

Opinion submitted
by the Commission to the Council
on certain problems resulting from
the applications for membership
received from the United Kingdom,
Ireland, Denmark and Norway

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1. In its Opinion of 29 September 1967, the Commission pointed out the difficulties and risks as well as the advantages which might result from the accession of new members. It laid special stress on Great Britain's need to adapt her economic and monetary position with a view to making her membership possible and beneficial and on the need for the parties concerned to consult each other with regard to the chronological order and scope of the steps to be taken.

With due regard for all the factors of a political or economic nature which are dealt with in detail in the various chapters of its report, the Commission considered that the Community should pursue development and enlargement simultaneously, without trying to determine which of these two aims should take priority. For this reason it declared itself in favour of opening negotiations with the States concerned. These negotiations might from the very outset have been devoted in particular to a thorough examination of Great Britain's economic and financial position and of any measures of adjustment which the British authorities decided to take. The negotiations would also have made it possible to discover whether solutions exist which can satisfy the conditions that have to be met if there are to be the cohesion and vitality which are indispensable in an enlarged Community.

The Commission reserved the right to decide during and at the close of the negotiations whether it would be possible, in the light of the measures taken by the candidate States and also of the measures which Member States had taken to develop and strengthen the Community, to widen its membership without undue risk.

2. As the Council has decided to keep the question of the enlargement of the Community on the agenda, several Member States have submitted proposals in order to facilitate the ultimate entry of the States seeking membership.

These proposals touch on the following points:

- i) A commercial arrangement;
- ii) Co-operation in the field of technology and in the complementary field of patents and the European company;
- iii) Special procedures for co-operation in monetary and economic matters;

- iv) Consultation over other common policies;
- v) Co-operation in the political field.

3. The Commission has noted that all the proposals put forward by the Governments of the Member States reaffirm with one accord the need to continue building the Community and, on a more general plane, to pursue the great task of uniting Europe. It attaches vital importance to this point.

4. On enlargement of the Community, the Member States are evidently not in disagreement over certain fundamental points:

- a) Enlargement of the Community not only evokes no objection in principle but the accession of Great Britain and of the other applicant countries is also to be welcomed;
- b) Restoration of the balance of the British economy is of fundamental importance if Great Britain is to become a member of the Community;
- c) It is therefore essential that Great Britain should strive to adapt itself; it has already set about this task with courage and determination;
- d) All the Member States are prepared to make this adjustment easier;
- e) Co-operation with Great Britain and the other States seeking membership can be considered in the field of research and technology. The statement issued in Luxembourg on 31 October 1967 had, moreover, already provided that ways will be sought to bring other European States to share in the work or the co-operation undertaken in the above fields.

5. These various points justify the assumption that within the Council there is a consensus of opinion in favour of an agreement to prepare and facilitate the eventual accession of the States that have applied for membership.

With due regard for the various proposals put forward by the Governments of the Member States as well as for the matters discussed by the Council on 29 February and 9 March 1968, the Commission herewith submits to the Council the broad outline of what it considers an agreement preparatory to membership for the States which have requested it might look like.

6. An agreement of this kind, made against the background of prospective membership, would need to:

a) Be understood as an adjustment stage, serving in particular to render the swift restoration of lasting economic equilibrium in the United Kingdom as easy as is possible;

b) Serve as a framework for an effort to ensure a *rapprochement* between the Community and the applicant States so that the latter should within a reasonable time after be able to assume all the responsibilities and enjoy all the advantages of Member States.

7. The prospect of subsequent membership should be defined on the following lines:

i) The agreement would be in the nature of a preparatory stage of limited duration; it would not be concerned with trade alone, but would also lay down a procedure for consultation and *rapprochement* as well as stipulating co-operation with the States concerned in this field of scientific research and technological development;

ii) At the end of this stage (or earlier, if circumstances allow) the Commission would submit to the Council an Opinion, complementary to that of 29 September 1967, in which the Commission would, in the light of the adaptation measures already taken by the countries seeking membership, state whether the conditions for membership were satisfied. On the basis of this Opinion the Council would follow the procedure in accordance with Article 237 of the Treaty.

8. As pointed out above, the Commission hopes that the Council will also examine the measures which the Community should take in order to prepare itself for enlargement by strengthening its structures, applying common policies and completing its economic unity.

The Commission reaffirms the growing and increasingly urgent need to co-ordinate the economic and monetary policies between the six Member States. Furthermore, of the objects it would be important to reach within the next two to four years, the following appear to be of particular note:

a) Fulfilment of the conditions required to eliminate frontier controls on the movement of goods within the Community;

b) Signing and ratification of conventions instituting a European patent and a European company (including the appropriate fiscal measures);

c) Establishment of a European money market comprising the free movement of capital where the investment of funds and the granting of credits are concerned.

These steps are mainly required in order that the economy of the Community should benefit more fully from the establishment of the customs union which is now practically complete; they are also desirable for the purpose of making the Community better prepared to enjoy the advantages of extension.

9. The Commission is prepared to submit to the Council at the appropriate time more detailed proposals regarding:

i) An agreement preparatory to the accession of States which have requested membership;

ii) The development and strengthening of the Community with the same object in view.

10. The Commission hopes that the Member States can reach an agreement that will enable all the work indispensable for the Community's development to be resumed normally and at the same time be a positive step towards enlargement.

ANNEX

I. Problems raised by the establishment of a system of preferential trade

II. Procedures for consultation and rapprochement

III. Collaboration in scientific and technological matters

I. Problems raised by the establishment of a system of preferential trade

1. The German Government has suggested in its memorandum the establishment of a preferential trade area between the Community and the States seeking membership, the purpose of which would be to free the greater part of trade from obstacles.

The French Government has stated its willingness to envisage the conclusion of a preference agreement of limited scope comprising tariff reductions across the board or in certain industries and special provisions in the field of trade in agricultural produce. An agreement of this kind should promote the development of intra-European trade and help to prepare Great Britain for membership of the Community.

Both Governments consider that the contemplated agreement would be compatible with the provisions of Article XXIV of GATT.

2. The Commission also believes that the establishment of preferential arrangements between the Community and the countries seeking membership would enable existing economic connections to be appreciably strengthened. Reciprocal reduction of customs duties, even if it were limited, would make an effective contribution to better economic balance in Great Britain.

In the case of certain products involving the industries based on advanced technology, substantial tariff reductions or even the complete elimination of all obstacles to trade would enable the markets to be widened — and this is indispensable if the efforts at co-operation in the field of research and technology are to be carried through to the industrial production stage.

3. Preferential trade arrangements should not be a substitute for membership.

Moreover, the Community has always been against the inclusion of the common market in a free-trade area, and there appears to be no reason why this attitude should be changed when those European countries — with the United Kingdom at their head — which used to advocate a large free-trade area are now, in the light of experience, convinced of the merits of the Community solution. Were the Community to abandon this attitude, it would be running the risk of strengthening, both in the Community and in the countries seeking membership, the argument that European union is primarily, if not entirely, a commercial matter.

It would likewise be a mistake to contemplate establishment of a full customs union except in the context of membership.

4. In order to assess the possible content of a preferential trade arrangement with Great Britain and the other States seeking membership, the following points should be borne in mind:

i) The tariff reductions accepted on either side would be added to those agreed to under the Kennedy Round, whether the latter is accelerated or not;

ii) The level of the common customs tariff as modified by the Kennedy Round makes it difficult for the Community to bear substantial tariff reductions unless they are accompanied by specific measures to reduce the distortions of competition;

iii) The arrangements to be envisaged in the agricultural field would not constitute preparation for eventual membership if they were drawn up solely on the basis of agricultural policies at present being followed in the countries seeking membership and relied on quantitative measures; it is advisable to recall in this connection the disappointing results of the attempts made in the Community to apply Article 45 of the Treaty of Rome, which provides for long-term agreements or contracts;

iv) Any tariff reduction exceeding certain limits would mean that the States concerned had to align their tariffs to some extent on the common customs tariff, and this would bring up the problem of the preferential relations of the applicant countries with their EFTA partners and those of Great Britain with the Commonwealth countries;

v) The conclusion of a trade arrangement with the countries applying for membership would mean that the other members of EFTA would be more anxious than before to establish similar preferential relations with the Community;¹

vi) A preferential agreement concluded with industrialized countries in Europe would probably cause serious objections to be raised by the members of GATT; it should, however, be possible to counter them provided that the programme for abolishing the obstacles to the greater part of trade is specified. In any case recourse to Article XXV should be avoided.

5. In view of the foregoing considerations, a preferential arrangement preparatory to membership could be based on the following elements:

¹ Should an agreement be concluded between the Community and the countries seeking membership, the development of relations with EFTA and the British Commonwealth should be studied in detail.

a) Reciprocal linear reductions of customs duties, limited in scope and subject to exceptions;

b) Substantial reductions, even going as far as the complete elimination of barriers to trade in products connected with the implementation of programmes of technical co-operation (see Chapter III, sec. 13) and perhaps to products of concern to other industries as well;

c) Reciprocal preferences for the agricultural products which are or could be extensively traded between the parties; where the products concerned are subject to a price policy in the Community, there could be a system of

trade at agreed prices approaching to some extent those ruling in the Community;

d) Progressive alignment on the common customs tariff once the tariffs have been reduced by more than 30%;

e) Measures to reduce any distortions of competition that occur, and appropriate safeguard clauses.

In order to avoid complications in the movement of goods, the starting date, duration, content and rate of progress towards the preferential system would, in principle, be the same for all concerned.

II. Procedures for consultation and rapprochement

6. In the Opinion rendered on 29 September 1967 the Commission pointed out the value of consultations with Great Britain, particularly where the adjustment of that country's economy and monetary system are concerned, and suggested that these problems should be examined right at the start of the negotiations.

The advisability of more general consultations to prevent further widening of the gap between the Community and the States which requested membership has been frequently emphasized in the discussions at the Council.

7. If special precautions were not taken, such consultations might however involve the risk of adding another complication to the functioning of the already very complicated institutional mechanisms of the Community.

Furthermore, any attempt to reduce the gap between the applicant States and the Community by slowing down the progress of the latter will involve not only the disadvantages inherent in such action but also the risk of weakening the attraction which the Community at present exerts on the States which have asked to join it.

8. Only participation in the Community institutions in the capacity of Member States can entitle States which so desire to exert an effective influence on the life of the Community. Until this position has been reached, consultation with States which remain non-members can have only a limited effect.

This being so, flexible procedures might be contemplated which should make it possible for fruitful contacts to be arranged between the Community and the applicant countries without further complicating the functioning of the Community.

9. Various possibilities should be noted, none of which excludes the others:

a) Contacts between the Commission and the Governments and administrations of the States seeking membership.

In addition to the permanent relations through their accredited missions, the applicant States¹ have, as a result of frequent visits by ministers and senior officials, maintained contacts with the Commission that have proved useful and given rise to no difficulty.

Wider use of this possibility might be contemplated, as the Governments of the Benelux countries and Italy have suggested. The purpose of these consultations would be to sort out the economic, administrative and legislative facts in matters of concern to one party or the other. In addition to the communication of factual information, there could also be exchanges on the lines which the two sides expected to follow. Discussion would not be limited to the activities of the Community, but also cover the steps being taken by States seeking membership and the adaptation of their economies in readiness for subsequent membership.

The collaboration instituted by the ECSC's Association Agreement with the United Kingdom and by the Co-operation Agreement between Euratom and the UKAEA would, of course, be continued and if possible intensified.

b) More rational use of the offers of contact made by other institutions.

As the Italian Government suggested, it would be possible to make better use of the meetings of the WEU Council of Ministers. The result could be achieved if prior co-ordination of the position of the Six were arranged in accordance with Community procedures. Subject to this proviso, the attendance of the Ministers of Economic Affairs and Finance might prove to be extremely useful when problems coming within their province were under discussion.

In addition, the question of contacts at ministerial level between the Community and the applicant States not belonging to WEU should be settled.

10. The various solutions referred to above, which should not in any way hamper the Community's institutional mechanisms, offer a very wide range of possibilities for the mutual exchange of information with a view to effective preparation for membership, and in addition they will enable the Community institutions to bring up to date and fill gaps in the file of documents on the extension of the Community so that, when the time comes, the negotiations can begin without delay.

¹ Particularly Denmark, Ireland and Norway which, as they are not member of WEU, have not been able to take part in the meetings organized at ministerial level in the Council of this organization.

III. Collaboration in scientific and technological matters

11. The resolution adopted on 31 October in Luxembourg envisaged the possibility of collaboration with non-member countries, in particular the United Kingdom, and with international organizations. In view of British potential in this field, several Member States have since then stressed the advisability of arranging for special co-operation with the United Kingdom, as well as with the other applicant States, in scientific research and technological development. The need for overall planning, the advisability of broadening efforts to include other major sectors and of extending them down to the production and marketing level, have rightly been stressed by the Belgian Government.

12. From the point of view of procedure, the work undertaken in the Community, including the attempt to find ways in which other European States could participate in what is being done and in the co-operation already begun, should continue as before. The Council could at the same time decide what effect should be given to the conclusions of the Maréchal Working Party on Scientific and Technical Research Policy and what form of collaboration should be established with Great Britain and the other States which have requested to join the Community.

The Commission considers that this work might take the form of participation, especially by Great Britain, in specific schemes or programmes.¹ Co-operation of wider scope might be organized as part of an agreement drawn up with subsequent membership in view. Its purpose would be to achieve gradual alignment of policies on scientific and technological development.

This co-operation would be considerably facilitated by the tariff arrangements envisaged in paragraph 5.

Furthermore, when formulating European patent law and the statute of the European company it would be advisable, without slowing up the Community's work, to bear in mind the advantage which would be obtained from co-operation in this field between the Community and the countries seeking membership.

13. Far more for reasons of practical efficiency (the connections between research, technological development, industrial production

and marketing) than for legal and institutional reasons, the Commission cannot be party to an approach which would establish a distinction between the matters depending directly on the Treaties and those not depending directly on them or merely infringing on them. The formulation of an effective policy for scientific research and technological progress, including its industrial and commercial ramifications, is in fact inseparable from the establishment of economic unity.

The limited effectiveness of the efforts made hitherto is proof of the need to implement within the Community an overall policy; fruitful co-operation with the other European countries depends on this being done.

14. Furthermore, the Commission would not be in favour of setting up a technological Community distinct from the present Communities that are now in the process of being merged. Such a trend would lead to an awkward institutional separation between a general economic policy which would continue to be worked out by the Six and a technological policy which would be worked out by seven, eight, nine or ten countries. The necessary link between research, industry and marketing would once again be overlooked. In addition, the familiar drawback from which the three European Communities long suffered owing to the number of institutions involved would reappear in a more serious form owing to the difference in the geographical boundaries of the Communities, and this would undoubtedly add a further complication to the already extremely tangled skein of European co-operation.

If all the members of the Council could agree on the general lines indicated in the present document, the Commission would formulate more detailed proposals.

1. This participation could assume various forms :
(i) An association of the ECSC-United Kingdom type;
(ii) A co-operation agreement of the Euratom-United Kingdom type;
(iii) Association, within the meaning of the Euratom Treaty, for the execution of specific projects (e.g. the Dragon project);
(iv) Joint Enterprises as referred to in the Euratom Treaty;
(v) Participation in any other scheme in the field of research and technology.