we start from the principle that these protocols must not be allowed to modify the tenor and the spirit of the Treaty and must essentially concern transitional arrangements only.

“In fact, however grave and important the problems facing the United Kingdom may be—and we willingly recognize that they are in many cases grave and important—they need to be settled without exceptions becoming the rule and vice versa. Exceptions made must not be of such scope and duration as to call into question the rules themselves or impair the possibilities of applying these rules within the Community. The accession of new members must take place in such a way that they may subsequently share fully in the working out of common decisions in a Community spirit.”

II. THE NEGOTIATIONS

Introduction

The statement made by Mr. Heath in Paris on 10 October 1961 in response to a request from the Member States that the British Government should inform them of the special problems with which it was faced and of the solutions it contemplated was therefore taken as the basis of the negotiations. The fact that broadly speaking the negotiations did not in the main centre on the articles of the Treaty of Rome itself and that they did not follow the order of the Treaty's provisions could not be considered surprising since:

- i)* The application was for accession under Article 237, and the Treaty of Rome was therefore to be considered, in principle, as accepted;
- ii)* In certain cases the particular problems raised by the United Kingdom Delegation differed rather widely from those the Six had had to tackle when the Treaty of Rome was being negotiated, or their incidence might be appreciably different.

In the sixteen months of the negotiations it was therefore essentially the major problems peculiar to Great Britain which were discussed, the aim being to find a solution which, while it took British interests into account did not impair the spirit of their Treaty or its practical working possibilities.

Much the same approach has been adopted in this report: after a chapter of questions connected with the level of the common customs tariff, the first subject raised by Mr. Heath, subsequent chapters will cover the further questions raised: Commonwealth trade, United Kingdom agriculture and relations with EFTA, in that order. It has been thought useful to devote separate chapters to certain special problems such as the financial regulation, economic union and the legal, financial and institutional aspects of accession. Classification in this way also fits in fairly closely with the different phases of negotiations. The level of the tariff and Com-

monwealth matters were the first subjects discussed, and this took till July last year; United Kingdom agriculture was dealt with mainly from the autumn onwards. When the negotiations were suspended, EFTA problems had not yet been discussed in detail with the British, as in many cases contacts with the signatories of the Stockholm Convention were still in an initial stage.

It is however quite obvious that there is something arbitrary about classifying problems in this way. Though the classification is based on the requests put forward by the British, and though it corresponds very closely with the course actually followed by the negotiations, it cannot show fully all the complexity of the subject and of the links between its various aspects. For example, problems connected with the Commonwealth may have a bearing on the level of the common customs tariff or its application, just as they can also be raised in certain cases in connection with arrangements for British agriculture itself, or again with the general problem of association; the requests for zero duties presented by Great Britain are based in most cases on mixed interests affecting Great Britain itself and certain Commonwealth countries and, in some cases, certain EFTA countries; the interests of countries such as India and Pakistan, at times considered as a separate problem, cropped up at other times in discussions on tropical products or processed foodstuffs.

For this reason several cross-references are given between one chapter and another and any links between them have been brought out.

The level of the common customs tariff

A. THE GENERAL LEVEL OF THE COMMON CUSTOMS TARIFF

In his statement of 10 October, the Leader of the United Kingdom Delegation declared himself ready to accept the structure of the present EEC tariff as the basis of the common tariff of the enlarged Community. In these circumstances, he thought, the necessary lowering of tariff levels might be achieved by making a linear cut in the common tariff as it stood. He suggested that this might be of the order of 20 %, a figure which the Community had considered in another context.

However, the British "would wish to single out some items for special treatment... our list will not be long".

1. It should be stressed that by accepting the structure of the common customs tariff the British Government adopted a general standpoint which obviated what might have been a very delicate legal and technical discussion.

The common customs tariff had been fixed by the Treaty of Rome on the principle of the arithmetical average of the tariffs in the member countries of the Community. If on this point Great Britain had demanded a re-calculation of the whole of the common customs tariff, considerable difficulties would certainly have arisen. These would have been further aggravated by the fact that other countries had also applied for membership of the European Economic Community. The United Kingdom Delegation's attitude, the only one in fact compatible with the reasonable limits of negotiations for membership, was therefore to be welcomed; as the Treaty sets no time-limit for such negotiations, any other principle would have plunged the economies of the member countries into permanent uncertainty and undermined one of the mainstays of the Community.

2. The terms used by the United Kingdom Delegation did, however, give rise to some uncertainty. In the Community's

view, the common customs tariff could only mean the tariff as established by the Council decisions of 13 February, 20 July and 29 December 1960, and by that of 2 March 1960 for products on List G (annexed to the Treaty).

If it had been otherwise, the linear reduction of about 20 % proposed by the British would have had to be applied to the common customs tariff resulting from the negotiations under Art. XXIV(6) of GATT, and consequently wherever a reduction had been accepted by the Community under the terms of this Article (there were about 261 such reductions) the new rate would have worked out in many cases at 40 % below the common customs level as established by the decisions referred to above.

The opening talks with the United Kingdom Delegation made it clear that in principle the United Kingdom accepted, for the enlarged Community, the common customs tariff as modified by the Dillon negotiations, subject to the Delegation's requests concerning zero duties and the level of duties for agricultural and tropical products (matters which are dealt with below). The United Kingdom reserved, however, the right to request that at the end of the negotiations the Six and the United Kingdom should together examine whether the level of the tariff resulting from those negotiations was appropriate as a tariff for the enlarged Community or whether it still needed to be adjusted by complementary reductions which would not exceed the 20 % envisaged for the negotiations. The British Government did not intend to ask for any upward adjustments.

3. It would seem that the United Kingdom Delegation took the view that an automatic 20 % cut would have been necessary if the enlarged Community's customs tariff were to be made acceptable to the GATT Contracting Parties. The Six were not able to fall in with this argument: they considered that the present common customs tariff was compatible with GATT and that, in view of the higher general level of the British tariff, British membership would not alter the situation. In particular, the incidence of the customs tariff applied by Great Britain to countries outside the Commonwealth and EFTA was heavier than that of the common customs

tariff; the Six therefore intimated that it was only on the basis of adequate reciprocity that complementary reductions could be made.

4. When the negotiations were suspended, the question of the general level of the common customs tariff was, from this angle, still unsolved. The United Kingdom Delegation had not stated for which tariff items it reserved the right to examine jointly with the Six a 20 % reduction or the possibility that complementary adjustments not exceeding a 20 % cut should be made in the level of the tariff after the end of the Dillon negotiations. The fact that it had still not been possible to reach agreement on certain requests for zero duties may perhaps have helped to maintain uncertainty on this point.

For its part, the Community was ready to consider the changes within the limits contemplated by the United Kingdom Delegation, provided always that the principle of reciprocity, which had been one of the factors in the decisions of 12 May 1960, was formally accepted by Great Britain.

5. It should be noted that those taking part in the Conference were aware of the existence of a further uncertainty which concerned both the general level of and the individual rates in the common customs tariff, an uncertainty which would last throughout the negotiations under Article XXIV of GATT (particularly paragraphs 5, 6 and 9) which would have had to be held once Great Britain had joined the Community.

B. BRITISH REQUESTS FOR ZERO DUTIES IN THE INDUSTRIAL SECTOR

In paragraph 18 of the speech he made on 10 October 1961, Mr. Heath had said he would give a list of products for which the United Kingdom would not be able to accept the rates laid down in the common customs tariff.

1. This list, which was presented by the United Kingdom Delegation at the opening of the negotiations, contained 24 industrial

products and groups of products. In April 1962 two other products were added. For all these products the United Kingdom Delegation requested a zero duty in the common customs tariff.

The British requests were in most cases based on the fact that a large proportion of the United Kingdom's imports of the products in question come from Commonwealth countries and are therefore admitted duty free or given preferential treatment under the British customs tariff. However, for certain products, the reason for the British request was of an internal economic nature—namely the danger of higher prices if the common customs tariff were applied to imports of these items by the United Kingdom.

The list represented altogether about 16 % of United Kingdom imports in the industrial sector. Some of the products affected are of considerable economic importance (for example, wood pulp, newsprint, aluminium, lead and zinc, and petroleum products).

2. The negotiations on these requests for zero duties proved difficult:

a) Several of the items in question—often the more important ones—were List G products, which had already given rise to difficult negotiations among the Six; agreement had been reached on the duties for these items in the common customs tariff only as a result of an extremely complex package deal worked out at the Rome Conference of February and March 1960.

b) Even for the products of lesser importance, agreement was seldom easy: each British request raised particular difficulties for one or more Member States, and it was only with difficulty that a way could be found of balancing out the various concessions to be made by each party.

c) Care had also to be taken to see that the solutions proposed did not lead to a permanent splitting up of the common market in the products in question, as this would have had unfortunate effects on the free movement of goods between the Member States of the enlarged Community. It was therefore important to avoid the generalized use of any device which could have been introduced

