

Opinion concerning the Applications for
Membership from the United Kingdom,
Ireland, Denmark and Norway submitted
under Articles 237 of the EEC Treaty,
205 of the Euratom Treaty, and 98 of the
ECSC Treaty

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INTRODUCTION

1. At a meeting held on 22/23 July 1969 the Council invited the Commission to bring up to date the Opinions it had issued in September 1967 and April 1968 concerning the applications for membership from the United Kingdom, Ireland, Denmark and Norway.

2. In reviewing the above-mentioned documents, the Commission has found that in general the points made in the Opinion of September 1967 had lost nothing of their value and that there was no need to modify the general trend of the document or the conclusions drawn.¹

3. It is, however, indispensable that the document should be brought up to date. The progress made towards economic union since 1967 has changed certain of the facts of the situation and brought out the need to strengthen, to "deepen" or to develop the Community. Attention had already been drawn to this need in the Opinion of September 1967, and developments since that time have aroused an awareness of the problems facing the six founder States in conditions which are such that failure to recognize it would mean jeopardizing the survival of what had been achieved in ten years of joint endeavour. The prospect of a wider Community makes such an examination more urgent than ever. Finally, the institutional problems must be dealt with more fully than in the Opinion of September 1967.

4. As in 1967, the present Opinion, also submitted under Articles 237 of the EEC Treaty, 205 of the Euratom Treaty and 98 of the ECSC Treaty, is preliminary in character. The basic options will remain open as long as the positions reached through negotiations are not known.

¹ On the other hand the Commission felt that the discussions in the Council on 22 and 23 July 1969 meant that the approach which underlay the Opinion of 2 April 1968 had ceased to be relevant and that, while the document should remain in the dossier devoted to enlargement of the Community, there was now no point in bringing it up to date.

The Commission none the less considers that this document should make it possible for the Council and the Member States to define the framework of membership negotiations rapidly and with the requisite precision.

TITLE I

ENLARGEMENT OF THE COMMUNITY

Chapter 1

General

5. The United Kingdom, Ireland, Denmark and Norway have maintained their applications for membership. The candidature of the United Kingdom cannot be considered in isolation from those of the other three countries. On the one hand, an *a priori* choice cannot be made between applications from European countries which have all declared that they are ready to accept unreservedly the Community's economic objectives and its aim of political union. On the other hand, these other three countries could hardly contemplate joining the Community independently of the United Kingdom because of the links uniting them with that country, particularly as members of EFTA, and it would also be difficult for them to remain outside a Community enlarged by accession of the United Kingdom alone.

6. The possibility for any European State to join the Community is laid down in the Treaties of Paris and Rome. Furthermore, in the Preamble to the Treaty of Rome, the founder States declared that they were:

“Determined to establish the foundations of an ever closer union among the European peoples”

and

“Resolved to strengthen the safeguards of peace and liberty by establishing this combination of resources, and calling upon the other peoples of Europe who share their ideal to join in their efforts”.

It is in this spirit, then, that the Community should examine applications for membership made by any European countries which subscribe to these principles and to these objectives.

This being so, the Commission considers that accession by Sweden should be envisaged only if the negotiations with that country were to show that it is in a position to accept without restriction the political aims of the Community as these appear from the Preambles to the Treaties.

7. On the plane of principles, the accession of States whose traditions of political equilibrium and democracy are as old-established and deep-seated as are those of the candidate countries would be of great value to the Community, both as regards its internal development and the exercise of increased responsibilities in international life.

8. As regards objectives, the enlargement of the Common Market to include countries whose level of development is comparable to that of the Six would have the further effect of creating a large economic entity which, particularly because of a better division of labour and the greater economies of scale resulting from mass production, should permit a more rapid improvement in living standards.

However, these advantages need to be assessed in the light of the Community's past experience. There are fairly narrow limits to the elimination of obstacles to trade if it is not accompanied and then underpinned by the establishment of a genuine economic union enabling firms to adapt their organization and activities to the new dimensions of the market. Unless complemented by such positive action, the elimination of obstacles to trade will itself remain precarious.

The fact that enlargement of the Community raises additional problems makes it all the more important to maintain its dynamism.

9. In any case the accession of new members to the Communities implies acceptance on their part not only of the Treaties but also of the decisions¹ which have been made since the Treaties came into force.

¹ The word "decisions" is used here in a general sense and does not refer to the character of the acts taken by the Community institutions. It also covers the agreements concluded with non-member countries.

These decisions, which are the fruits of generally hard-won compromise between the six founder States, have become essential elements of the *de facto* solidarity which links the Six together and, from this angle, of the very existence of the Community. This is why, as a general rule, a solution to the concrete problems will have to be sought by working out transitional measures and not by amending the existing rules.

In several fields measures have been envisaged or undertaken even where the wording of the Treaties did no more than formulate principles without providing for detailed commitments. This is the case, for example, as regards the aid arrangements for coalmining, medium-term policy, monetary policy, industrial policy, etc.

In each case the further commitments accepted by the Member States resulted not just from the undertaking to establish an economic union among themselves, but also from the practical requirements brought out by experience gained in implementing the Treaties; it has not, however, been found necessary to make formal additions to the Treaties.

10. The acceptance by new members, during the membership negotiations, of the objectives already fixed by the Community and, save for any minor adjustments which might prove necessary, of the acts already adopted, would not in itself suffice to ensure that the tasks to be accomplished in the coming years will be successfully completed. It remains to be seen, too, whether the commitments written into the Treaty or already assumed by the present members are sufficient to guarantee the efficacy of the enlarged Communities or whether, on the contrary, certain more precise undertakings on the part of the old and the new members will not be required.

It therefore appears advisable to make sure, at least in certain essential fields, that when negotiating with the present members of the Community these countries should declare their agreement with the necessary objectives and with the appropriate methods to achieve them. These fields should include not only questions whose interest and urgency would be increased by enlargement of the

Communities, but also those to which the wider Community would attribute fundamental importance from the angle of its future economic and political development.

Chapter 2

The economic problems

11. The Commission devoted Titles II and III of its Opinion of 29 September 1967 to these questions, dealing in particular with the economic aspects of enlargement. These it considered from the internal point of view and from that of the Community's external relations. Since some of the factors on which the Commission's analysis was based have since changed, the relevant passages have been revised. The review has again made it clear that the main problems, requiring priority consideration, concern essentially agriculture and economic policy, especially monetary problems.

Since United Kingdom membership could be expected to lead to membership for the other candidates and since the problems discussed in this chapter are of overriding importance in connection with the United Kingdom application, they have been examined primarily from the point of view of the prospective membership of that country.

(a) Agriculture

12. In its September 1967 Opinion, the Commission stated that enlargement of the Community could not be allowed to call into question the common agricultural policy.

An analysis of changes in the basic economic factors of agriculture in an enlarged Community¹ shows that membership of the four candidate countries would not alter them. The entry of new members would not by itself entail a review of the bases of the

¹ An analysis of the changes in the basic factors and in the main problems posed by enlargement — brought up to date according to the latest available data — is given in the Annex (Chapter III).

common agricultural policy: a single agricultural market based on the common organization of that market with common prices for the main products, a single system of trade with non-member countries and priority for commodities produced in the Community. The maintenance of these fundamental principles does not, however, mean that adaptation of the methods by which this policy is implemented may not prove necessary.

Nor should enlargement of the Community affect the principles underlying the financing of the agricultural policy, principles which reflect the financial solidarity of the Six: Community financial responsibility with regard to the price and marketing guarantees provided by the market policy and the provision of funds with which the Community can finance measures to improve the structure of agriculture.

13. When restating its basic attitudes in the present Opinion, the Commission is not unaware of the difficult problems, some of which have grown more serious in recent years, that will be raised by extension of the Community policy to countries where at present the agricultural situation is unlike that in the Community and the concept of agricultural policy also differs. Agreement on some of these matters would have to be reached between old and new members in the negotiations. The main problems are:

- (i) The repercussions, on both production and consumption, that will inevitably follow application of the common agricultural policy in the enlarged Community;
- (ii) The financial consequences of the common agricultural policy;
- (iii) Difficulties which might arise in respect of Commonwealth sugar and New Zealand butter.

It should be possible to solve the problems connected with levels of farmgate and consumer prices by means of appropriate transitional measures which would spread the necessary adjustments over a period of time.

14. Since the Commission rendered its September 1967 Opinion, the Community has become aware—independently of the question

of enlargement—of the grave problems created by developments on the agricultural market, both where farmers and the consumers are concerned and from the financial point of view. In its Memorandum on the reform of agriculture submitted to the Council at the end of 1968, the Commission has suggested how the Community's agricultural problems could be solved. In particular, it has recommended measures to deal with the structure of production and marketing and suggested a new approach to policy on markets and prices. The new line envisaged for the common agricultural policy is intended to establish equilibrium between output and market potential, having due regard to possible imports and exports, and to ensure that there is now and in the future a satisfactory remuneration for the capital and labour employed in agriculture.

15. If, before the opening of negotiations, the Community were to agree on the aims of such a new approach in agricultural policy, the road would be open for solving the economic and social problems which have beset agriculture for so long that prompt action is called for. The need for such action is made even more urgent by the prospect that the Community may be enlarged.

Just to extend the existing common agricultural policy (especially the price and marketing guarantees) to the new members without the revision recommended could well engender a major increase in the output of certain key agricultural products in the candidate countries. On the other hand, the drive to improve the structure of production in agriculture and of the relevant marketing system will help the agricultural sector to close the gap between the situation in the Community and the highly efficient agriculture of certain candidate countries.

16. By establishing the targets to be achieved in the process of revising the agricultural policy, the Community would create a favourable outlook which could induce the new members to accept more easily certain commitments that they will have to assume. This is particularly the case where the financing problem and the problem of trade with non-member countries are concerned.

17. Faced with a sum of 2 300 million u.a., which is the amount budgeted for in 1969 on present bases for the support of the market in the Six alone, and given that this sum is likely to increase, the new members may well have doubts about accepting the principles which underlie the financing of the common agricultural policy and would be tempted to challenge them. By an act of political will and a vigorous drive to establish a new approach to this policy, the necessary sums, especially for market support, can be scaled down to a much lower figure. These measures would entail a major financial effort for a limited period, but the resulting longer-term outlook would strengthen the Community's case for requiring the candidate countries to accept the common agricultural policy, including the principle of financial solidarity and its consequences, as soon as they join.

18. With regard to the problem of the costs arising from the application of the agricultural policy, it should be noted that the Community agricultural system combined with the own resources system will result in these costs being borne by the consumer. For foodstuffs produced in the Community, the consumer will, generally speaking, pay a price that stems from the market organization measures. For imported foodstuffs he will pay the same price, which in this case will include the levy and any customs duties. These levies and duties will be credited to the Community budget, as will the customs duties on industrial goods and any indirect taxes, which are also paid by the consumer. Expenditure from the Community budget, including that for agriculture, will therefore be entirely defrayed by the consumer.

This system will be necessary because of the supply situation in the Community and of the place occupied by the agricultural sector in the economy as a whole, a situation which will not be changed fundamentally by enlargement.

The extension to the candidate countries of the common agricultural policy with a common price level and an own resources system will mean that the consumer in the candidate countries, as now in the Member States, will defray, without discrimination, the costs of the common policy.

19. By deciding to embark on effective action to make EEC agriculture more competitive, to get rid of structural surpluses in the Community while avoiding increases in agricultural production in the candidate countries, it should be possible to maintain in the enlarged Community a certain volume of imports and thus to reconcile the interests of agriculture and the interests of the external trade of this Community. With this in view, account could also be taken, when the common agricultural policy of the enlarged Community is put into practice, of the adjustments certain Commonwealth countries would have to make. In view of the preponderant position which the enlarged Community will occupy where international trade in agricultural produce is concerned, and of the worldwide responsibilities which will consequently rest on the Community, it would seem that the measures it takes in this context should be coupled with much wider action at world level. The Community should take the necessary initiative to ensure that all the major countries exporting or importing agricultural products act in concert with the Community.

20. Briefly, the Commission believes that the negotiations must not jeopardize the essentials of the common agricultural policy; the problems raised for the new members by the need to adapt themselves to this policy must be solved through appropriate transitional measures.

(b) Economic and financial problems

21. In its Opinion of 29 September 1967, the Commission stated that among the candidate countries the United Kingdom required, from the economic and financial point of view, special study. It emphasized three problems "that would have to be resolved before that country could, where economic policy and the balance of payments are concerned, effectively pursue the objectives laid down by the Treaty of Rome". These were:

(i) The deficit in the United Kingdom balance of payments, which must be eliminated on a lasting basis if the United Kingdom is to be able to shoulder the obligations now borne by member countries

and to cope with the additional burdens which, initially, will arise for the United Kingdom because of its membership;

(ii) The fluctuations in the sterling balances, which can expose sterling to sudden strains, constitute a factor of disequilibrium in the United Kingdom economy and would be a source of difficulty for the Community if and when Britain joins;

(iii) The international role of sterling, in view of the difficulties which the role of sterling could cause with regard to the convergence of economic objectives between the United Kingdom and the other members of an enlarged Community, and also in connection with the future establishment of a Community monetary system.

Since that Opinion was submitted to the Council, events have occurred in the British economy which affect the problems referred to above. The most important of these events are:

(i) The 14.3% devaluation of sterling in November 1967 and its consequences for the United Kingdom balance of payments;

(ii) The implementation of a system set up within the framework of the Bank for International Settlements to curb withdrawals on sterling balances held by public authorities of the sterling area countries.

22. The Commission made certain oral comments on the devaluation of sterling at a Council session on 11 December 1967.

The effects expected from the change in the parity of sterling and from the economic policy measures announced by the British Government in a letter of intent sent to the International Monetary Fund in November 1967, when Britain was seeking an additional credit of \$1 400 million from the IMF to support these measures, have been materialized but with some delay.

Because of the difficulties experienced by the British Government in reaching the targets it had set itself and the problems raised by the repayment of certain debts on the dates originally agreed, it decided in the early months of 1969 to re-examine the policy pursued after devaluation and to amend its balance of payments aims.

