

EUROPEAN ECONOMIC COMMUNITY
COMMISSION

Seventh

GENERAL REPORT

on the

Activities of the Community

(1 April 1963 — 31 March 1964)

JUNE 1964

The President
and the Members of the Commission
of the European Economic Community
to the
President of the European Parliament

Mr President,

We have the honour to submit the Seventh General Report on the Activities of the Community, which the Commission is required to publish in pursuance of Article 156 of the Treaty establishing the European Economic Community.

In accordance with Article 122 of the Treaty the Commission also prepares a Report on the Social Situation in the Community, to be included in the General Report. This document will be submitted to you in the near future.

Please accept, Mr President, the expression of our high consideration.

Brussels, 1 June 1964

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INTRODUCTION

I. In presenting its Sixth General Report, at a time when the Community was in the throes of the gravest political crisis since its inception, the Commission declared: "the Treaties of Rome and Paris are not merely the expression of a policy; they have founded a new constitutional order, and it is in moments of crisis that one appreciates the value of a permanent constitution, stable institutions and immutable rules." A year has elapsed, and the Commission can claim that continuity in the working of the Institutions has been ensured, that Treaty rules have been complied with in all fields and that the Community has thus made further and spectacular progress.

This has been achieved because our six countries and their peoples are deeply attached to the building of their Community, and this attachment has proved stronger than their political differences. Such success would not, however, have been possible without the Institutions, whose permanency and independence enabled the Community to weather the storm.

II. In May 1963, the Council had agreed on the essentials of a programme of work for the current year, designed to foster the "harmonious development" of the Community both internally and in its external relations. This concern was fully shared by the Commission, and the whole "Action Programme for the Second Stage" was planned to ensure the balanced implementation of the Treaty.

The Council's programme of work was in its essentials carried out within the time-limits set. The successful conclusion of the discussions in December 1963 on agricultural policy and in preparation for the Kennedy round was a factor of primary importance in the life of the Community, to which it gave a fresh impulse in 1964.

III. On 1 July 1963, in pursuance of the decision to speed up the establishment of a customs union, the sixth intra-Community reduction in customs duties and the second alignment on the common external tariff were effected. However, this step, the importance of which must not be underestimated, attracted less attention and was less significant than subsequent decisions concerning economic union: in this field a number of the main proposals contained in the Commission's Action Programme have now been adopted.

Firstly, the markets for more farm products — dairy produce, beef and veal, and rice (which are among the most important) — have been organized at Community level, and the principles to govern the marketing of fats and oils have been agreed on. When this new legislation enters into force, more than 85 % of the farm output of the Six will be subject to Community regulations. Again, the Commission's proposals for the introduction of a single cereals price have transformed the outlook for the common agricultural policy. There is already general agreement on the merits of this proposal and it is obvious — given the results that have already been obtained in the industrial field — that an early decision on the common level of cereal prices and on the date when they will take effect is a determining factor for the success of the Kennedy round and the balanced execution of the Treaty.

IV. On 15 April 1964, the Council adopted a decision for the strengthening of monetary and financial co-operation between the member countries, and it set up for this purpose a Committee of Governors of Central Banks and a Budget Policy Committee, while broadening at the same time the powers of the Monetary Committee. It also accepted the proposal that a Community medium-term economic policy be worked out and applied. Lastly, it addressed to the six countries a first recommendation for concerted action in the field of conjunctural policy to remedy the current disequilibrium in the economic situation of the Community.

This round of decisions marks a decisive stage on the road to economic union: it represents, so to speak, the birth certificate of the Community's economic policy which, having been foreshadowed in the Treaty, can now become a reality. As we shall see, to give it form and substance will be one of the major tasks of the Institutions and in particular of the Commission in the coming months.

There has been progress, too, in social matters. Not only have important decisions been taken (second regulation on the free movement of workers and the joint programme for exchanges of young workers), but the machinery set up for the planning of a medium-term policy will also serve to develop and broaden the scope of the Community's social policy.

V. Progress has been no less significant in external relations. The Community has applied itself to clearing the ground for the major trade negotiations between the GATT Contracting Parties (Kennedy round), which officially

opened on 4 May 1964. It will be speaking with a single voice in these negotiations.

In accordance with the Treaty, the Commission is negotiating on behalf of the Community on the basis of directives issued by the Council in December 1963. The advantages of this arrangement have already been felt, and confirm here again the value of the Treaty rules. The opening discussions have shown the weight the Community carries at the conference table, the authority attaching to its views, and at the same time its determination to make an effective contribution to the success of the negotiations.

The Commission must, however, express its regret that the efforts it has made, with the support of the European Parliament, to work out a common approach of the Member States in the World Conference on Trade and Development have not so far yielded any tangible result. The Commission is continuing these endeavours.

VI. Satisfactory arrangements have been made to maintain close relations between the Community and the other European countries after the breakdown of the negotiations for membership. Every three months, the Council of Western European Union holds a full debate on the economic situation on Europe, in which the Commission takes an active part. There is continual co-operation between the Commission and its departments and the United Kingdom mission to the Communities. From time to time, contacts are arranged at ministerial level between the Commission and Ireland, Denmark and Norway. When the dairy produce and beef and veal regulations were in process of adoption, conversations with Denmark enabled this country's vital interests to be accommodated in a manner acceptable to all parties.

VII. Towards the end of the first year of the Association Agreement with Greece, the Community signed, on 12 September 1963, an Association Agreement with Turkey, reaffirming the close links of solidarity binding these two countries to Western Europe. A few weeks previously, the signing in Yaoundé of the new Convention of Association with the African States and Madagascar was a formal token of the Community's resolve to make a growing contribution to the development of these countries.

Lastly, the attitudes of other non-member countries once again demonstrated their confidence in the future of the Community, and also served to remind the Community of the wide range of its responsibilities. Exploratory conversations

with Austria further to its application for association, the preparation of negotiations with Nigeria and the East African countries following the Declaration of Intention attached to the Yaoundé Convention, and approaches by Algeria, Tunisia and Morocco are all pointers to the Community's role in the world. At another level, the Community has concluded its first commercial agreement with a non-member country, namely Iran. At the same time the negotiations with Israel have been brought to a successful conclusion and discussions with Lebanon have begun.

VIII. Such, briefly, is the balance-sheet for a year which it was thought might at best be one of convalescence and which proved to be one of vigorous advances. It offers certain pointers as to the Community's main objectives in the months ahead.

The economic situation in the Community will remain the Commission's first concern. For the first time since 1958, the Community is encountering serious difficulties. The economies of our countries, which had for several years shown much the same trend of development, began in 1963 to diverge appreciably, the balanced growth of the German economy contrasting with heavy inflationary pressure in Italy, France and the Netherlands. The Community today is in a state of grave disequilibrium, as is evident from price and trade trends, and the situation may well deteriorate perilously during 1964 if the decisions taken are not put firmly into effect and followed up by further energetic measures.

It is a sign of consolidation in the Community that, faced with these difficulties, the member countries' first reaction has not been to withdraw into isolation, but to close their ranks and find a Community answer to their difficulties. After sounding a warning note in the European Parliament on 21 January 1964, the Commission began without delay to study the action to be taken. It believes that strict application in 1964 of the recommendations adopted by the Council on its proposals is a vital factor for recovery. Any faltering in the determination of the Member States primarily affected may have the most serious consequences, political as well as economic, for the whole Community. It is true that EEC has already withstood more than one political crisis. Now, for the first time, it has to take the strain of major economic disequilibria, and it is on the manner in which this is done that its cohesion and its ability to act as a single economic entity will be judged. The Commission will maintain a close watch on the development of the situation in each of the member countries so that it can make recommendations to them directly or refer questions to the Council at any moment.

Problems arising from the current economic situation will thus be in the forefront, but the Commission will also be making a special effort in the field of medium-term economic policy. Important preparatory studies — to be pursued and amplified through bodies set up by the Council — have already been embarked on. The object is the adoption in 1965 of a first programme in this field, which will run to the end of the transition period.

IX. While the instruments of a Community economic policy are being established and the first elements of that policy worked out, the Commission will continue the shaping of the common policies provided for in the Treaty. It attaches particular importance to the fixing of a common level of cereal prices in the very near future; and this decision could be extended at an early date to other target or guide prices provided for in the various agricultural regulations. It is a decision which will be in the general interest of the entire Community. The arrangements proposed by the Commission (compensatory payments from Community funds and a Community plan to improve the living standards of farmers and farm workers) will ensure that farmers in those countries which will have to reduce their cereal prices will not suffer a loss of income or any other harmful consequences.

X. In other matters, less in the public eye, the Commission expects shortly to obtain the initial results of the prolonged studies and discussions it has undertaken. For instance, the time has now come for a Council decision introducing a single turnover tax system. This measure will be a first stage on the road to the elimination of tax barriers in the Community, the essential complement to the elimination of customs barriers. In the field of transport, the files are also ready for decisions. As soon as the Parliament has rendered its opinion on proposals submitted in 1963 by the Commission, they can be referred to the Council for action.

In the social field, the Commission intends to step up its efforts to promote close co-operation between the Member States, notably with respect to health protection. It will also present the first proposals for Community action on vocational training and will amplify the provisions already in force on freedom of movement for workers, social security for migrant workers and the European Social Fund with the object of encouraging manpower mobility and full employment throughout the Community.

XI. Progress in these internal matters will be accompanied by similar developments in the Community's external relations. The conduct of negotiations in the Kennedy round will be the Commission's first responsibility. The negotiations will no doubt be protracted; the Commission must guard against the dangers of overhaste but also against disillusionment at the unavoidable slowness of technical work. For its own part, it will endeavour to see that 1965 is a year of decisions in all the fields covered by the negotiations.

The entry into force of the Yaoundé Convention is now only a matter of weeks. It will involve a large increase in the Community's responsibilities; operations on behalf of the African countries and Madagascar will be more numerous and diversified. The development of association with Greece, the beginnings of association with Turkey and continuing conversations with Austria and a number of African countries will keep the Community fully occupied in the sphere of external relations.

XII. The Commission must, however, record that progress in building up a common commercial policy has not so far been satisfactory. It is not enough for the Community to respond, even successfully, to representations made by non-member countries. It owes it to itself and to its trading partners to decide the broad lines of its commercial policy and to create the necessary instruments. The Commission has laid before the Council a number of proposals, some of general scope, others dealing specifically with trade with Japan or with the East bloc countries. Policy decisions must now be taken in these fields.

XIII. The results the Commission hopes to obtain by these means will lend real substance to the economic union of our countries. The Commission also believes that there is everything to be gained from completing as quickly as possible the establishment of the customs union.

In its Action Programme, it had specified the date of 1 January 1967. But if the economic situation allows, it would not rule out an earlier date. And as it will be at about this time (marketing year 1966/67) that common prices for cereals and probably for other items should be brought into force, freedom of trade in both the industrial and agricultural sectors would thus be achieved throughout the Community. Not only could the Institutions then concentrate on building up the economic union, but the need for this would become — both politically and economically — even more vital, and growing pressure for action

in this direction would be exerted by all sectors of opinion concerned in the Community.

Important as it would be for the internal progress of the Community, the completion of the customs union would contribute just as much to the conduct of external relations. In particular, it would be a great step forward if the common external tariff were effectively applied as early as possible after the conclusion of the Kennedy round. In this way, duty reductions agreed by the Community would become effective under the same conditions as those made by non-member countries. This is not the case at present, since alignment on the common external tariff is not yet complete and the Community's bargaining position has sometimes suffered thereby.

XIV. This brief survey suffices to indicate the magnitude and importance of the tasks falling upon the Community, and in particular the Commission. But the Commission can only discharge its duties satisfactorily if it has at least the minimum means, and above all enough responsible officials and experts at its service. The Commission feels impelled to draw the attention of the Council, the Parliament and the general public to the serious consequences for the Community which may ensue from the negative response it has met with several times in its requests for more staff. It is now in a situation where it can no longer give any assurance of fulfilling completely the duties laid upon it by the Treaty and the regulations made thereunder.

XV. The Community's attention in 1963 was not strictly confined to economic matters. For the first time, there was a prospect of new developments with regard to the Institutions. In October, the Council began discussions on ways and means of merging the Executives. With the full support of the Parliament, the two Commissions and the High Authority had called for this merger as early as 1960. The Governments have now agreed that the merger should take place on 1 January 1965 and be a prelude to the merger of the Communities themselves by 1 January 1967.

There have also been discussions on strengthening the role and powers of the Parliament, notably in budgetary matters. The Commission feels that some progress in this field must be made in connection with the agreement on a merger.

XVI. The task of completing the build-up of the European Economic Community will therefore devolve upon the single Executive. The Commission hopes to place at its disposal the conclusions drawn from more than six years' experience, indicating what it believes to be the right courses of policy to follow and the right objectives to be set for the second half of the transition period. One good reason for doing this is that in 1966 majority vote will become the general rule, with all the implications this new situation will have for the working of the Institutions and the prospects of prompter decisions.

In drafting its report, the Commission will also bear in mind the degree of progress made with the Action Programme for the Second Stage and the lessons learned.

XVII. Virtually all the problems involved in the merger have been disposed of in discussions between the representatives of the Governments and of the Executives. But as regards institutions an important question outstanding is the number of members of the single Executive. Backed by the Parliament, the Commission has come out strongly in favour of as small an Executive as possible, i.e. one of nine members. In the "collegial" system provided for by the Treaty a small number of members is the precondition for efficiency.

The single Executive will have to handle matters of coal and steel, atomic energy as well as all the matters for which the present EEC is competent in other sectors of the economy. In addition, the unified Executive will have special administrative tasks to discharge in the months following the merger.

Despite opinions often expressed to this effect, enlarging the unified Executive from nine to fourteen or fifteen members, as is sometimes proposed, would not lessen the pressure of business on the principle that many hands make light work. On the contrary, it would make the functioning of the Executive more cumbersome, weaken its cohesion and diminish its authority, this may well impair the benefits expected from the merger and compromise the subsequent development of economic integration, including integration in the fields embraced by the present Community.

The Commission believes that the composition of the single Executive must be decided only by considerations of efficiency and the smooth working of the Community Institutions.

XVIII. Decisions on the merger of the Executives and the powers of the Parliament will lead to a strengthening of the constitution and accordingly to

progress on the road to the political union of Europe, heralded by the three present Communities. These limited measures, useful though they are, would not however suffice to meet present needs.

The economic difficulties mentioned above have led to a keener awareness of the scale of the responsibilities the Community is already bearing and the even heavier responsibilities it will have to assume as integration advances. Decisions on conjunctural policy, monetary policy and medium-term economic policy are essentially political decisions committing the Governments at the highest level.

The application of the common agricultural policy will also necessitate decisions with a high political content, particularly by the time a single reference price for each product, fixed by the Institutions alone, prevails throughout the Community, linking the national economies, and currencies, closely together.

Although, as they have shown, the present Institutions are capable of taking such decisions, it must not be overlooked that these Community measures will have a growing impact on other sectors of governmental activity. The immediate consequence of effective economic integration is that it brings to the fore the problem of extending integration to several other spheres of national activity, not excluding foreign affairs and defence. Economic integration does not dictate the time when the decision must be taken, but it does mean that sooner or later a decision is inescapable. And although the economic precedent does not impose any particular institutional framework for a Community with wider powers, it offers at least the example of a successful experiment.

Tomorrow, then, political union will be within the grasp of our peoples. May the testimony of the Institutions bring home to them more clearly the import of the decision they will have to take and the need for them to set up that "European federation indispensable for the maintenance of peace" which was proposed by Robert Schuman fourteen years ago and which remains the objective of all Community action.

CHAPTER I

THE ESTABLISHMENT OF THE COMMON MARKET

The free movement of goods

TARIFF DISARMAMENT

1. The latest reduction of intra-Community customs duties was of particular importance because it was accompanied by the second alignment of national tariffs on the common customs tariff.

Now that the Community is two thirds of the way towards applying a single tariff, the need to bring about customs union proper is all the more evident, as is repeatedly stressed in the Action Programme; this means the abolition of measures equivalent in effect to quotas, the elimination of charges equivalent in effect to customs duties and the definition of common rules on customs legislation and the application of the common tariff.

In these matters the Commission is endeavouring to keep up the pace required by the various speed-up decisions that have been made, which in turn affects the progress of current work on the abolition of all other obstacles to the movement of goods, persons and capital; this usually involves the prior harmonization of laws and regulations now in force.

Internal customs duties

2. The elimination of intra-Community customs duties moved a further step forward on 1 July 1963, when the Member States made the first of the three cuts required under the Treaty during the second stage of the transitional period. Coming after the three reductions already made under Article 14 of the Treaty and the two speed-up decisions, the general effect of the cut on 1 July 1963 was to bring customs duties between Member States down to 40 % of the basic duty in the case of industrial products and to 55 % in the case of agricultural products. (On those farm products liberalized by 31 December 1960 and not in-

cluded in the list appended to the speed-up decision of 15 May 1962, the reduction was only to 60 % of the basic duty.)

With a few exceptions, the reductions made on 1 July 1963 by Member States were all across the board. The Federal Republic of Germany, however, citing the provisions of the Treaty authorizing "selective" cuts, reduced duties on imports of certain textile goods from other member countries by only 5 %. As the total reduction in customs duties had to amount to a given percentage of total customs receipts, Germany compensated for this measure by cutting the duties on other goods, particularly various building materials and fittings, motor trucks and parts of trucks by more than 10 % of the basic duty.

Charges equivalent in effect to customs duties

3. The Commission made progress with the list of all the charges—other than customs duties and the internal charges referred to in Article 95 of the Treaty—imposed by Member States on imports and exports of goods.

Import charges

4. The Commission registered and began to examine some 350 charges imposed in the various Member States that may be regarded as equivalent in effect to customs duties. About 190 of these charges (54 % of the total) have already been abolished, either after proceedings on grounds of infringement or as a consequence of the first agricultural regulations on cereals, pigmeat, eggs and poultry. In about 20 cases (7 % of the total) proceedings for infringement are still taking their course. In others, the Commission has sent three Member States ⁽¹⁾ directives laying down a time-table for abolition under Article 13(2) of the Treaty. These States have complied with the directives.

Certain questions that have arisen in connection with the remaining charges (about 140, or 38 % of the total) must be solved before it can be decided whether they are in fact charges equivalent in effect to customs duties and whether the measures in the Treaty can be taken to abolish them. The Commission believes it will be able to decide its position on these charges in the coming months.

⁽¹⁾ Belgium, Luxembourg and the Netherlands; see official gazette of the European Communities, No. 156, 29 October 1963.

Export charges

5. Wherever the Commission established that certain charges on exports were equivalent in effect to customs duties, it instituted the procedure used against Member States levying such charges on exports to other member countries. The Commission is thus attempting to eliminate these charges rapidly; like customs duties levied on exports, they were, under Article 16 of the Treaty, to be totally eliminated no later than the end of the first stage.

THE COMMON CUSTOMS TARIFF (1)

Implementation

6. The first alignment of national duties on those in the common customs tariff was effected, in the case of industrial products, on 1 January 1961—one year earlier than required by the Treaty. The second alignment on 1 July 1963 put the implementation of the common customs tariff for industrial products two and a half years ahead of the time-table laid down by the Treaty. The gradual alignment on the common customs tariff of national duties on industrial products is thus being carried through in step with the abolition of intra-Community duties, i.e. the two major elements of customs union among the Member States are being introduced as harmoniously as possible.

The table below shows the original time-table and progress to date in establishing the customs union.

The date of the second alignment was fixed by a decision taken on 15 May 1962 by the representatives of the Governments of the Member States meeting in the Council (2). Ways and means of effecting this alignment were laid down by a decision taken on 22 May 1963 (3). Looking forward to the

(1) The Commission published a new edition of the *Customs Tariff of the European Communities* during the second quarter of 1963. This revised edition includes the autonomous changes decided by the Council and the concessions resulting from agreements concluded by the Community with non-member countries (loose-leaf edition, on sale at the Community's agents).

(2) See official gazette of the European Communities, No. 41, 28 May 1962, pp. 1284-86.

(3) *ibid.*, No. 83, 1 June 1963, pp. 1561-62.

TABLE 1

*The Pace of Customs Union in the Community
Treaty time-table and practical position*

	1st stage		2nd stage		3rd stage	
	1.1.58	1.1.59	1.1.61	1.1.62	1.7.65	1.1.66
		1.7.60	(accel- eration)	(accel- eration)		(⁽⁶⁾)
A. Elimination of intra-Community duties:						
1. Agricultural products						
(Annex II to the Treaty) :						
a)	10	10	5 (⁽¹⁾)	10	5 (⁽²⁾)	10
			{ 25 (⁽¹⁾)	{ 35 (⁽¹⁾)	{ 35	{ 45
			{ 20	{ 30 (⁽³⁾)	{ 30 (⁽³⁾)	{ 40 (⁽³⁾)
b) Total reduction	10	20				
2. Industrial products :						
a)	10	10	10	10	10	10
b) Total reduction	10	20	30	40	50	60
B. Gradual implementation of CCT :						
1. Agricultural products						
(Annex II to the Treaty) :						
a)				30 (⁽³⁾)		
b) Total alignment				30		
2. Industrial products :						
a)			30 (⁽⁵⁾)		30	30
b) Total alignment			30		60	60

(⁽¹⁾) Reduction applicable only to non-liberalized products.

(⁽²⁾) Reduction applicable to liberalized products.

(⁽³⁾) Total reduction applicable to certain liberalized products only.

(⁽⁴⁾) i.e. reduction of the gap between national duties on 1 January 1957 and duties shown in the common customs tariff.

(⁽⁵⁾) The duties in the common customs tariff were applied immediately where the differences between them and national duties on

1 January 1957 was no more than 15 %.

(⁽⁶⁾) Date proposed in the Commission's memorandum on the Action Programme of the Community for completing the customs union in industrial products.

Kennedy round of tariff negotiations, this decision stipulates that, as a general rule, the second alignment should be made on the same basis as the first, i.e. the common customs tariff less 20 %.

However, certain sensitive List G products are exempt from this rule, as they were for the first alignment. Moreover, for headings where duties had already been cut more than 20 % as a result of tariff concessions in GATT, alignment was made on the reduced rates.

Certain duties were again cut by the French authorities as part of their drive to maintain economic equilibrium; there, like the similar steps taken by both France and Italy in 1962, constitute an accelerated, though limited, alignment of the French tariff on the common customs tariff.

Although the need for Member States to make a second alignment meant a new effort at adaptation on their part, there were very few cases of recourse to Article 26, under which the Commission may authorize a member country to postpone the lowering or raising of national duties. At the request of the Member States concerned, authorization was given in respect of the harmonization of duties on certain manufactured tobaccos (Benelux and France) and on certain agricultural or fishery products for which the duties in the common customs tariff had been suspended (Germany, Italy B.L.E.U. and France).

Oil products

7. In accordance with Article 20, paragraph 3, of the Treaty, the Commission on 16 April 1963 put before the Council a proposal to fix the duties in the common customs tariff for the oil products set out in List G. This proposal would give moderate protection for the refining industry, varied according to product, while products for certain specific purposes would be allowed in duty free.

The Commission's proposal is being examined in the Council, as are certain draft amendments submitted by the Member States; these relate mainly to duty-free entry for products for certain purposes.

The common tariff will not be complete until the Council has reached a decision on all these proposals.

Modification and suspension of the duties in the common customs tariff

8. No major modification was made in the common customs tariff during the period under review. Only a few minor changes were put into effect, usually on technical grounds (definition of vintage wines, wood flour and the dutiable surface of knotted carpets), to correct certain defects or drafting errors, or to make the versions of the tariff in the four Community languages correspond more exactly ⁽¹⁾.

9. On the other hand, quite a number of duties were suspended by the Council, acting under Article 28, during the same period.

These measures of total or partial suspension have been used mainly as a means of reducing the number of applications for tariff quotas made by Member States. Where certain processing industries in the Community still depend on non-member countries for their supplies of basic products currently produced in insignificant quantities or not at all on Community territory, it is often more equitable, as a general rule, to suspend the duties in the common customs tariff than to grant national tariff quotas. Various factors have to be taken into account in determining whether an application for suspension of duties is granted or refused, depending on the products in question: their significance for the Community as a whole, the effect which the customs duties to which they are liable has on the price of the item itself and on the production costs of the finished product, the possibility of substituting products made in the Community, the need to ensure that other industries are not harmed, etc. Furthermore, these suspensions are exceptions to the normal application of duties in the common customs tariff and may not therefore be utilized indiscriminately; and as they involve too high a degree of specialization, the customs administrations experience real difficulties in applying them.

To give some indication of what has been done in this matter, we may note that 156 products or groups of products (tariff lines) were the subject of applications for suspension of duty for 1964. After studying them, the Council granted total or partial suspension in 37 cases ⁽²⁾; in the near future the Council may decide on suspension of duties in a further 20 cases.

⁽¹⁾ See official gazette of the European Communities, No. 190, 30 December 1963.

⁽²⁾ Council decision of 3 December 1963: official gazette of the European Communities, No. 180, 10 December 1963, p. 2854.

The Council decided on other autonomous suspensions of duties, also on the basis of Article 28, to help meet difficulties of developing countries. In order to encourage Indian exports to the Community, the duties in the common customs tariff on a number of typical products from this country were suspended until 31 December 1965 ⁽¹⁾. A similar decision was taken in respect of tea, maté and tropical hardwoods when the Community and the United Kingdom concluded a tariff arrangement whereby the two contracting parties undertook to suspend all duties on these goods.

The commercial agreement between the EEC and Iran also involved the partial suspension until 31 December 1965 of the duties in the common customs tariff on a number of products of interest to Iran, particularly knotted woollen carpets ⁽²⁾.

TARIFF QUOTAS

10. The number of applications for tariff quotas made under Article 25 of the Treaty and the Protocols to the agreement on List G was much higher in 1962 because of the first alignment of agricultural duties on the common customs tariff, carried out on 1 January 1962. For the first time, applications were based on Article 25(3) as well as on Articles 25(1) and 25(2) ⁽³⁾.

In accordance with the Parliament's wishes, the Commission has endeavoured to obtain a gradual reduction in the number of these applications. Some of them were withdrawn by the Member States—partly because Community solutions were sought and put into effect ⁽⁴⁾. This process continued in 1963 and the beginning of 1964, as is shown by the table below.

11. It is difficult to ascertain what proportion of total EEC imports from non-member countries is brought in under the tariff quotas granted. Many of them are for products representing only part of a tariff line and do not appear in the statistics, so there is no exact information on the amount involved. Never-

⁽¹⁾ Council decision of 3 December 1963: official gazette of the European Communities, No. 190, 30 December 1963, pp. 3077-78.

⁽²⁾ Council decision of 14 October 1963: official gazette of the European Communities, No. 152, 23 October 1963, pp. 2554-57; see also Chap. IV below.

⁽³⁾ See Sixth General Report, sec. 12.

⁽⁴⁾ See Table 2 on p. 31.

theless, the value of tariff quotas granted from 1961 to 1964 inclusive ⁽¹⁾ may be estimated at some 3 % of total Community imports from non-member countries.

12. In 1963 the Court of Justice of the European Communities handed down several judgments in appeals filed against Commission or Council decisions on tariff quotas. Appeals lodged by a number of importers were not allowed, since the Court did not regard the appellants as being individually affected by the Commission decisions at issue. Two judgments delivered on appeals by the German Government ⁽²⁾ are of great importance because they confirm several principles on which the Commission had taken its stand in applying Article 25 of the Treaty, particularly the following:

a) Article 25 contains provisions derogating from the common customs tariff; these are intended to avoid any harmful consequences for the supply situation in a Member State due to alignment of its national duties on those in the common customs tariff.

b) Article 25 requires the Commission to assess the market situation of the products in question and the supply difficulties of the applicant Member State.

The grounds adduced in the Court's judgment show that the Commission or the Council (depending on whether paragraphs 2 and 3 or paragraph 1 of Article 25 are cited) are entitled to use their discretion as regards the level of duty when granting quotas—a point that was contested by some Member States.

13. With effect from 1 July 1963, i.e. from the second alignment on the common customs tariff, the Council and the Commission decided that where possible it would impose duties below those shown in the common customs tariff when granting quotas for industrial products, instead of granting duty-free quotas as hitherto.

(1) The Commission may authorize Governments to open quotas with effect from 1 January of the following year.

(2) One of the judgments quashed the Commission's decision for failure to explain the ground on which it was taken, but upheld the principles behind the decision. The other rejected the German appeal.

TABLE 2

Applications for tariff quotas for 1961 to 1964

Based on	1961			1962			1963			1964										
	Art. 25			Art. 25			Art. 25			Art. 25										
	§ 1	§ 2	§ 3	List G	To- tal	§ 1	§ 2	§ 3	List G	To- tal	§ 1	§ 2	§ 3	List G	To- tal					
Number of applications	55	58	—	46	159	58	92	85	43	278	29	29	47	36	141	20	6	33	37	96
Withdrawn																				
a) by the Member State applying	13	21	—	2	36	17	41	22	1	81	5	20	8	—	33	3	1	3	—	7
b) after a Community solution had been found	12	19	—	9	40	13	32	5	5	55	2	6	6	—	14	6	—	—	—	6
Total	25	40	—	11	76	30	73	27	6	136	7	26	14	—	47	9	1	3	—	13
Applications left to be dealt with	30	18	—	35	83	28	19	58	37	142	22	3	33	36	94	11	5	30	37	83
Refused	4	7	—	1	12	—	9	28	1	38	—	—	4	—	4	—	—	4	—	4
Granted	26	11	—	34	71	28	10	30	36	104	22	3	29	36	90	11	3	26	37	77
Applications outstanding																	2	—	—	2

The Commission has handled in the same way applications to authorize tariff quotas for imports of agricultural products in 1964. The duties were of course fixed in the light of the market situation of the products covered by the quota and of the supply difficulties in the Member State concerned.

In most cases the duties laid down in connection with quotas for industrial products mean that the Member States will have to accept at least some move towards the common customs tariff, and this may be as much as half the distance covered in the process of aligning the duty on products subject to the general ruling.

In the course of the regular reviews of tariff quotas which the Commission has to make, it has improved the checks at its disposal for ensuring that the quotas granted are not exceeded. The Member States regularly supply the Commission, at its request, with all the information it needs for effective control of how the quotas are administered. No infringement has so far been found.

14. In its Action Programme for the Second stage the Commission states that at the end of the transitional period it intends to ensure that any tariff quotas still needed shall be Community quotas. Before the transitional period is over, the Commission intends to work out, together with the Member States, an interim solution that would not merely be an aggregate of national tariff quotas but would prepare the way for a strictly Community system.

CUSTOMS LEGISLATION

Movement of goods in processing traffic

15. The Commission has amended its decision dated 28 June 1960 ⁽¹⁾ on the movement of goods manufactured in a Member State under the conditions set forth in Article 10(2), second sub-paragraph, of the Treaty. This was made necessary by the implementation of the Council regulations on the gradual establishment of common organizations for the markets in certain agricultural sectors and by the Agreement establishing an Association between the EEC and Greece.

(1) See Fourth General Report, sec. 20.

Under the new provisions adopted by the Commission for goods manufactured in processing traffic in a Member State from products subject to the agricultural levies:

a) The levy set up by decision of 28 June 1960 will henceforth be based on the arithmetic mean of the agricultural levies applied in the various Member States to products used in the manufacture of the goods in question (and no longer on the duties shown in the common customs tariff for these products);

b) The levy so calculated will be charged not only on goods in whose manufacture farm products imported from non-member countries have been used but also on goods in whose manufacture farm products imported from other Member States have been used, if the exporting Member State granted a drawback which resulted in their price being brought down to the world price.

The economic purpose of these measures is to re-establish normal competitive conditions between those processors who have set up in a given Member State; who work for the market in that Member State and who utilize agricultural raw materials bought at the price obtaining on the home market, and those in other Member States who also work for the market of the first Member State but utilize agricultural raw materials bought at the world price.

Goods manufactured in processing traffic in a Member State from products imported from Greece are henceforth to benefit from intra-Community arrangements in the other Member States without being subject to the levy instituted by the decision of 28 June 1960.

The Commission took the opportunity provided by these measures to recast completely the rules governing the movement of goods in processing traffic. These rules are now embodied in the decision of 14 October 1963 ⁽¹⁾.

Administrative co-operation among the Member States

16. After five years' experience the application of the methods drawn up by the Commission to ensure administrative co-operation among the Member States in connection with visible trade between Community countries may be regarded as satisfactory, despite the inevitable difficulties encountered in customs regu-

(¹) See official gazette of the European Communities, No. 172, 28 November 1963.

lations as the Common Market is gradually put into effect (particularly the agricultural regulations and association agreements).

At a more general level, the heads of customs departments in the Member States drew up a draft convention for mutual assistance, which should come into force in 1964.

The EEC-Greece Association Committee has set up a Customs Co-operation Committee in which the Member States and Greece discuss measures to be taken concerning trade arrangements within the Association.

The elimination of frontier controls within the Community

17. It is often remarked that a genuine "internal market", in which Community goods move about as freely as home-produced goods now do in any Member State, will not be achieved simply by abolishing customs duties and quantitative restrictions among the Member States and setting up a common system of protection against non-member countries. It requires in addition that there shall be Community provisions in many fields where the State, for one reason or another, at present intervenes in the production, marketing or utilization of goods on its territory. Only when this has been done will the controls to which trade among Member States is currently subject become superfluous and consequently disappear.

Most of these controls are exercised by customs departments acting not only in accordance with customs rules in the strict sense but also on behalf of other departments. Consequently, whatever progress has been made or is in prospect as regards customs union, customs posts at the frontiers will be needed as long as there is reason to retain the controls that have been set up in intra-Community trade.

The Commission is now engaged on the work needed to achieve this aim—and it is likely to be a protracted and difficult business. At the same time, the Commission, together with the Member States, is studying means of easing existing controls—particularly in customs and transport—by improving administrative co-operation in the Member States so as to co-ordinate action at the frontiers and to speed up intra-Community trade.

It should be noted, however, that the significant progress made by the EEC in the agricultural field or in the association of non-member countries sometimes

brings with it further complication of the rules and machinery governing intra-Community trade, and this runs counter to the simplification aimed at.

Approximation of customs legislation

18. In accordance with the intention declared in its Sixth General Report ⁽¹⁾, the Commission has in the past year worked out an Action Programme for the Community on customs legislation. This provides the basis for a Community customs policy, and was drawn up in the light of the following considerations:

a) It is impossible to ensure that the duties in the common customs tariff have a uniform impact throughout the Community without essentially uniform customs legislation in the Member States;

b) It is impossible to set in motion a common commercial policy without providing identical customs instruments in each Member State;

c) It is impossible to implement a common economic policy in certain sectors without adequate harmonization of the customs action of an economic nature taken in each Member State.

The Commission has already begun work to ensure that the Action Programme is put into effect. This involves:

i) Correct and uniform application of the nomenclature of the Common Customs Tariff (elaboration of explanatory notes, classification of goods);

ii) Fixing common rules for determining the customs valuation of imports; the uniform application by the Member States of the definition of customs valuation given in the 1950 Brussels Convention is essential to prevent divergences of interpretation with direct repercussions on the amount of duty levied, which might distort competitive conditions among the Member States and give rise to deflection of trade and business;

iii) Drawing up a common list of exemptions on economic grounds to be applied by each Member State to imports from non-member countries, thus ensuring that there is no gap in Community protection in any sector of the economy;

(1) See Sixth General Report, sec. 15.

iv) Drawing up a definition of origin to serve as an instrument of Community commercial policy ⁽¹⁾;

v) Working out anti-dumping legislation to protect the Community from improper commercial practices on the part of exporters in non-member countries.

In addition, a further recommendation was addressed to the Member States concerning the refunding of duties and charges on goods rejected by the importer as defective or not in accordance with the terms of the contract under which they were imported. However, the procedure for translating the seven other recommendations formulated so far into national laws or regulations has not yet been completed ⁽²⁾.

*THE ELIMINATION OF QUANTITATIVE RESTRICTIONS AND
MEASURES WITH EQUIVALENT EFFECT*

19. The Commission took a further series of decisions ⁽³⁾ in which it found that, in the terms of Article 33(4), imports had for two years in succession been below the quotas authorized. Quotas for six products were consequently abolished by the Federal Republic of Germany, quotas for twelve products by France and the quota for one product by B.L.E.U. The scope for quantitative restrictions on imports is thus becoming more and more restricted.

20. As regards measures that are equivalent in effect to quantitative restrictions, the Commission has continued its investigations in a sphere that is sometimes difficult to explore because measures of this kind may be dispersed over a wide variety of domestic regulations. The Commission believes that any

(1) The relevant departments in the Commission, working with the authorities in the Member States on the definition of the concept of "origin" for the purpose of giving effect to Title I of the Convention of Association between the Community and the associated African States, have produced a draft to be submitted by the Commission to the Association Council under the terms of Protocol No. 3 to the Convention.

(2) The eight recommendations on customs legislation made by the Commission are published in the official gazette of the European Communities, No. 46, 8 July 1961; No. 3, 17 January 1962; No. 23, 3 April 1962; No. 51, 29 June 1962; No. 125, 30 November 1962; No. 27, 20 February 1963; and No. 185, 19 December 1963.

(3) See official gazette of the European Communities, No. 55, 3 April 1964.

law or regulation tending to restrict or hamper an import or an export unduly may be equivalent in effect to a quota. Nevertheless, restrictive provisions forming an integral part of a national market organization or a state monopoly of a commercial nature, together with provisions covered by Article 36 of the Treaty, do not come under the procedure laid down in Article 33(7).

Two directives based on Article 33(7) have been drawn up with the assistance of government experts and are to be published shortly. They will require the suppression at short notice of operations tying Community imports either to exports or to the purchase of domestic products, and provisions to prohibit or restrict the use, consumption or processing of Community products.

A directive to lift restrictions imposed on the supply of Community products under contracts made by the State, local authorities or other legal persons under public law will also be adopted in the course of 1964, together with other directives to be made by the Council with a view to the liberalization of public contracts for supplies or works.

A number of other measures that have or may have a restrictive effect are being studied, such as import schedules, price fixing, provisions relating to those entitled to engage in import and export activities, technical or health regulations. The Commission has also repeatedly urged the Member States to relax as far as possible the application to Community products of laws or regulations which govern the marketing of such products, so that the obstacles arising from divergences between them may be reduced, pending their complete elimination as a result of the harmonization that is being pursued at the same time.

Import measures with equivalent effect introduced after the Treaty came into force or any export measures still applicable must in any case be purely and simply abolished. To ensure that this is done, the Commission has in three cases initiated the procedure of Article 169.

The Commission is also endeavouring to simplify the procedures still governing intra-Community trade which may either hinder transactions or in some cases give rise to restrictive practices. A draft decision will soon be submitted to the Council, on the basis of Article 235 of the Treaty, which will eliminate the formalities that have had to be complied with before importation or exportation but which are no longer indispensable at the present stage of the Common Market's development. In particular, the requirement that an importer must go through the process of obtaining an import licence (which cannot be refused but which is sometimes granted only after inordinate delay) must be dropped.

Adjustment of government monopolies

21. Continuing the action being taken to eliminate discrimination through the relaxation of government monopolies, as required by Article 37, the Commission has sent further recommendations to the Member States and has kept watch on how the earlier recommendations are being applied (1).

Measures taken by the French Government in respect of its tobacco monopoly following the Commission's recommendation of 6 April 1962 have led to an appreciable increase of imports from other Member States. Imports totalled FF 10.95 million in 1962 and FF 8.25 million during the first six months of 1963, whereas they were only about FF 2 million in 1959.

As regards discrimination against imported tobacco by taxing it more heavily than tobacco of French origin, the Government stated that it was unable to apply the methods recommended by the Commission, but it did institute a system providing for equal taxation of home-produced and imported products in the same price bracket in order to comply with the Treaty's aims. Whether this system meets the French Government's obligations under the Treaty is now being studied.

22. The measures taken by the Italian Government after the presidential decree of 18 April 1959 also resulted in a steady rise in imports of tobacco from the other Member States, despite the general rise in fiscal charges introduced on 1 January 1961, which pushed retail prices up.

Imports by the Italian monopoly of all tobacco products from the Member States, which in 1959 totalled Lit. 320 million, rose to Lit. 1 160 million in 1960, Lit. 3 769 million in 1962 and Lit. 2 011.9 million in the first half of 1963.

23. The Commission sent recommendations to the German and French Governments on 26 November 1963 that they should adjust their spirits monopolies in accordance with the principles laid down in Article 37 of the Treaty (2).

(1) See Fifth General Report, secs. 17 and 18.

(2) See official gazette of the European Communities, No. 180, 10 December 1963.

In particular, the Commission recommended that the German Government should gradually remove existing quantitative restrictions on certain spirits which can only be imported under individual licence granted by the monopoly board, so that imports shall be entirely liberalized by the end of the transitional period.

The spirits monopoly in France no longer puts any restriction on imports of spirits, in accordance with Article 37 of the Treaty. However, the Commission recommended that the French Government abolish the discrimination arising from its tax system, under which imported products are liable to a countervailing charge that is higher than the excise duty on domestic products.

24. The Commission sent a second recommendation to the Italian Republic on 4 July 1963, the purpose of which was further to increase imports of bananas from the associated overseas States and the Member States (i.e. the overseas departments of France). The Italian Government has now decided to wind up the *Azienda Monopolio Banane*. The Commission is following developments attentively.

25. The Commission's recommendation to the French Government that it should adjust its arrangements for importing petroleum products was complied with: the French Government opened the quota of 1 650 000 metric tons for 1963 recommended by the Commission and declared its agreement with the principle that adjustment of the monopoly must not be dependent on the achievement of a common energy policy. It will be noted that 1 284 538 metric tons of the 1962 quotas fixed by the Commission at 1 400 000 metric tons were taken up. The 1963 figures are not yet available.

The Commission intends to send the French Government a further recommendation that would apply for the end of the transitional period. This would cover all the forms of discrimination arising from the French import system and will lay down the measures which will have to be taken under Article 37 of the Treaty to ensure their elimination for the end of the transitional period.

26. Two recommendations are under consideration for the French monopolies in powder and explosives (for non-military purposes) and in newsprint. The first of these provides for restrictions to be lifted step by step till liberalization is complete at the end of the transitional period. The second is based on the need to ensure that producers in the other Member States are given the same

treatment as French producers and that all suppliers in the Community may take part without discrimination in the supply plan and take advantage of the price adjustment fund of the *Société professionnelle du papier de presse*.

27. Satisfactory results have been obtained with the Italian monopoly in lighters and flints, imports of which are rising at a faster pace than that laid down by Article 37. On the other hand, the quotas opened by Italy for salt, which is also subject to a monopoly, have remained unused to date, though they were increased annually in accordance with the figures recommended by the Commission.

The Commission is continuing to work for the adjustment of government monopolies by the end of the transitional period, particularly as regards import facilities and the formation of retail prices.

MISCELLANEOUS WAIVERS

Application of Article 235 (processed agricultural products)

28. Since 1 April 1963 the Commission, applying the Council's decision of 4 April 1962 ⁽¹⁾, which authorizes countervailing charges on imports of certain goods processed from agricultural products, has made twenty-nine decisions granting or refusing permission to the Member States to levy such charges. During the second half of 1963 the Commission authorized charges on imports into Germany of dextrin and soluble or roasted starches from other Member States; on imports into France of glucose (dextrose), dextrin, soluble or roasted starches, and glazings and dressings with a basis of starchy substances from certain Member States; and on imports into Italy of dextrin, starches and a few similar products.

Permission to impose countervailing charges was refused in three cases (imports of rusks into France from the other Member States and imports of glucose and yeast into Germany from France).

However, experience gained in the first year of applying the decision of 4 April 1962 has revealed a number of drawbacks. In some cases the elements required

(1) See Fifth General Report, secs. 25 and 253.

for fixing the countervailing charge—such as the amount of agricultural raw material used in manufacturing the goods, the export price of the raw material contained in the processed goods, the price, free to frontier of the purchasing country, of the goods exported—cannot be ascertained accurately enough to ensure that the charges made are satisfactory and fair. In addition, assessment of how far producers in a given Member State are endangered by competition from the same industry in other Member States raises complex problems.

The Commission outlined these drawbacks in its first annual report to the Council on the application of the decision of 4 April 1962. It suggested special arrangements for trade in goods whose price depends in large measure on the price of the agricultural raw materials incorporated in them. These arrangements would mean adapting current practice to the regulations made under the common agricultural policy and would gradually lead—by way of harmonization of the price of the farm products to which these regulations apply—to a uniform price being charged by all Member States on exports of raw materials incorporated in processed products.

The arrangements governing the agricultural raw materials and the goods already affected by the decision of 4 April 1962 are based on three principles:

- a) In intra-Community trade in these goods, application by the exporting Member State of the domestic price it charges for the constituent raw material or of the domestic price in the importing Member State—whichever is the lower;
- b) Adjustment of the protection given to imports of these goods from non-member countries;
- c) Adjustment of the protection given to imports of these goods from other member countries.

One of the advantages of such a system would be the facility with which it could be constantly adapted to the development of the common agricultural policy and, in particular, to the harmonization of prices.

Countervailing charges on imports of farm products

29. On 15 March 1961 the Commission had authorized the Federal Republic of Germany to impose, under Article 46 of the Treaty of Rome, countervailing

charges on imports of whole milk powder from the Netherlands, France and Belgium in order to maintain the balance of the German market in this product. Under an extension of this authorization the Republic was allowed to maintain a minimum import price of DM 211 per 100 kg. It is for the Federal Government to ensure that imports from non-member countries do not drop below this level.

Protective measures

30. At the end of 1963 the Member States had invoked Article 115 in order to exclude from Community treatment imports of 98 products originating in non-member countries and circulating in the other Member States.

The increase in the number of cases of recourse to this protective clause, in most cases concerning products from countries with abnormally low prices or from state trading countries, is chiefly due to the absence of a common commercial policy towards the countries from which the products in question are imported.

The Commission has therefore laid before the Council proposals for the gradual introduction of a common commercial policy towards these countries; if these proposals are accepted, Member States should gradually be able to have recourse less frequently to Article 115 of the Treaty ⁽¹⁾.

Safeguard measures

31. The situation resulting from the speed-up measures was summarized in the Sixth General Report ⁽²⁾, in which it was stated that further cases of recourse to Article 226 were comparatively few.

There has been no great change since April 1963: most applications were for the extension of measures previously authorized by the Commission for the purpose of putting certain commodity sectors (particularly sulphur, lead and zinc, silk) on a sound footing. The Commission has ensured that measures

(1) See sec. 294 below.

(2) See Sixth General Report, sec. 21.

already adopted were modified as the situation in these sectors evolved, and it took decisions to facilitate or speed up the evolution of this situation to the point where the position was such as would normally be found after the establishment of a common market.

The applications concerning semi-finished products derived from the raw materials mentioned above were renewed, since the industries which used them were in difficulties owing to the higher cost of raw materials, and these difficulties threatened to affect the basic materials; but for finished products (other than those based on lead, zinc or silk) no further applications were submitted ⁽¹⁾.

Lastly, there were a number of applications relating to the supply of foodstuffs, but it was found that the grounds for applying Article 226 were insufficient.

32. In the commodity sectors, the procedure for extending the measures concerning silk already taken on behalf of Italy has been set in motion.

Prospects for a further extension seem better now that there is less disparity between Japanese and Italian silk prices. It should be noted, however, that this derives more from the rise in Japanese silk prices than from any improvement in the structure of production in Italy. The rehabilitation of this sector will require fairly long-term action, and at the moment this has only just got under way.

As regards sulphur, carbon disulphide and sodium sulphide, a very important new factor is the report of the Liaison and Action Committee for the Italian sulphur industry presented to the Council and the Commission in December 1963 ⁽²⁾.

A number of decisions valid for a short period have been adopted to enable new measures directly inspired by this report to be drawn up. These transitional measures already take account of how the situation has been developing and constitute a first step towards a return to normal on the market. In particular, it has been possible to arrange for the measures taken in support of carbon disulphide to be relaxed.

⁽¹⁾ See sec. 34 below.

⁽²⁾ See Chap. II, sec. 144.

The decisions on the Italian lead and zinc market were extended until 7 December 1964. However, it was decided to reduce the duties applied by Italy on imports of these items from the other Member States in order to bring them into line with those applied to imports from non-member countries.

33. The Commission decision of 17 January 1963 ⁽¹⁾ concerning refrigerators and components expired on 31 July 1963 without any application for extension having been submitted, so it seems that the situation in this sector has returned to normal.

On 17 July 1963 ⁽²⁾ the Court of Justice of the Communities handed down its judgment on the appeal lodged by the Italian Government against the above decision. The grounds for the judgment, which was entirely in the Commission's favour, contain a number of principles of general importance:

a) The production of a good may constitute a "sector of the economy" within the meaning of Article 226;

b) "Serious difficulties which might persist" may be said to exist when there is a reduction in domestic production together with an increase of imports of the same product;

c) Where there is a crisis in the production of a complex product, the safeguard measure may legitimately be applied to the components as well as the finished product;

d) Differential treatment among the Member States need not automatically imply discrimination where the situations concerned are not comparable; as the Commission is required under Article 226 to restrict intervention to the minimum that is absolutely necessary, it ought to be free to take action only against the root cause of the difficulties;

e) No objection may be raised against use by the Commission of its powers under Article 226 to achieve a result coming under the anti-dumping measures of Article 91, because if the charge is graduated and can only be levied for a given period this is not tantamount to an anti-dumping measure.

(1) See Sixth General Report, sec. 22.

(2) See Chap. V., "Court of Justice".

COMMON POLICY IN THE LEAD AND ZINC SECTOR

34. For some years the Community's lead and zinc industry has been suffering from a serious crisis as a result of the artificial imbalance caused on the world market by the protective measures taken in some of the major producing countries. London Metal Exchange prices for these two metals fell about 50 % on average between 1957 and 1962. As the price of the ore and that of the metal are closely linked, this had repercussions at all stages of production and spread to all the member countries, threatening the existence of businesses which would have been perfectly able to compete if economic conditions had been normal.

To meet these difficulties the Commission, as already mentioned in the Sixth General Report ⁽¹⁾, submitted to the Council on 25 February 1963 an emergency programme as part of a common industrial and commercial policy for lead and zinc. This proposal was the Commission's first attempt to set up a Community policy in an important industrial sector by reconciling the divergent interests in that sector.

The proposals put before the Council aimed primarily at the speedier achievement of the Treaty's objectives in the lead and zinc sector, i.e. the total elimination of duties in intra-Community trade, the advance application of the common customs tariff and the implementation of a common commercial policy. Other provisions include:

- a) Freedom from duty for lead bullion;
- b) Temporary maintenance of the isolation of the Italian market under Article 226;
- c) The suspension of duty for lead (unwrought) and zinc (spelter) when London prices reach an adequate level;
- d) The abolition of the special tariff quotas in List G.

As the Governments disagreed on certain items in this programme, the Council has not yet been able to reach a firm decision. To facilitate discussion, the Commission informed the Ministers during their session on 4 and 5 Decem-

⁽¹⁾ See sec. 24.

ber 1963 that it would be prepared to study and, if appropriate, put forward additional measures, together with a long-term policy incorporating the emergency programme.

Conditions on the world lead and zinc market improved markedly in the course of 1963. At the end of the year London prices rose above the level regarded as adequate in the Commission's emergency programme. The Commission, which is concerned about the immediate effects of price fluctuations on the economic development of all these sectors, is keeping a sharp eye on developments and will investigate what their consequences may be on the common policy for lead and zinc.

The free movement of persons

THE FREE MOVEMENT OF WORKERS

35. Regulation No. 38/64, which supersedes Regulation No. 15 with effect from 1 May 1964, was approved by the Council on 7 February 1964 and issued on 25 March 1964, and a directive superseding that of 16 August 1961 was issued on 6 April 1964. This regulation and directive relate only to the second stage; proposals for finally ensuring free movement of workers will have to be made by the Commission not later than 31 December 1967. Most of the measures proposed by the Commission have been approved by the Council, and consequently the developments foreshadowed in the Sixth General Report ⁽¹⁾ and in the Action Programme for the Second Stage have been largely confirmed.

The regulation

36. This marks a great advance on the previous regulation. Its main points are as follows:

Scope: Whereas Regulation No. 15 was only applicable to "permanent" workers, the present regulation covers all wage-earners, and particularly seasonal and frontier workers, who were not previously covered by any regulation regarding

⁽¹⁾ See sec. 26 *et seq.*

free movement. The procedure for applying Regulation No. 15 to artistes and musicians, which was the subject of Commission Regulation No. 18 (1), has been incorporated in the new general regulation, which therefore also supersedes Regulation No. 18.

In conclusion, this regulation can also benefit wage-earners accompanying the supplier of a service or rendering the service on his behalf, when such activity has been liberalized under the General Programme for the abolition of restrictions on freedom to supply services approved by the Council on 18 December 1961. The regulation will also be applicable to the employees of a supplier of services when supply takes place under national legislation without being liberalized in pursuance of a Council directive.

Abandonment of priority for the home labour market: In accordance with the Commission's proposal, priority for the national labour market has in the second stage been abandoned, and workers enjoy, in principle, equal right of access to employment throughout Community territory. However, to prevent the balance of the labour market from being upset in certain regions, or the aggravation of crises in certain occupations, a Member State, if it should consider such action to be necessary, may provisionally maintain or reinstate priority for the home labour market within specific limits, and it must inform the Commission of its decision, stating its reasons.

The limits are those which Regulation No. 15 had already set to priority for the home labour market. Such priority cannot apply to individual offers of employment based on certain criteria, and in any event national authorities will not be able to delay indefinitely the issue of a labour permit to a worker from another Member State. The period allowed to the national authorities for vacancy clearance on their labour markets, which was three weeks in Regulation No. 15, has been reduced to a fortnight.

Prolongation of employment: In the new regulation, the period for assimilation of foreign workers to workers in the country of employment is reduced from four to two years. Furthermore, if the foreign worker has been in regular employment for two years, he is allowed to retain the rights acquired under the provisions for prolongation of employment for two years after leaving the country of employment.

(1) See Fifth General Report, sec. 29.

Eligibility of workers for election to representative bodies in the firm: In the first stage, the workers enjoyed the right to vote but not the right to election to representative bodies in the firm in which they work. For the second stage, such eligibility has been granted them, following a proposal by the Commission, provided they satisfy the same conditions as national workers, and have worked in the firm for three years. Hence, at the final stage it will only be necessary to abolish this latter proviso in order to ensure absolute equality between all workers in this important matter.

Families: Regulation No. 15 gave the worker the right to be accompanied or joined by his wife and children under the age of 21. This right is now extended to all dependent relatives in the ascending or descending line. In addition, the Member States will have to facilitate admission to their territory of any relative of the worker living under his roof. However, admission of a worker's family will continue to depend on whether he can house them in a manner regarded as normal for local workers in the area where he is employed.

Priority for the Community labour market: The Commission, supported by the European Parliament and the Economic and Social Committee, wished to strengthen the provisions of Article 43 of Regulation No. 15 regarding priority for the Community labour market. The Council did not accept the text proposed by the Commission but nevertheless recognized the need to go beyond Regulation No. 15, since the principle of non-discrimination enunciated in Article 48 of the Treaty actually implies that nationals of the Member States should have preference in appointment to vacancies in the Community. The Council therefore expressly bound the Member States to apply this principle in its entirety forthwith. Furthermore, the Council set up machinery to ensure priority for the Community labour market. Estimates of manpower requirements are made by the Member States in conjunction with the Commission on the basis of a report drawn up by the latter at the beginning of the year. These estimates will be compared at the end of the year with the results of vacancy clearances between the Member States.

Thus, in this very important field the new regulation is a considerable step forward from Regulation No. 15.

Refugees and stateless persons: The Commission adopted a suggestion by the European Parliament and the Economic and Social Committee and proposed that the benefits of the regulation on free movement of workers should be extended to refugees and stateless persons.

The Council rejected this proposal, but substituted for it a declaration of intention by the Member States, assembled in the Council, under the terms of which the Member States, after noting that Articles 48 and 49 of the Treaty cannot benefit persons who are not nationals of the Community countries, affirmed their particular interest in the situation of refugees and expressed readiness to give the most sympathetic consideration to their requests on the same principles as those governing free movement of workers.

Institutional arrangements: The institutions set up by Regulation No. 15 (the European Co-ordination Office, the Advisory Committee, and the Technical Committee) have been retained by the new regulation with the same functions.

The directive

37. The directive corresponds to the liberalization measures adopted in the regulation. A special title in the regulation is devoted to provisions regarding labour permits, which appeared in the directive of 16 August 1961. This arrangement avoids the Member States having to carry out the procedures—some of them rather lengthy—for adapting their legislation to the aims set out in the directive.

Finally a special directive to implement Article 56(2) of the Treaty co-ordinates special restrictions on travel and residence for foreigners if justified on grounds of "ordre public", public safety or public health ⁽¹⁾, and applies to all nationals of Member States, whatever their occupation.

Consequently, unlike the directive of 16 August 1961, the new directive does not define the restrictions which Member States may impose on these grounds.

Activities of the European Co-ordination Office

38. In accordance with Regulation No. 15, the European Co-ordination Office has drawn up each quarter a general survey of the situation and development of the labour markets, on the basis of reports provided by the Member States in pursuance of Article 3 and 18 of the regulation. The lists of occupations and regions in which there is a shortage or surplus of manpower have also

(1) See sec. 47.

been regularly distributed among the competent authorities in the Member States so as to enable the regulation to be properly applied (labour permits to be issued automatically in areas and occupations short of manpower—Article 3, and priority for the Community labour market—Article 43).

Moreover, the European Co-ordination Office, in collaboration with a working party appointed for the purpose by the Technical Committee, has prepared standard tables for communication of the statistics sent to it by the Member States, and has begun to study uniform criteria for harmonizing methods of assessing the position on the labour markets of the Member States.

In conclusion, it has prepared a second annual report on vacancy clearance activities within the Community in accordance with the terms of reference assigned to it by Article 24 of Regulation No. 15.

Advisory Committee and Technical Committee

39. The Advisory Committee, at two meetings, studied measures to make the free movement of workers part of the Community's employment policy. In this context questions of regional and conjunctural policy assume particular importance, and consequently the Advisory Committee has begun to study the co-ordination of national employment policies at Community level. It has also examined and approved the fourth Annual Report on the conjunctural aspects of manpower problems in the Community and the first Annual Report on vacancy clearing operations drawn up by the European Co-ordination Office.

It took note of the work done on preparing a brochure to inform workers of the arrangements made regarding free movement and of living and working conditions in the chief labour-importing areas of the Community.

Finally, the Committee began a study of the basic principles of a Community policy on the free movement of workers.

40. The Technical Committee discussed a proposal that the appropriate department of the Commission should present a general report on the results of two years application of Regulation No. 15.

In conjunction with staff of the Commission, it planned a first study and information meeting for officials specializing in vacancy clearance, which was held on 29-31 May 1963.

In response to a suggestion of the Advisory Committee, the Commission decided to arrange more meetings of the same kind, and another was held on 2 and 3 March 1964 for representatives of employers and workers concerned with questions of free movement within their organizations.

FREEDOM OF ESTABLISHMENT AND FREEDOM TO SUPPLY SERVICES

General

41. Eight new draft directives: Two directives (establishment in agriculture) ⁽¹⁾ had already been adopted by the Council at the time of presenting the last General Report. Eight more have now been added, regarding payment for services, cinematography, entry and residence (two directives), reinsurance, wholesale trade and intermediaries together with the relevant transitional measures (three directives). Four directives (on agriculture, payments and cinematography) have already begun to make their effects felt in the Member States.

The Commission also submitted to the Council seven more draft directives concerning industrial and artisan activities, the extractive industries and the relevant transitional measures (on which the European Parliament rendered its opinion on 27 November 1963), public works contracts, cinematography (second directive), supply of services in agriculture and the co-ordination of company law (first directive). Proposals regarding participation by firms in public works contracts, press and publicity, and real estate, will be submitted to the Council before long. Work regarding transport auxiliaries, banking and stock exchange activities has reached an advanced stage.

42. During examination of the draft directives put before the Council certain questions of principle were raised, giving rise to new decisions by the Governments. This is the reason for the rather long time it has taken for the texts to be adopted by the Council.

In the course of the discussion, the Commission drew encouragement from the attitude of the European Parliament and the Economic and Social Committee.

(1) See Sixth General Report, sec. 30 *et seq.*

These bodies did not confine themselves to declaring themselves in favour of the Commission's proposals (in most cases unanimously); they also proposed that the draft directives should be amended and amplified with a view to a degree of liberalization exceeding that provided for in the General Programmes.

43. Certain matters of general principles were settled in the Council:

a) Self-employed persons wishing to establish themselves in another Member State or to supply services there will have the right to become members of local Chambers of Commerce and professional associations and enjoy any advantages they offer. This right includes eligibility to become officers of these organizations, in so far as such officers do not exercise public authority;

b) As regards certain occupations (in industry or trade, for example), for which specific qualifications are required, proof of possessing such qualifications will be made easier for the people concerned; the host country will only be able, exceptionally, to require that the applicant pass a supplementary examination if the practice of a profession is subject to special conditions;

c) The directives need not indicate what special measures for foreigners are justified on grounds of "ordre public, public safety or public health (Art. 56); but the question of co-ordinating them will be examined. The directives should, however, list in detail occupations which involve the exercise of public authority;

d) Suppliers of services will have the right to be accompanied by members of their staff in the country in which the service is performed, according to the arrangements laid down in the regulation on a second stage in the free movement of workers adopted by the Council on 7 February 1964 ⁽¹⁾.

44. The question of oversight of the directives was given particular attention by the European Parliament, which on several occasions stressed the need for strict control. Where the directives merely require the lifting of discriminatory restrictions, control need relate only to the adjustment of municipal laws and regulations by the appointed dates. But in the case of directives to co-ordinate laws and regulations in a particular field, control should ensure that the co-ordination of national legislation will not be upset by laws passed subsequently

⁽¹⁾ See sec. 36.

by the Member States. Unfortunately, contrary to the express request of the European Parliament and the Commission, the representatives of the Member States, meeting in the Council, confined themselves to a declaration of intention, recorded in the minutes: they will inform the Commission "as far as possible" of their subsequent proposed provisions in the field covered by the co-ordination directive.

45. The co-ordination of national laws hindering freedom of establishment will henceforward be an essential task for the Commission (besides implementation of the successive stages in lifting restrictions as laid down in the General Programmes). The Treaty makes the following provision for such co-ordination: Article 54(3 g) (guarantees for members of the companies and third parties required by the company law of the Member States); Article 56 (see above); Article 57(2) (self-employment). Just as in the case of mutual recognition of diplomas, certificates and other qualifications, co-ordination presupposes exact and detailed studies of comparative law. It is to be feared that the tasks imposed by this programme cannot be completed within the periods—some of them very short—laid down in the General Programmes. For example, the company law of the Member States was to have been co-ordinated by the end of the second year of the second stage in the transitional period (i.e., by 31 December 1963); the fact that this time-limit could not be adhered to has caused considerable embarrassment to the discussion of directives to abolish certain measures regarding permission to operate and regarding control which are a hindrance to companies wishing to set up in other member countries.

46. Transitional measures will be necessary. The General Programmes set certain time-limits. As the Commission cannot extend them until the time when co-ordination is fully effective, it will propose interim measures in certain fields. It has already done so for wholesale trade, artisan activities and intermediaries; similar action will also have to be taken for other occupations, notably the liberal professions.

The present system only facilitates admission to a profession for people who have already practised it. The Commission considers that this system should only remain in force for the transitional period. The arrangement does not suffice to attain the express object of the Treaty by recognition of qualifications and co-ordination, and the only purpose it can serve is provisionally to avoid anomalies.

Present situation

Following the above general indications, a description is given below of the position on 31 March 1964:

47. *Travel and residence*: On 25 February 1964, the Council adopted the directive for the removal of restrictions on travel and residence by nationals of the Member States within the Community as they affect freedom of establishment and freedom to supply services, regarding which the European Parliament gave its opinion on 8 February 1963 and the Economic and Social Committee on 28 November 1962.

Although the text adopted differs somewhat from that proposed by the Commission and the European Parliament, the solutions remain broadly the same. The right of appeal which the Parliament suggested offering to the persons concerned can be exercised by virtue of a second directive regarding entry and residence of nationals of the Community.

The restrictions on entry and residence on grounds of "*ordre public*", public health and public safety are not abolished by the above directive but, pursuant to Article 56(2) of the Treaty, are co-ordinated by another directive, on which the European Parliament rendered its opinion on 22 November 1962. The Council adopted this directive on 25 February 1964 ⁽¹⁾. The Commission put to the Council arguments in favour of most of the Parliament's proposals, with some success. But, since the discussions ran into great difficulties, the Commission did not feel justified in jeopardizing adoption of the directive by opposing the compromise finally reached, which substantially safeguards the right that had been the object of the Parliament's concern.

Nevertheless, an important step has been taken with these two directives, which have to do with matters (treatment of aliens, freedom of movement) far outside the strictly economic field to which measures to implement the Common Market are generally confined.

48. *Payments for services*: On 31 May 1963, the Council adopted the directive removing all prohibitions on or other obstacles to payments for services

(1) See official gazette of the European Communities, No. 56, 4 April 1964, p. 850.

where payment restrictions are the only limiting factor on their supply ⁽¹⁾. This directive is based on Articles 63 and 106(2) of the Treaty.

The amendments suggested by the European Parliament on 8 February 1963 and by the Economic and Social Committee on 29 November 1962 are not regarded as making any significant change to the initial proposal.

49. *Cinematography*: The first directive, on which the Parliament gave its opinion on 8 February 1963 and the Economic and Social Committee on 27 March 1963, was adopted by the Council on 15 October 1963. This directive deals with certain essential matters in the film industry:

i) The definition of the film, as vehicle for the circulation of a body of rights and titles;

ii) The question of nationality;

iii) Liberalization of intra-Community exchange of films made in co-production or with the participation of nationals from another Member State;

iv) Liberalization of intra-Community exchange of shorts, newsreels, and educational, cultural or scientific films, in accordance with the wishes of the Parliament and the Economic and Social Committee.

On 7 February 1964, the Commission put before the Council a second draft directive, in conformity with the Parliament's recommendations that the problems of the industry should be solved as soon as possible and before the end of the transitional period. This directive aims at the abolition of import quotas, the extension of screen quotas to all films from Member States, and the lifting of restrictions on the opening of cinemas specializing in exclusive exhibition of foreign films in the language of the country of origin, and of restrictions on the dubbing of films.

The Commission intends to put before the Council as soon as possible a third proposal for a directive to ensure freedom of establishment and freedom to supply services in the field of distribution. It has also recommended that the Member States should fix certain common rules for certifying the nationality of films.

⁽¹⁾ See official gazette of the European Communities, No. 86, 10 June 1963, p. 1609.

50. *Trade*: On 25 February 1964 the Council adopted three directives ⁽¹⁾, two of which had been submitted by the Commission in July 1962 and the third in January 1963. The first directive relates to non-wage-earning activities in wholesale trade with regard to internal, import, export and transit trade. The Commission firmly supported the amendments proposed by the Parliament and the Economic and Social Council, such as the right to join professional organizations, which was expressly guaranteed.

The second directive relates to activities serving trade and industry. It concerns representatives and travellers, brokers, commission agents and other such intermediaries. In particular, the Council accepted the Parliament's proposal regarding Article 1, urging that all restrictions be abolished. Article 3 was also amplified to comply with the Parliament's request that the different national designations of activities should be taken into account.

In the third directive transitional measures are laid down for the activities covered by the first two. Both the Parliament and the Economic and Social Committee gave a favourable opinion on it, the former on 14 May 1963 and the latter on 28 March 1963. The Council followed their recommendations with regard to the safeguard clause: the criteria for application of this clause were precisely defined in Article 3.

51. *Reinsurance*: The Commission's proposed directive for the removal of restrictions on freedom of establishment and freedom to supply services in reinsurance and retrocession ⁽²⁾ was approved without amendment by the European Parliament and the Economic and Social Committee. The Council adopted this directive on 25 February 1964.

52. *Manufacturing and extractive industries*: The Parliament and the Economic and Social Committee pronounced favourably, in November and September 1963 respectively, on the proposed directives submitted by the Commission to the Council in April 1963. Transitional measures have been proposed, in the same way as for trade. The Commission will support the amendment proposed by the Parliament for the purpose of speeding up liberalization of prospecting and drilling for oil.

⁽¹⁾ See official gazette of the European Communities, No. 56, 4 April 1964.

⁽²⁾ *ibid.*, No. 56, 4 April 1964, p. 878.

53. *Co-ordination of national company law* ⁽¹⁾: Under the Treaty of Rome, companies incorporated in a Member State will enjoy freedom of establishment on the sole condition that they have their registered office, head office or principal place of business within the Community.

However, in order that the protection of members of such companies and third parties may not be impaired by freedom of establishment, co-ordination of national legislation on companies was prescribed in Article 54 (3 g). This co-ordination relates to clauses in company law intended to protect either the members of the companies *or* third parties, or the members of the companies *and* third parties.

The General Programmes make provision for co-ordination within a quite short period. In view of the magnitude of the task, the Commission has not been able to observe the time-limit.

A first proposal for a directive to co-ordinate certain aspects of national legislation on joint stock companies and limited partnerships was sent to the Council on 21 February 1964. Provision is made in it for publication of particulars, validity of commitments, and nullity of association.

The work of co-ordination will primarily relate to the law of joint stock companies, for this type of company is the most important in the economic life of the Member States.

54. *Directive concerning public works contracts*: On 16 March 1964 the Commission submitted to the Council a first proposal for a directive on the abolition of laws, regulations and administrative practices in the Member States whereby firms from other Member States are wholly or partly excluded, even indirectly, from tendering for or executing work for the State, local authorities or other bodies which conclude contracts under public law.

The main objects of the proposal are:

a) To abolish restrictions on the freedom of establishment and freedom to supply services of public works contractors;

(1) See also sec. 86.

- b) To determine the conditions under which the Member States may suspend during the transitional period the award of public works contracts to nationals of other Member States;
- c) To extend liberalization to public works concessions;
- d) To extend the system to works contracts awarded by national railway boards.

This directive leaves open the possibility that special rules may be laid down for national railways as regards their practice in concluding works contracts.

55. Supply of services in agriculture: On 3 March 1964 the Commission submitted to the Council, in conformity with the General Programme of 18 December 1961 and with Article 63(2) on the Treaty, a proposed directive setting out arrangements for liberalizing the supply of services in agriculture and horticulture.

According to this proposal, not later than six months after issue of the directive by the Council, supply of the following services will be liberalized between the Member States: technical aid in managing and rationalizing farms; destruction of weeds and vermin; spraying of plants and soil; pruning; picking, packing and packaging; exploitation of irrigation systems; hiring-out of agricultural machinery; care and dressing of soil or crops; reaping, harvesting, threshing, pressing, and gathering.

Restrictions on the supply of services connected with stock-raising and other activities not listed above are to be eliminated in 1966.

The measures proposed by the Commission should be of benefit to a not inconsiderable number of undertakings in frontier areas and to certain firms sufficiently large and specialized to operate at some distance from their headquarters.

56. Mutual recognition of diplomas and co-ordination in the liberal professions: In the liberal professions, more than in others, the right of establishment raises the two questions of mutual recognition of diplomas and co-ordination of conditions for admission to and practice of those professions (Art. 57).

The Commission's work on mutual recognition of diplomas has made appreciable progress, notably as regards medical and pharmaceutical degrees. In other sectors, certain transitional measures have already been worked out. In con-

formity with the General Programmes, consultations on the first draft regulations in this field will be held during the second half of 1965.

As regards the second question, the scope of co-ordination will depend on how far these matters affect movement of professional workers and the profession itself. The line taken by the Commission here is that co-ordination should be carried out in the interests of the Community and extended as far as possible subject to agreement between the Member States.

Conditions for admission to and practice of professions, particularly of the liberal professions, should therefore be compared not only from the point of view of the migrant professional worker as an individual, but also from that of the development of the profession in the Community. This raises a number of extensive and complex problems of reform and adjustment.

The work is already well under way in several sectors. However, just as in the case of mutual recognition of diplomas, the proposals are bound up with the whole corpus of directives on the activity in question, and so will be made the subject of consultations only by stages and, under the General Programmes, not before the end of 1965.

The free movement of capital

57. As a first step, substantial progress was made in this matter by removing obstacles arising from exchange controls. This was done under two directives issued in pursuance of Article 67 of the Treaty on 11 May 1960 and 18 December 1962 ⁽¹⁾. Measures taken in France and Belgium in 1963 further promoted the liberalization of capital movements. In France, for the first time in several years the authorities permitted an issue of non-French securities, in the shape of a debenture issue of FF 60 million made by the European Investment Bank. In Belgium, access to the official capital market was granted for all the operations on Schedule A attached to the directive of 11 May 1960.

The two directives, however, concerned only restrictions arising from exchange controls. But, even where these restrictions have been lifted, other regulations may hinder or even prevent liberalized movements. For this reason, particular attention has been given to legislative and administrative obstacles to the issue

(1) See Fourth General Report, sec. 46 and Sixth General Report, sec. 36.

and placing of foreign securities on the national capital markets, and to the introduction of these securities on domestic stock exchanges and their acquisition by financial institutions ⁽¹⁾.

With a view to removing such obstacles, new proposals have been prepared for a third directive in pursuance of Article 67 of the Treaty. The Commission, after obtaining the opinion of the Monetary Committee, will submit its proposals to the Council in the near future.

The Monetary Committee will shortly, under the terms of Article 4 of the first directive, make its third annual inquiry into still existing barriers to the free movement of capital.

Competition

General

58. The outstanding feature of the year under review was the growth of competition among enterprises concerned in trade between the Member States and a corresponding further intensification of activity in the field of competition policy.

The reduction of customs duties and the abolition of quotas created new possibilities for enterprises to trade across frontiers, and many took advantage of them. As a result the numbers competing on many markets increased and competition became keener. The role of competition as an integrating factor which broadens national markets and gradually welds them together has again become greater.

Meanwhile, practical experience in the year under review shows that the freer and keener competition due to customs dismantlement is not in itself sufficient to confer on those concerned with the market and on the economies of the Member States the full economic advantages which could flow from this competition, to distribute these advantages fairly and gradually to bring about conditions like those on a domestic market. In the place of customs and quotas other artificial distortions of competition between States are increasingly making themselves felt. Particular mention should be made in this connection of the cumulative multi-stage turnover tax, State aids, including certain advantages in

⁽¹⁾ See sec. 93 for fiscal aspects.

tax matters and transport tariffs, cartels and other restrictions of competition by enterprises, state trading monopolies, preferential positions for public enterprises and differences in various fields of the law affecting business matters in the Member States.

Removal of these artificial distortions and restrictions is a task for competition policy. The state of undistorted competition that would result is not an end in itself but a means of ensuring growth in the economic field, in the social field optimum satisfaction of needs and distribution of incomes in conformity with performance, and in the business field maintenance of economic freedom for enterprises and consumers.

The most urgent practical task at present facing competition policy makers is probably the harmonization of turnover tax systems in the Member States. The multi-stage systems with cumulative effect found in five countries do not allow of any exact calculation of the countervailing charge on imports of individual goods or of the refund on exports. This results in distortions of competition between States. Moreover the cumulation effect of this system favours the integrated—mainly large—enterprises. The Commission has therefore proposed the replacement of the existing system by an added-value tax system which does not affect competition. The European Parliament has welcomed, supported and improved on this proposal. The basic features of this common added-value system have also been worked out. Alignment of the systems and rates would make it possible to abolish the tax frontiers which prevent the six national economies merging into one common market. Discussion of this basic reform shortly begin in the Council.

The studies for the establishment of a European patent have also advanced. Here too the aim is to establish like conditions of competition for enterprises engaged in inter-State trade and to abolish obstacles hampering trade between the Member States.

The number of cases of State aids dealt with grew to 60 in the year under review. The list of existing aids has been drawn up and their initial examination concluded.

In the field of restrictions of competition by enterprises three regulations relating to procedure were prepared, the registration of agreements notified was largely completed and 39 proceedings were instituted, covering 137 cases in all. The Commission issued one recommendation and one decision and further decisions are imminent.

Finally, the Commission paid special attention to the connections between competition policy and general economic policy. Here the special issues are the influence of economic and monetary disparities on the effectiveness of inter-State competition and the strengthening of the system of competition by the addition of a medium-term economic policy. The aim of the Commission's proposals in this matter is to ensure that the public interventions recognized as necessary in certain fields can be fitted into a coherent framework, shall be mutually compatible and shall affect the free play of the market only to the extent absolutely necessary.

In general the Commission has again endeavoured to dismantle obstacles to trade in a gradual and balanced manner consonant with the need to maintain uniformity and balance in its competition policy. It was not however possible to tackle all obstacles at once, or to wait in each case until all other conditions of undistorted competition were present. Experience has moreover shown that any transitional difficulties which may arise have been over-estimated.

RULES APPLICABLE TO ENTERPRISES

59. During the period under report the Commission concentrated on the necessary additions to the law on restrictive practices and the handling of individual cases.

Implementation of Articles 85 and 86

60. *Regulation on hearings:* The most important legislative measure was the Commission regulation on the hearing of parties directly concerned and of third parties prior to decisions called for by Council Regulation No. 17. This Commission Regulation No. 99/63/CEE was adopted on 25 July 1963 ⁽¹⁾ and came into force on 9 September 1963.

The regulation was necessary to enable hearings to be carried out on uniform principles, to inform enterprises of their rights in the hearings procedure and, in particular, to give them full guarantee of a legal hearing.

⁽¹⁾ Official gazette of the European Communities, No. 127, 20 August 1963, p. 2268; the measure was foreshadowed in the Commission's Action Programme, p. 21, sec. 24.

Enterprises and associations of enterprises concerned are always given an opportunity of expressing their views if and in so far as they are adversely affected by the proposed decision. The Commission may hear other persons or associations of persons should it consider this necessary. It is obliged to hear them if they can show that they have a sufficient interest in the hearing.

All persons entitled to a hearing must first submit their comments in writing. Enterprises can thus correct points of fact, report additional facts and express their legal point of view without let or hindrance. In support of facts referred to they may attach to their statements any relevant documents and they may suggest that third persons be heard.

The regulation provides for an oral hearing on request for persons who have shown that they have a sufficient interest in such a hearing or on whom the Commission proposes to impose fines or periodic penalty payments. In addition there can be oral hearing when the Commission considers this appropriate.

In order to protect business secrets it is provided that the hearings shall take place in camera and that the persons notified to attend may be heard individually, i.e. without other persons notified being present.

A last important rule is that the Commission's decision may only take account of matters on which the enterprises and associations of enterprises against whom the decision is directed have had an opportunity of communicating their views.

On this point particularly the legal protection which the regulation guarantees to the enterprises and appellants concerned goes beyond what is provided for in the legal systems of most of the Member States. In this difficult field of law the Commission makes its decisions in full knowledge of all the circumstances which appear important, from the economic or legal angle, to those concerned.

The first oral hearing took place in March 1964. In conformity with Article 7(1) of Regulation No. 99/63/CEE, the enterprises concerned communicated their views on the points which had led to the objection. The appellant enterprises were also given an opportunity of expressing themselves orally in accordance with Article 7(2).

61. *Extension of the time-limit for notification of certain old cartels:* On 8 November 1963 Council Regulation No. 118/63/CEE came into force. This regulation, which was adopted on a proposal of the Commission, extended for three years from 31 December 1963, i.e. until 31 December 1966, the time-limit

for notifying certain national cartels, resale price maintenance arrangements, licence agreements and agreements concerning standards, types and research, where these were already in existence on 13 March 1962 (see Article 5(2) of Regulation No. 17) ⁽¹⁾.

Under the earlier arrangements the Commission could dispense such cartels, if notified by 31 December 1963, from the prohibition under Article 85 of the Treaty provided they were then adapted to the conditions of eligibility under Article 85 (Art. 7(2) of Regulation No. 17), and this dispensation could even be given retroactive effect. According to the new arrangements the Commission can give this dispensation provided the cartels are notified by 31 December 1966.

The extension of the time-limit for notification by three years seemed to be reasonable because by 31 December 1966 the Commission will have taken a number of decisions which will clarify the application and interpretation of Community law on restrictive practices. This will make it easier for enterprises to adapt their agreements to the requirements of European Cartel Law.

There seemed to be no objection to prolonging the time-limit, since this neither hindered nor made more difficult action by the Commission against restrictions on competition which, although not notifiable, are forbidden, and because such agreements, decisions and concerted practices can be made subject to notification should this prove necessary (Art. 22 of Regulation No. 17).

The European Parliament and the Economic and Social Committee issued opinions on the Commission's proposal and supported the prolongation of the time-limit ⁽²⁾.

62. *Measures concerning investigations:* Article 14(6) of Regulation No. 17 lays down that before 1 October 1962 Member States shall, after consulting the Commission, adopt the measures which will enable them to lend servants authorized by the Commission the assistance necessary to carry out their investi-

⁽¹⁾ Council Regulation 118/63/CEE. Official gazette of the European Communities, No. 162, 7 November 1963, p. 2696.

⁽²⁾ Official gazette of the European Communities, No. 157, 30 October 1963, p. 2620, and Internal Market Committee's report, 15 October 1963 (European Parliament, Doc. 75/1963-64).

gations. This consultation procedure is almost concluded in the case of five Member States and the sixth is being requested to carry it out without delay. The delay in relation to the time-table laid down in Article 14(6) is mainly attributable to the fact that several Member States had first to put through the relevant legislation, and this always takes time.

63. *Powers for the Commission to issue group clearances:* On 28 February 1964 the Commission submitted to the Council a proposal for a regulation to clarify the Commission's powers to apply Article 85(3) to specific types of agreements, decisions and concerted practices. This regulation would empower the Commission to exempt these types from the prohibition contained in Article 85(1) of the Treaty if the conditions laid down in Article 85(3) are met, even if there is restraint of competition.

These group clearances would make it easier to observe the Treaty rules on competition with a minimum of administrative supervision ⁽¹⁾. For future agreements falling under the exemption accorded to a specific type, notification would no longer be necessary. A similar declaration of inapplicability could be considered for certain types of exclusive agency agreements which restrict competition ⁽²⁾, provided their main characteristics conformed to a general type which could be fitted into the framework of Article 85(3).

64. *Concentration of enterprises:* In its Action Programme the Commission announced ⁽³⁾ that during the second stage it would ascertain whether the Treaty provisions concerning the improper exploitation of dominant positions (Art. 86) and Regulation No. 17 suffice to provide an effective check on the improper use of dominant positions. The Commission further noted that it seems particularly important to take care that concentration having no economic justification should at least not be artificially encouraged and that particular vigilance is required in cases where new dominant positions come into being within the Common Market ⁽⁴⁾.

In implementation of this programme the Commission in May 1963 decided to put in hand a number of investigations into concentration of enterprises in

⁽¹⁾ See Action Programme of the Commission, sec. 24, p. 21.

⁽²⁾ See sec. 67 below.

⁽³⁾ See sec. 25.

⁽⁴⁾ See sec. 26.

the Common Market. It charged a panel of four professors (two jurists and two economists, one each from the Benelux States, Germany, France and Italy) to examine the connection between concentration and the application and interpretation of Article 86, and also the possibilities of justifying compulsory notification for enterprises with a strong position on the market, for mergers and for particular practices which are covered by Article 86.

The Commission requested a similarly constituted panel of four professors to investigate the connections between cartel policy (Art. 85) and concentration; special attention was to be paid to the question whether, and if so how far, groupings other than cartels fall under Article 85, and to the probable effects on concentration of a ban on or approval of cartels.

The Commission further entrusted an institute of comparative law with an inquiry into the forms of mergers allowed under the Company Law of the Member States, the extent to which they promote or hinder concentration, and the regulations governing publicity on mergers.

The results of these wide-ranging studies are not yet available.

Handling of individual cases

65. *Notification of restrictions of competition, applications for negative clearance, complaints:* By 31 March 1964 the Commission had received about 37 000 notifications, applications and complaints. About 25 000 notifications and applications were on pro forma A, used for applications for negative clearances, and pro forma B, provided for notifications and applications for clearance (Art. 85(3)). About 12 000 were on the simplified pro forma B 1, which is used to notify simple exclusive agency agreements.

The number of complaints put forward (Art. 3 of Regulation No. 17) is 48.

Of the notifications and applications, 556 concern restrictions of competition in which more than two enterprises participate.

Among reciprocal restrictions of competition 81 % of the notifications and applications concern exclusive agency agreements, 16 % licensing contracts and 3 % miscellaneous agreements.

The following is the breakdown by branch of industry:

Metals: 69 % of the notifications and applications;

59 % of these concern machines, apparatus and mechanical equipment;

17 % optical and cinematographic instruments and equipment, precision instruments, medical and surgical apparatus and instruments, watches and clocks, sound recording and reproducing equipment;

7 % electrical machinery and equipment;

4 % the motor vehicle industry;

13 % other products of the metal industry.

Chemicals: 14.7 % of the notifications and applications;

39 % of these concern pharmaceuticals;

19.6 % plastics and rubber;

18 % perfumery and cosmetics;

23.4 % other products of this sector.

Agricultural products and foodstuffs: 10 % of the notifications and applications.

Building materials: 1.5 % of the notifications and applications.

Textiles: 1.2 % of the notifications and applications.

Paper and graphic arts: 1 % of the notifications and applications.

Leather goods: 0.3 % of the notifications and applications.

Miscellaneous: 2.2 % of the notifications and applications (mainly glass, toys, and furniture).

The registration of all these agreements, which is done from various standpoints, is almost concluded.

66. *Initiation of procedure:* By 31 March 1964 the Commission had initiated the procedure for dealing with 137 individual cases (Art. 9(3) of Regulation No. 17). These include 28 complaints, 108 notifications with the aim of obtaining clearance or applications for negative clearance, and one case taken up

ex officio. The 137 individual cases were grouped into 39 proceedings, nine of them covering between 5 and 16 individual cases.

The breakdown by economic branch is as follows:

TABLE 3

	Proceedings instituted	Individual cases covered	
		Total	Complaints
Chemicals and pharmaceuticals	6	15	2
Fertilizers	3	21	9
Plastics and rubber	2	5	—
Electronic equipment	3	7	4
Precision instruments and optics	7	15	4
Building materials	2	12	—
Beverages	1	10	6
Textiles	2	3	2
Services	4	15	1
Commerce	3	18	—
Paper, paperboard and the graphic arts	4	9	—
Special construction	2	7	—
Total	39	137	28

The choice of cases for the institution of proceedings and the handling of these cases is carried out in accordance with principles decided by the Commission in July 1963. According to these, priority is given in principle to cases concerning objections (Art. 3 of Regulation No. 17) or when actions concerning the applicability of Article 85 or 86 are pending before courts in the Member States. Priority is also given to the discovery and examination of restrictions on competition which have not been reported. The same applies to the tracing and study of cases of improper use of dominant positions, although according to Regulation No. 17 they must be notified if the parties wish to invoke the benefit of the provisions contained in Article 85(3).

Restrictions of competition will also be given priority treatment if they are notified before coming into operation (Art. 86). From the point of view

of substance the choice of the cases to be dealt with is influenced particularly by the type and gravity of the restriction of competition, its economic importance for the Common Market, an endeavour to spread the cases over the various economic sectors, and the effects of the subsequent decision as a precedent for the interpretation and observance of the rules on competition, and thus for the clarity with which the law can be understood by enterprises.

In view of the above, most of the proceedings instituted by the Commission deal with important horizontal market-sharing, price and quota agreements between manufacturers in various Member States, and priority has been given to the handling of these cases. Wherever, too, there is reason to suppose that competition within the Common Market is being restricted or distorted, preparations are being made, as part of the endeavour to prevent improper use of dominant market positions (Art. 86 of the Treaty), to investigate particular economic sectors (Art. 12 of Regulation No. 17).

67. Recommendations and decisions: On 24 July 1963 the Commission sent its first recommendation to enterprises (Art. 3(3) of Regulation No. 17) requesting them to end infringements to Article 85 of the Treaty ⁽¹⁾.

A number of manufacturers and a considerable number of customers for a particular product had undertaken to trade exclusively with each other. The manufacturers were not to supply any outsiders and the customers could not buy from outsiders. In the event of infringement the manufacturers risked fines and the customers temporary or permanent stopping of supplies. The accession of further manufacturers had to be approved by those already parties to the arrangement, and new customers could only come in subject to a number of conditions.

After hearing the Consultative Committee on Cartels and Monopolies ⁽²⁾, the Commission concluded that these collective mutual exclusive dealing arrangements restricted the possibilities open to all sellers and buyers of the product concerned and thus restricted competition within the Common Market. The agreements restricting competition were also liable to affect trade between the Member States. Possibilities of exporting and importing the product in question between enterprises of different Member States were limited in no

(1) For text see EEC Bulletin 5-64, Annex II.

(2) See Sixth General Report, sec. 44, para. 4.

small degree by the agreement. The Commission did not consider that an exception could be made for these collective mutual exclusive dealing links under Article 85(3), since the conditions laid down therein were not fulfilled.

Upon this the parties concerned made substantial changes in the agreement. At present the question of whether the agreement as modified is in conformity with the restrictive practices provisions of the Treaty is being investigated.

On 11 March 1964 the Commission, after hearing the Consultative Committee on Cartels and Monopolies, decided to grant a negative clearance to the French firm Grosfillex for an exclusive agency contract concluded with the Swiss firm Fillistorf ⁽¹⁾. By this contract Grosfillex gave Fillistorf exclusive authority to sell in Switzerland the plastic articles it manufactured in the kitchen equipment and hygiene sectors. At the same time Fillistorf undertook not to re-export the goods.

The basis of the decision is Article 2 of Regulation No. 17, under which the Commission, acting at the request of an enterprise, may find that, according to the information it has obtained, there are under Article 85(1) no grounds to intervene with respect to an agreement.

The Commission therefore saw no reason to intervene because according to the information it had obtained the exclusive agency agreement does not appreciably restrict competition within the Common Market. Re-export from Switzerland to the Common Market is in practice impossible because of the double customs duty which would be involved.

With this decision the Commission has made it clear that exclusive agency agreements, where they affect the Common Market, come within the sphere of application of Article 85, but that a restriction of competition forbidden under Article 85(1) is not necessarily present whenever a supplier is excluded from competition in the Common Market.

The decision is important in that there are numerous similar cases of excluding dealing agreements with enterprises in non-member States which stipulate the exclusive sale of goods in such States. As a result of this case the Commission's views on the matter are made available to anyone signing such contracts.

(1) Published, after the close of the period under review, in the official gazette of the European Communities, No. 58, 9 April 1964, p. 915.

In three further cases the Commission indicated that it intended to issue a negative clearance ⁽¹⁾.

The Consultative Committee on Cartels and Monopolies has so far met four times. Further decisions will shortly be taken by the Commission.

DUMPING

68. When the Sixth General Report was written ⁽²⁾ the examination of two requests made under Article 91 had not yet been concluded. The enterprises concerned having desisted of their own accord from the practices complained of before being officially called upon to do so by a Commission recommendation, the requests were dropped.

In the year under review three further requests were submitted, two of which concern chemical products. One was rejected because it was not found that there was any harmful dumping; the other two are still being examined.

The three requests submitted during the period under review bring the total number of individual cases of dumping within the Community examined in the last six years to 23, of which 15 concern chemical products. Of the eight applications which became null and void because the practices criticized were given up before the completion of the investigations, several concerned products in which competition from non-member countries was strong and at times also took the form of dumping. Some Member States in fact found themselves obliged to take protective measures against certain of these imports from outside the Community.

STATE AIDS

69. The list of existing aids referred to in the Action Programme has been completed. The Commission has nearly completed an initial phase in the examination of these aids, in which they are being studied from the angle of their influence on competition ⁽³⁾.

⁽¹⁾ See official gazette of the European Communities, No. 102, 4 July 1963, p. 1853, No. 44, 13 March 1964, pp. 722 and 723.

⁽²⁾ See Sixth General Report, sec. 46.

⁽³⁾ See Action Programme, sec. 27.

In the course of the year the Commission decided on about 60 cases of existing or projected aids in the Member States. This examination, undertaken in accordance with Article 93(3), increased the Commission's knowledge and experience in the sphere of aids in the agricultural as in others sectors ⁽¹⁾. The interpretation of Article 93(3) has revealed problems relating to those aids which autonomous corporations in the Member States can offer to particular enterprises or branches of production. In order to plot out its sphere of action in this field the Commission has requested the Member States to communicate the necessary information on the form and scope of measures of this kind.

Certain difficulties have appeared in connection with the possibility of proposing a regulation on the conditions and procedures for applying Article 93, and in particular with the legal and practical interpretation of the scope of its paragraph three. This question is important in that for practical reasons the relevant Treaty provisions should be systematically applied only within specific limits to schemes for the implementation of aid arrangements in individual cases. The requirement of prior notification and examination imposed by Article 93(3) should therefore apply only to those individual cases which can be particularly important for the Common Market. This would avoid an excessive volume of work both for the Member States and for the Commission.

As practical experience has so far been lacking for a proper choice of these cases, the intention is that there should first be a joint discussion with the Member States on the application of the general aid arrangements in force, including their application to individual cases. These talks should then yield criteria for judging how far and by what procedures Article 93(3) should be systematically applied in this sphere.

General aid systems

70. The legal bases of general aid systems are to be found mainly in outline laws couched in general terms. A conclusive assessment of the compatibility or incompatibility with the Common Market of general aid systems within the meaning of Articles 92 and 93 is therefore not possible if no more is done than to examine the wording of these laws and the machinery they provide.

⁽¹⁾ On aids in the agricultural sphere, see sec. 185. On aids in the transport field, see sec. 216.

To ascertain their effect on competition within the Community and on trade between Member States—a task which is expressly vested in the Commissions—it seems necessary to supervise the application of these aid systems.

The execution of this task, which will only be possible if the Member States co-operate closely, must be properly prepared. To start with, a selection will have to be made of the support arrangements whose application merits particular observation, and then, as already mentioned in section 69 there are other legal and practical problems that will have to be solved.

Meanwhile the Commission has already given its opinion on a number of aid projects, mainly of a regional nature, and has continued to examine other general aid arrangements jointly with the Member States.

Export aids

71. The examination of existing general measures of aid to exports of industrial products and capital goods in the six Member States has produced the following conclusions:

a) Certain measures, especially those for the information of exporters and fairs and exhibitions, have in their present form no direct influence on trade within the Community.

b) The majority of the systems in question concern one or two Member States. Even though each individual system taken alone would seem to have no great influence on trade within the Community, they cannot be ignored because of their possible cumulative effects or for psychological reasons. Their abolition must be pushed forward *pari passu* with the progress of the Common Market.

c) There remain certain aid measures whose character and effects on the Common Market have led the Commission to propose to the Member States concerned that ways and means should be sought by which they could be eliminated from trade within the Community.

Most of the measures mentioned in the above paragraph are also applied in favour of exports to non-member countries, thus coming under Article 112. If the procedure under Article 112 leads to such a degree of harmonization that all direct or indirect effects on the competitive position of exporters in the six Member States trading in the Common Market are abolished, there should be

little cause to worry about the provisions of Article 92; should this however not be the case, the indirect effects will mean that a further examination of the measures will have to be made in the light of Articles 92 and 93.

Finally, certain systems by which the Member States participate in the financing of exports and the related credits and guarantees are being examined in the Group which the Council has set up for the co-ordination of policy on credit insurance, guarantees and financial credits ⁽¹⁾.

Aids to particular branches

72. In dealing with aids to shipbuilding the Commission has kept in mind the principle that these aids must be dismantled as distorting competition. Since, however, Community shipyards have to face competition on the world market, their problems cannot be examined and solved in isolation. The Commission therefore welcomed OECD's initiative for fairer competitive arrangements between the main shipbuilding nations of the world, including Japan. If, however, Community shipyards have to face competition on the world market, the Commission will propose measures to ensure that the Community's shipbuilding as a whole enjoys its rightful place on the world market.

In the case of shipbuilding in France the Commission has taken advantage of its right to make proposals under Article 93(1) and suggested to the French Government a step-by-step reduction in subsidies parallel with the dismantling of customs obstacles within the Community. The French Government has agreed in principle to this proposal. The dismantling of aids so far carried out amounts to about 45 %. A further reduction in line with the latest customs reduction on 1 July 1963 is still awaited.

As regards aids to the film industry, the Commission is aware of the complex character of this sector. The Member States argue that films are not only economic goods but at the same time cultural media. For this reason the Commission first concentrated its efforts on harmonizing the existing aid systems, in order to exclude as far as possible any shifts in economic activity. From this angle it approved the recent change in the French system of aid. It has continued to seek a Community solution for the interests of all film-producing

⁽¹⁾ See Chap. IV below, sec. 300.

countries in the Community, and will in the not distant future begin consultations on this subject with the Member States.

In the matter of cultural films the French Government—like the Italian at an earlier date—declared its readiness to allow, in 1963 for the first time, 20 cultural films from other Community countries to benefit from aids for this category. A first step has thus been made in converting national aids into Community aids.

73. The Commission also had to examine further plans for the introduction of new aids or the modification of existing ones.

It agreed to the plan for aid to lead and zinc mining in the Federal Republic in view of the Community's general difficulties in obtaining ore supplies and the heavy losses suffered by the mines in past years, losses caused in no small part by the considerable distortions which have occurred on the world market. When giving its agreement the Commission informed the Federal Government that in view of rising prices for lead and zinc these aids, which were to offset losses incurred in 1963, could not be renewed. The Federal Government has complied with this decision (1).

The Commission did not refuse to approve the State subsidies granted to keep down interest on loans to promote technical development in civil aircraft construction in the Federal Republic. This industry is going through a difficult period of transition and it is consequently possible in this case to speak of aid for the development of an economic activity within the meaning of Art. 92(3 c) of the Treaty. Furthermore, the Commission has made the study of this German scheme an occasion for examining any measures to encourage civilian aircraft construction which may exist in the Community with a view to making such measures neutral from the angle of competition.

Where the limits laid down in Article 92 and the following articles are not exceeded the Commission has continued its efforts to transform into common or possibly even Community measures the existing measures of national aid to certain sectors of the economy. As a first step in this direction the Commission has sought to align the present national systems.

(1) See sec. 34.

74. In the petroleum field the Federal German Government has informed the Commission that it intends to grant the petroleum industry adaptation aids as compensation for the customs protection which ceased on 31 December 1963. This would be part of a law modifying the taxes on mineral oil; the measures would include degressive aids to production until 1969 (from DM 50 per ton in 1964 to DM 20 per ton in 1968/69), amounting in all to DM 1 200 million, and loans totalling DM 800 million to promote the prospecting and opening up of petroleum or natural gas deposits outside the Federal territory.

After consulting the Member States the Commission decided to raise no objections to this scheme.

When this bill was passed the German Bundestag introduced a few additions which are relevant to the support aspects of the matter. These provide *inter alia* for adaptation aids to importers in the Saar who obtain certain derived products from France, and transitional aids for enterprises regenerating lubricants from used oil collected in the Federal territory.

The Commission raised no objection to the aids to Saar importers which in practice are no more than a transformation into aids of the tax preferences hitherto applied.

After the examination on the basis of Article 93(2) of the question of aids for enterprises which regenerate lubricating oils from used oil collected in the Federal Republic, the Commission decided, first, that these aids could not be granted in respect of lubricants exported to the other Member States and, secondly, that they must be granted in respect of used oils regenerated in other Member States as part of their "passive" processing traffic and then reimported into the Federal Republic as lubricants. The Federal Government has acted in conformity with this decision.

Aids to industries processing agricultural products

75. Since 1 January 1964 the refunding of drawback on processed agricultural products when the raw materials are imported and the final products exported has been calculated in such a way that the levies laid down in the agricultural regulations replace the customs charge. As this arrangement would be disadvantageous to basic agricultural products of domestic origin, a solution was necessary under which "refunds" are also made on these when the products

made from them are exported, so that enterprises which process domestic products shall not be in a less favourable position than enterprises using imported products. In the same way appropriate rules would be needed to normalize trade in those products for which compensatory charges are levied under the decision made by the Council on 4 April 1962 by virtue of its powers under Article 235.

This, however, does not preclude case-to-case study of any aids granted by individual States to the processing industries affected, if such measures distort competition. The competent authorities of the Member States have been asked for further details on problems arising in this connection.

Two specific cases of aids are being dealt with as a matter of priority. They concern Netherlands aids to starch production and a French aid for the export of casein. Both are now being investigated as a consequence of complaints lodged.

APPROXIMATION OF LAWS

Industrial property rights

76. *Patents:* The preliminary draft of the convention for a European patent law (1) was transmitted to the administrations and associations specially concerned with the matter in the Member States, to the international bodies dealing with industrial property rights, and to certain non-member countries. The international opinions received on the draft have been brought together by the Commission in a report which is now being evaluated by the "Patents" Working Party.

A number of the points raised by the preliminary draft call for political decisions which can only be made by the Governments of the Member States. For this reason the State Secretaries responsible for industrial property rights in the member Governments have decided, in agreement with the Commission, to refer to their Governments the various possible solutions and their consequences for the structure of the European patent—the possibility of non-Member

(1) See Sixth General Report, sec. 51.

States acceding to or associating themselves with the convention, the possibility of access to the European patent for nationals of non-member countries, the problems that may arise in connection with the economic clauses—for instance the provisions on licences of right—and institutional questions. The expected decisions will affect not only the form given to the European patent but also the other conventions planned in the field of trade marks, models and designs and the General Convention itself ⁽¹⁾. Only later will it be possible to give an opinion on the interest expressed by numerous non-member States in the European patent, which was also discussed in WEU.

77. *Trade marks*: Work on the preliminary draft of a convention to establish a European trade mark law is largely concluded. This draft will be finalized in April 1964 at a session of the Working Party and, as with the draft of the Patents convention, the corrected text is to be published.

As in the field of patent law, the basic principle is that European trade mark shall exist alongside the national systems, under which national trade marks will continue to be issued. A European trade mark can only become valid after being lodged with the competent European office.

78. *Models and designs*: Because of the urgency of the work in the field of patent and trade mark law, studies for a convention on a European models and designs law had to be postponed until the end of 1964. A general report on the principles of a convention will be dealt with by the Co-ordinating Committee at the end of 1964.

79. *General Convention*: A detailed report was prepared on the General Convention; it deals with common rules for the implementation and interpretation of the three conventions referred to above, discusses the plans for collaboration between the various European offices, and deals with co-ordination of action by the Member States on industrial property rights. This report was examined by the State Secretaries concerned and, subject to the governmental decisions referred to in section 76 above, it will provide the basis on which the General Convention will be drawn up.

⁽¹⁾ See sec. 79.

Unfair competition

80. A general study of the rules concerning unfair competition in the Community countries, made from the point of view of comparative law, is nearing completion. Once it is ready the Commission will start work on harmonizing these regulations where differences between them adversely affect free trading in goods.

Public contracts

81. The unrestricted right of enterprises in the six Member States to participate in public works contracts let by the various States makes it necessary to abolish the restrictions of form and substance that have hitherto been caused by the application of national legislation. The abolition of the restrictions that arise in practice cannot be achieved by a mere declaration of principle, but must be accompanied by co-ordination of the relevant provisions, and the preliminary draft of a Council directive on the letting of public works contracts has accordingly been prepared (1).

In conformity with the instructions of the Council of Ministers in Annex II to the General Programme on freedom of establishment and the free supply of services, general notifications of building contracts is to be proposed, common criteria on qualifications and adjudication drawn up and strict rules provided for the technical specifications in contracts. An advisory committee would be established to help the Commission examine disputes and problems arising from the application of the directive.

Other fields of economic law

82. In the year under review legal measures taken in the economic field made it necessary for the first time to draw the attention of Member States to their obligations under Articles 101 and 102. The most important cases are the standard tax refunds which Italy grants on exports of certain mechanical engineering products under its Law No. 103 (2) and the German measures to

(1) For contents of this directive see sec. 54.

(2) See sec. 92.

increase countervailing charges on imports and refunds on exports for particular goods (1).

Technical obstacles to trade

83. The work on harmonization of technical regulations (2) already being done in certain sectors was extended to other branches of the economy. Thus, along with the working parties on motor vehicles, farm tractors and measuring instruments, other working parties are now studying the harmonization of laws and regulations in the paints, lacquers and printer's ink sector, the printing equipment sector and the fertilizer sector. The establishment of further working parties is under consideration.

Work in the fields mentioned was essentially concentrated on eliminating the differences between the regulations which in the various Member States deal with the construction, composition, quality, appearance, packing and verification of products. This is intended to make it unnecessary for a producer in a Member State who wishes to export to other Member States to vary the article he manufactures simply to satisfy the rules in the countries of destination.

Some of these studies have already yielded results. Because of the speed at which technical rules are changing as a result of the advances made by science, the question now arises of how rapidly the regulations and control procedures published at Community level can be altered. On this point the cumbersome procedure under Article 100 is unlikely to be found very reassuring.

The working parties consider one possible solution to be the transfer, under Council directives, of special powers to the Commission. The Commission could for instance be empowered to work out the rules on analyses and methods of testing and to draw up purely technical rules.

Administrative obstacles to trade

84. The work being done in this sector concerns the harmonization of legislation on pharmaceutical products, and it has been continued in the light of discussions and decisions in the European Parliament.

(1) See sec. 90.

(2) See Sixth General Report, sec. 55.

The proposal for a directive on the licensing of branded pharmaceuticals ⁽¹⁾, submitted by the Commission to the Council of Ministers in November 1962, has been accepted by the European Parliament and the Economic and Social Committee ⁽²⁾, and it now awaits adoption by the Council.

A further proposal, for a directive on the control of branded pharmaceuticals, was submitted to the Council on 24 February 1964 ⁽³⁾. This proposal, which is closely connected with the first, lays down the obligations placed on manufacturers of branded pharmaceuticals in order to ensure the quality of their products, and it also sets out the tasks of the public health authorities in connection with decisions on the issue of licences for these goods and in the general supervision of their manufacture.

Directives on the approximation of laws on publicity for pharmaceuticals and the use of colouring matter in these articles are also being worked out.

Recognition and enforcement of court judgments: bankruptcy law

85. The revised preliminary draft of the convention on the jurisdiction and on the recognition and execution of judgments in civil and commercial cases and the enforcement of public instruments has been given a first reading by the government experts. The changes so far made to the initial draft mainly concern the rules governing international or local jurisdiction and the consequences of pendency. Further improvements on the first draft led to simplification and speeding up of the exequatur procedure.

The preparation of a draft convention in the field of bankruptcy law ⁽⁴⁾, based on Article 220(4), has made satisfactory progress. The principle underlying the convention is that there should be only one set of bankruptcy proceedings in respect of the assets of the same debtor in the States covered by the Treaty, and that these should have automatic effects in all these States ⁽⁵⁾.

⁽¹⁾ See Sixth General Report, sec. 56.

⁽²⁾ See official gazette of the European Communities, No. 84, 4 June 1963, p. 1571; see also report of the Internal Market Committee 13 May 1963, European Parliament, Doc. 25/1963-64.

⁽³⁾ See Sixth General Report, sec. 56.

⁽⁴⁾ See Sixth General Report, sec. 57.

⁽⁵⁾ See Action Programme, sec. 44.

To attain this end it is clear that there will have to be common rules on jurisdiction, uniform rules of the conflict of laws and, if equal treatment for all creditors is to be ensured, harmonization of certain municipal laws, for instance on compensation in bankruptcy, retention of title and contesting of legal acts which the debtor has initiated before the opening of the bankruptcy proceedings. Although there should be no insuperable difficulty about establishing these conditions, the central problem of how to take account in bankruptcy proceedings of the prior rights and the right to separate settlement recognized by the law of different countries is not yet solved. Comprehensive preparatory studies on these points are being made in collaboration with experts and professional associations concerned.

Company law ⁽¹⁾

86. An agreement in conformity with the third paragraph of Article 220 of the Treaty is to govern the mutual recognition of legal persons under public and private law who exercise an economic activity for profit and of companies under civil and commercial law. Most of the drafts proposed for those provisions of the agreement which lay down the scope, points falling under an external system of law, content of the recognition, and extent of legal capacity in the recognizing State have been approved by the governmental experts. In preparing these drafts, however, care was taken not to go beyond the economic framework fixed in the third paragraph of Article 220 and in Article 58 of the Treaty and to avoid any change in the company law of the individual States.

Penal provisions in commercial law

87. The Working Party studying the harmonization of certain penal sanctions in criminal and commercial law for the prosecution and prevention of infringements in the sectors subject to EEC regulations and directives has continued its studies. The text of the preliminary draft of a convention in this field has been discussed. In addition Member States' present regulations for dealing with infringements of Community rules are being listed.

(¹) See also sec. 53.

HARMONIZATION OF TAXATION

88. With the progressive establishment of the economic union the influence of taxes on economic activity, and thus on the Common Market is becoming increasingly apparent. The Commission is therefore aware of the need to synchronize as far as possible the adaptation of the Member States' tax systems with advances in other fields. In particular it wishes to avoid taxes in the Common Market becoming a set of instruments which can be used for economic purposes incompatible with the aims of the Treaty or inadequately adapted to these aims. Thus, care must be taken to ensure that taxes do not detract from the benefits which should accrue from the gradual reduction of customs duties, from free movement and from the free supply of services and capital.

Because of the considerable influence exercised on trade within the Community by indirect taxes—in particular turnover taxes, which directly affect prices—the Commission has concentrated its attention on the harmonization of these taxes, while continuing the investigations and measures intended to produce some harmonization of direct taxes. The need to harmonize direct taxes is largely conditioned by the harmonization of indirect taxes and the degree of free movement of persons and capital.

Turnover taxes

89. On 5 November 1962 the Commission laid before the Council of Ministers the first draft of a directive to harmonize legislation on turnover taxes (1); this provided for harmonization in three stages. The Economic and Social Committee gave its opinion on the draft in July, the European Parliament in October 1963 (2).

The amendments proposed by the Parliament do not change the scope of the draft directive. On the contrary, they take over the essential part of the proposed programme but ask for speedier and thus considerably bolder implementation.

(1) See Sixth General Report, Chap. II, sec. 61.

(2) See official gazette of the European Communities, No. 157, 30 October 1963, p. 2631. See also the report of the Internal Market Committee, 20 August 1963, European Parliament, Doc. No. 56/1963-64.

In the opinion of the Parliament, the Member States which at present use a cumulative multi-stage system should go over to a common added-value tax in one stage and not in two, as proposed in the Commission's draft. It would thus be possible to introduce the common system in the six Member States by 31 December 1967 at the latest, without waiting until the end of the transitional period. The Commission had envisaged the two-stage procedure—at the choice of the individual Member States—for the sole purpose of avoiding certain practical difficulties.

The Commission is prepared to give its support in the Council to the Parliament's concept, which means that the time-limit allowed the Council work out the structure and implementing details of the common added-value tax system must be shortened. The Commission considers it possible to lay down at least the main lines of this tax system by at latest 31 December 1964. Work on the technical details of the system is already well advanced.

The Commission particularly welcomed the Parliament's support for Article 4 of the directive, where it is stated that the final aim of harmonization must be the abolition of tax frontiers between the Member States, which must go hand in hand with the "absolutely neutral character of the taxes in respect of the origin of goods and services".

The Standing Committee of heads of revenue departments set up at the suggestion of the Finance Ministers is studying the problems involved in the abolition of tax frontiers. Particular attention is being paid to the effects of a common added-value and the abolition of the tax frontiers.

The Commission has also concurred with the Parliament's suggestions that it should include common rules for tax exemptions in its proposals concerning the implementing details of the added-value tax.

90. In the field of turnover taxes the Commission continued to examine whether the various national tax laws contain discriminatory provisions which discriminate against imported products and favour similar domestic products. One of its studies goes into the compatibility with the Treaty of the increases in countervailing charges on imports and refunds on exports introduced by the Federal Republic in the period under review.

On this point the Commission found after a thorough technical examination, that apart from the charges and refunds on a very limited number of articles

which are still being examined, the new rates of compensation in the Federal Republic do not exceed the upper limit provided for in Articles 95 to 97 of the Treaty. However, the Commission is of the opinion that from the economic angle these measures lead to differences between the laws in the Member States and can result in distortion within the meaning of Article 101. It has therefore reserved its final opinion until more detailed information is available.

The majority of the existing discriminations between domestic articles and similar imported goods were abolished in 1963. In a few other cases their abolition is imminent.

Thus the Belgian Government has put an end to the discrimination which still existed on the import of certain types of slaughter cattle and of meat. In addition it has submitted to Parliament a bill to abolish the exemption from turnover tax at present enjoyed by Belgian Government departments when they make purchases within Belgium. Imports do not receive this preferential treatment.

The Federal Republic has put a stop to discrimination against imports of worsted and of a number of farm products. In addition the Federal Government has again tabled a bill to abolish discrimination against imports of certain other farm products after the Bundestag had rejected an earlier Government proposal of this sort.

Among cases of discrimination still under examination, special mention must be made of discrimination in connection with imports of refined petroleum products to the Netherlands.

Other indirect taxes: consumer taxes

91. The Commission shares the view expressed in the European Parliament's decision that harmonization of special consumer taxes should follow the same time-table as that of turnover taxes, whose necessary complement it is. Moreover it is obvious from experience that exactly as for turnover taxes, the abolition of tax frontiers for special consumer taxes is unthinkable unless there is some degree of tax harmonization.

For this reason the Commission has speeded up study of consumer taxes. It has started from the premise that it must be possible to classify these taxes as follows:

- a) Consumer taxes which can be harmonized;
- b) Consumer taxes whose harmonization does not seem essential;
- c) Consumer taxes which could be abolished;
- d) Consumer taxes which can be taken over into the common added-value tax system.

It can already be assumed that consumer taxes on brandy, beer, tobacco and petroleum—which are levied in almost all Member States—will have to be among those harmonized.

Standard refunds

92. The standard refunds which Italy grants under Law No. 103 on the export of certain mechanical engineering products were further discussed.

On the basis of the examination of the method described by the Italian Government for computing the indirect tax burden on the domestic mechanical engineering industry, the Commission concluded that this method is not compatible with Article 96 of the Treaty. As the basic ideas of the method used are also fundamental to the fixing of the tax portion of the refunds granted under Law No. 103, the Commission decided in June 1963 to initiate against the Italian Government the procedure under Article 169 for infringement of Article 96.

Since, under Law No. 103, the standard refunds are provided only for the Italian mechanical engineering industry, and since they interfere with competition in the Common Market and thus result in distortions within the meaning of Article 101, the Commission decided to initiate at the same time the procedure laid down in this Article.

In September 1963 the Italian Government had informed the Commission that it intended, in view of the imbalance in the Italian trade account, to introduce new measures to replace Law No. 103, which expired on 31 December 1963. At the same time it requested that the procedure under Article 169 be postponed.

As Law No. 103 was almost at the end of its period of validity, the Commission considered that to pursue the procedure under Article 101 served no useful purpose. However, it drew the attention of the Italian Republic to its obli-

gations under Article 102 of the Treaty with respect to any measures which might eventually replace Law No. 103.

The Italian Government has communicated to the Commission the text of a bill which may replace the provisions which expired on 31 December 1963.

The Commission is at present studying the measures which it would be called upon to take should the provisions of Law 103 be replaced by similar ones.

Tax on capital movements

93. The various possibilities of harmonizing taxes on capital movements were further examined by the Working Party instructed to study this problem. The following possibilities are involved:

- a) Complete abolition of taxes on registration of capital and taxes on securities;
- b) Abolition of securities taxes on loan capital and foreign securities. (This would involve simultaneous harmonization of company taxes in all their forms);
- c) Harmonization of taxes on registration of capital and taxes on securities;

The solution at *b*) is considered best from the economic and technical angle until such time as taxes on capital movements are completely abolished. The technical details of this solution are at present being examined and elaborated in common with the governmental experts.

Because of the complexity of the problem and its political implications, the Commission was not in 1963 able to submit to the Council a directive on this matter ⁽¹⁾; it expects however that it will be able to do this in the second half of 1964.

Insurance taxes

94. Studies on the harmonization of insurance taxes have continued. The question is how to create in the insurance field the fiscal conditions essential for the introduction of freedom to supply services. Care must be taken that competition between insurance companies is not distorted at this time because

(1) See Action Programme, sec. 22.

of differences in the indirect taxes weighing on the same branches in the six member countries.

In view of the difficulties of going over directly to harmonized taxation and the need, on the other hand, to obtain concrete results rapidly, a majority of the delegations in the Working Party concerned concluded that in an initial stage it would suffice if the rules on territoriality applied in the insurance field by the six Member States were harmonized. This would make it possible to correct the main disadvantages arising from the simultaneous existence of six different tax systems. According to these new rules any person taking out insurance would always have to bear the same tax burden irrespective of the country in which the contract was concluded. A preliminary draft directive on these lines will shortly be placed before the Standing Committee of the heads of the national tax departments. The Commission hopes to be able to put the matter before the Council by the end of 1964.

Direct taxes

95. The Working Party which is examining the basis of assessment of profits taxes has concluded its initial studies and will now submit a report to the Standing Committee of heads of revenue departments. The Working Party has examined in turn the rules governing depreciation and measures to encourage investment, the provisions for taxing capital gains and profits from transfers, and those for the valuation of stocks and the carrying over of losses.

With regard to depreciations a classification of the various measures is being undertaken so that those whose effect is considered neutral may be distinguished from those which unmistakably provide special incentives to investment.

Some co-ordination of the rules which offer incentives to investment in the Member States must be envisaged, at least where measures in this field could be taken by the Member States.

This view expressed on tax treatment of transfer profits and capital gains were similar. On the other hand the rules on stock valuation and the carry-over of losses present no particular problems as things stand at present.

It has been found that questions arising because of differences in the systems of direct taxation must in the main be examined from the angle of their economic

effort—location and development of enterprises, self-financing, utilization of profits, etc.

96. The Working Party whose main task is to examine the fiscal relationships of Member States with non-member countries first endeavoured to determine what advantages were offered by the laws of certain tax havens. In doing this it took account of the laws of the Member States and of international agreements to eliminate double taxation. On this last point the question of how far the standard agreement worked out by OECD can serve as a basis for better fiscal relations between the Member States and non-member countries is under study.

Interpenetration of markets

DEVELOPMENT OF INTRA-COMMUNITY TRADE

97. 1963 saw a continued and faster expansion of intra-Community trade. The year-to-year growth rate was 17% against 14% in 1962 and 14.5% in 1961. The total increase last year in relation to 1958 reached 130% and in the same period imports from non-member countries went up by 52.5% and exports to such countries by 36%. 1963, too, was marked by a relatively more rapid expansion of trade among Community countries than with non-member countries; imports from non-member countries increased by 10.5% and Community sales to them rose by 5%.

As during the last five years, measures taken to establish the Common Market have encouraged trade between the member countries through structural changes in the countries' economies. Such effects gave no sign of declining in 1963. Indeed they were reinforced by the further lowering of customs duties which took effect on 1 January 1963. As on the occasion of previous reductions, a certain slowdown in the development of intra-Community trade was observed before that date but was followed by an appreciable acceleration.

98. Certain trends towards disequilibrium which accompanied economic development within the member countries stimulated the rapid development of intra-Community trade. In some countries, such as Italy and France, where inflationary pressures caused fairly substantial increases in costs and prices in numerous sectors, the marked disequilibrium between the expansion of overall

demand and that of production led to greatly increased purchases by these countries from other Community countries. Imports into France and Italy, which in 1962 had risen in value by 18% and 24% respectively, went up by 24% and 31% in 1963. Despite the steps taken by the authorities to restrain the expansion of domestic demand, imports continued to develop in this direction up to the end of the year. The situation was partly aggravated by the lowering of customs duties in these countries on certain products in order to combat rising prices.

Towards the end of the year moreover, rather acute strains began to make themselves felt in the economies of the Benelux countries. Consequently the growth rate of their imports from other Community countries, which had already been relatively high since the beginning of 1963, increased appreciably. The overall growth rate by value of purchases by the Netherlands and B.L.E.U. from the other member countries more than doubled, reaching nearly 15% as against 7% in 1962.

This additional demand from the Benelux countries together with that from France and Italy has distinctly stepped up the growth of Federal Germany's exports to other Community countries. Federal Germany was already favourably placed vis-à-vis its partner countries thanks to the relatively modest expansion of domestic demand and the improvement of its competitive position owing to a greater stability of domestic prices. Furthermore, the progressive abolition of customs duties under the Treaty of Rome and reductions made by some member countries on economic grounds contributed all the more to stimulate sales by the Federal Republic of Germany because for a large number of products exported, mainly to France and Italy, the level of duties had remained rather high until recently.

Total sales by the Federal Republic of Germany to the rest of the Community, which had increased by 12% in 1962, went up 18% in 1963. On the other hand, precisely because of the relatively moderate expansion of domestic demand, its purchases from member countries have taken the opposite course with a growth rate tending distinctly to diminish, especially towards the end of the year, and reaching only 9% in 1963 as against 16% in 1962. Federal Germany's imports from France, in particular, rose by only 4% while its imports from Italy were somewhat lower than in 1962.

99. The differences in supply and demand situations from one country to another are clearly reflected in the development of the various countries' trade

balances with their partners. For example, Federal Germany's trade surpluses with the other member countries grew very sharply and reached a record level since the entry into force of the Rome Treaty. In contrast, despite measures in France and Italy to combat inflationary pressures, their trade balances with the other member countries have seriously deteriorated, especially in Italy where the pressure of domestic demand and rising costs restrained the growth of exports, while that of imports remained particularly vigorous. In France the advance in sales of numerous industrial products to Community countries was maintained at a high level; consequently, despite a sharp increase in purchases, France's trade balance has deteriorated less markedly than Italy's. In the Netherlands the lively expansion of overall demand since the autumn has speeded up purchases from the member countries. However, as its sales continued to increase rapidly throughout 1963, the deficit on trade did not grow until the end of the year. But the relatively favourable competitive position of Belgium and Luxembourg has enabled them to benefit extensively by the heavy demand from France and Italy and, since the autumn, from the Netherlands, and to offset the steep increase of its purchases from Community countries by a significant advance in its sales. Consequently the trade balance of these countries improved distinctly in 1963 as a whole, although during the last quarter the surplus on the intra-Community trade account tended to diminish.

100. In an increasingly integrated market a very considerable development of trade can normally be expected in manufactures as well as in capital goods and consumer products. Though the 1963 results confirm this hypothesis, it is none the less true that the development of intra-Community trade over a wide range of products was much more uniform than in 1962. On the one hand, for instance, the growth rate of trade in machinery and transport equipment has, on account of the quieter investment situation, drawn nearer the average increase reckoned for trade as a whole. Trade in fuels, on the other hand, expanded very appreciably in consequence of the cold weather in early 1963. Likewise the pace of trade in chemical products, which was already high in 1962, accelerated in 1963. Only in raw materials did trade between the member countries make hesitant progress, especially during the first half of the year, mainly because of the static level of activity in the iron and steel industry.

Trade in food products advanced rapidly, as in the previous year, and in the first nine months of 1963 was 14% up on the same period of 1962. By volume, however, the increase was probably smaller on account of the fairly appreciable rise in prices of agricultural products in the Community as a whole. Trade in cereals, which had dwindled in 1962 after the abundant harvest of 1961, increased sharply in 1963, while trade in fruit and vegetables made no further progress, no doubt because of the poor output in summer. There was also a very appreciable development of intra-Community trade in livestock and meat, domestic production having tended to decline in several member countries. Finally, in certain sectors the effects of the common agricultural policy have apparently helped to stimulate trade in products between the Community countries (1).

Trade in raw materials between the member countries developed on the whole at the same pace as the year before. It is true that the growth rate was only 4% in the first nine months of 1963 against 8% in the same period of 1962, but this was due to the steep decline in the first quarter caused by the effects of the severe winter on trade. The yearly result will no doubt not be very different from that recorded for 1962 (+8%). The rapid advance in the output of certain consumer goods encouraged trade in the raw materials from which they are made. Trade in textile fibres and wool, for instance, increased by about 16% and jute and vegetable fibres other than cotton advanced by 23%. Trade in iron ore, on the other hand, continued to be adversely affected by slackness in the iron and steel industry and dropped by over 10% in relation to the previous year.

As for semi-manufactures, trade in certain products made better headway than in 1962. For instance, trade in iron and steel products rose by 7%, thanks no doubt to further alignments, since price cutting had been particularly keen in this sector, where the business situation did not improve until near the end of the year.

Trade in fuels expanded much more vigorously than in previous years, mainly because of the severe winter which sent demand up sharply everywhere in the Community. Demand continued strong throughout the year because of the need to replenish stocks. For the first nine months of 1963 the yearly growth rate of trade in fuels reached more than 12%, against 6% in the same period

(1) See also sec. 106.

of 1962. While the growth of trade in oil products continued to be vigorous, that of coal products was also lively. The changed tendency in this sector seems to have been influenced by the strikes which held up production in France. Purchases by France rose sharply, while B.L.E.U. as well as the Netherlands and Federal Republic of Germany distinctly increased their sales.

Trade in chemical products grew particularly fast in 1963: by 18% over the previous year during the first nine months of 1963 against 12% in 1962. This expansion is due to the fact that the chemical industry as a whole was, during the year, one of the most dynamic in the Community. It could, however, also stem from growing specialization in the sector. The expansion extended to organic chemical products and fertilizers as well as plastics.

The less dynamic development of investment demand in 1963 is reflected in a decline of the annual growth rate of trade in capital goods. For instance, trade in non-electrical machines, which represents more than 50% of the capital goods trade between member countries, was up by only 14% in the first nine months of the year on the same period of 1962 against 25% in 1962 on the previous year. The slackening, however, does not seem to be appreciable except in a very small number of sectors, mainly for certain types of heavy equipment in the shape of machinery and apparatus, where the growth rate was only 12%. On the other hand the progress of trade in capital goods in the electrical engineering sector remained appreciable (20%) chiefly because of the persistent upsurge of investment in the consumer goods industries, commerce and the services sector. Likewise, the still rapid development of investment in certain sectors of mechanical engineering and public works probably had a favourable influence on trade in metal-working machinery (24%) and telecommunications apparatus (24%).

As in 1962, however, the most marked growth was still in trade in manufactured consumer goods. In particular the recent expansion of demand in the textile industry caused a vigorous growth of trade in clothing and footwear between all the member countries; here the growth rate in the first nine months of 1963 was nearly 30% higher than in the same period of the preceding year. Similarly, trade in household electrical appliances went up by about 18%; purchases by Italy and Federal Germany rose steeply, while sales by the latter country and France made very appreciable headway. The continued expansion of the motor industry during the year was also reflected in a new sharp increase in sales, which were 27% up on 1962. Imports into Italy, and also into France,

made considerable progress and exports from Federal Germany expanded very rapidly.

TABLE 4

*Growth rate of trade between member countries
from 1962 to 1963 (1)*

Importing country Exporting country	Germany (FR)	France	Italy	Nether- lands	B.L.E.U.	EEC
Germany (FR)	—	+ 18.5	+ 28.8	+ 17.3	+ 15.6	+ 20.0
France	+ 4.9	—	+ 36.0	+ 14.8	+ 15.6	+ 14.5
Italy	— 0.3	+ 23.2	—	+ 17.0	+ 32.7	+ 10.2
Netherlands	+ 14.9	+ 30.1	+ 37.6	—	+ 11.1	+ 17.4
B.L.E.U.	+ 19.3	+ 31.9	+ 44.5	+ 10.1	—	+ 19.9
EEC	+ 9.0	+ 23.3	+ 33.0	+ 14.3	+ 15.3	+ 17.2

Source: SOEC: Statistique mensuelle du commerce extérieur, No. 2 - 1964 (figures adjusted at 18. 6. 1964).

(1) Growth in value (%) reckoned on the basis of average import and export figures in the member countries.

THE COMMON MARKET AND THE CONSUMER

101. Contrary to what one might first suppose, to determine the Common Market's effects on consumers is an extremely complex matter if the analysis is to be based on precise and indisputable figures which are sufficiently independent of each other. The very concept of a standard of living is by no means simple, since it embraces not only personal incomes and consumption but also working conditions, use of leisure and a number of other elements, such as social security. It must be noted, moreover, that the progressive establishment of the Common Market is only one among various factors influencing living standards and that it is often difficult to isolate its influence and measure its repercussions.

TABLE 5

*Progress of trade among member countries
by main classes of products (1)*

Classes of products	1959	1960	1961	1962 (2)	1963	Increase in 1963 over 1962
	(in millions of units of account)					(in %)
Food, beverages and tobacco	753.6	942.4	1 030.1	1 194	1 355	+ 14
Fuels	547.0	616.1	603.3	642	717	+ 12
Other raw materials	550.0	733.9	767.7	832	865	+ 4
Chemicals	417.4	548.5	622.2	697	824	+ 18
Machinery and transport equipment		1 640.0	2 181.0	2 682	3 185	+ 19
Miscellaneous manufactures	2 110.3	2 895.6	3 283.9	3 621	4 191	+ 15

Source: SOEC: Statistique mensuelle du commerce extérieur, No. 2 - 1964 (figures adjusted at 18. 6. 1964).

(1) On the basis of import statistics, classes of products are in accordance with SITC headings. Totals and growth rates refer to the first nine months of the year only.

(2) No correction has been made to take account of the changes in import statistics introduced in Germany and France at the beginning of the year.

For these reasons the information given in the last General Report (1) was inevitably far from complete and represented more or less significant examples rather than the basis of an exhaustive study. In 1963/64 the Commission has striven to advance its work in this sphere. It considers, however, that it must be very cautious in interpreting the data assembled.

(1) See Sixth General Report, sec. 69.

The Commission has asked a university institute working in co-operation with economists from the various countries to work out methods of approach to the subject, and in particular the already available sources of information, the nature of the repercussions to be studied, etc. The institute's report, of a preliminary and provisional nature, will not be completed before mid-1964. Furthermore on its part the Commission has begun to gather all relevant information, statistical or other, and to make a more detailed survey of one particularly important aspect of the Common Market's impact: the development of trade in private consumer goods, its effects on supply and influence on the movement of prices.

Growth of incomes and private consumption

102. National income rose in the Community between 1959 and 1963, at current prices, in the aggregate by 53% and per capita by 46%. The amount of income spent on consumer goods has grown even more considerably.

TABLE 6

Growth of incomes between 1958 and 1963

Countries	1958	1963	Growth 1958/63 (in %) ⁽²⁾	
	\$'000 million ⁽¹⁾		Overall	Per capita
Germany (FR) ⁽³⁾	42.9	72.0	51	42
France	44.9	60.4	58	48
Italy	21.6	35.5	65	60
Netherlands	7.8	11.6	42	33
Belgium	8.6	11.0	28	25
EEC ⁽⁴⁾	125.8	190.5	53	46

Source of all the following tables: Statistical Office of the European Communities.

⁽¹⁾ At current rates of exchange.

⁽²⁾ According to figures in national currency.

EEC at rates of exchange for 1963.

⁽³⁾ 1958: Without Saar and West Berlin.

1963: With Saar and West Berlin.

The 1958/63 growth is without change in territory.

⁽⁴⁾ Without Luxembourg.

Total wages and salaries in the Community rose between 1958 and 1963 by 64% and nominal wages per worker by 56%. Consequently the ratio of total salaries and wages to national income improved in all Community countries. In 1963 it was 62% for the Community as a whole against 58% in 1958.

The greater material benefits enjoyed by wage-earners in the last few years are not limited to increased pay but include other improvements such as the shorter working week and longer annual holidays.

In the same period definite progress is to be noted in social security, which has been extended to new sectors of the working population. There have also been improvements, in varying degrees, of the benefits granted under the different branches of social security; they are no longer limited as in the past to what were called the "economically and socially underprivileged".

Besides data on the trend of incomes, those concerning the use of income also give a satisfactory picture of improved living conditions in the Community. The appreciable increase in private savings over the last five years is clearly symptomatic of higher general prosperity.

Between 1958 and 1963 private consumers' expenditure rose in value by 51 % in the Community and by 44% per capita. In the same period the growth adjusted for price increases was 31% in the Community as a whole and 24% per capita. It is noteworthy that, contrary to the trend before 1958 when the proportion of private consumption to the gross national product tended rather to decrease, since 1958 the increase per capita has been almost as rapid as that of the real gross national product; in some countries it has been even faster.

The increase in private consumption has been accompanied by changes in consumer habits and has been evident in considerably larger purchases of consumer durables such as motor vehicles, television and radio sets, household electrical appliances, etc. Food now absorbs a smaller share of household expenditure in all Community countries; this decline is also accounted for by frequent rises in the cost of services.

The enhanced purchasing power of consumers in the Community is further apparent in the growth of expenditure on tourism, which in its turn has been stimulated by longer holidays.

Admittedly, it is difficult to segregate and assess precisely the effects of the establishment of the Common Market on the growth of consumer incomes. But there is no doubt that the progressive integration of the economies is

TABLE 7

*Private consumers' expenditure 1958/63**(in %)*

Countries	Private consumption				Gross national product	
	Current prices		At 1958 prices		At 1958 prices	
	Overall increase	Increase per capita	Overall increase	Increase per capita	Overall increase	Increase per capita
Germany (FR)	46	37	31	23	32	24
France	59	49	29	21	28	20
Italy	60	56	40	36	38	35
Netherlands	43	34	29	20	27	19
Belgium	29	26	20	17	20	17
EEC ⁽¹⁾	51	44	31	24	30	24
United States	27	18	20	11	23	13
United Kingdom	26	22	16	11	16	12

⁽¹⁾ Without Luxembourg.

bringing about a more rapid growth of national income and of consumption. In particular it leads to improved operating conditions; the Common Market has encouraged the development of mass production, which justifies economically, and will do so more and more, the use of certain technical processes, first and foremost automation. Furthermore, the heightened interest in know-how possessed by firms in other Community countries and the growing number of licences and patents exchanged are a sure sign of the favourable effects of the Common Market. Progressive integration also stimulates competition, since restraint of competition in individual countries is becoming much less effective. Finally, a larger market normally encourages technical research.

Previous General Reports have drawn attention to the overall influence, which is difficult to isolate by economic sector or country, of the elimination of quotas and national customs duties; they also indicated that the European consumer

now had a far richer variety of goods to choose from. Rationalized production and keener competition have lowered costs and prices at various stages of production and distribution. But the difference between the trends of real and nominal consumer expenditure betrays the inflationary pressures ⁽¹⁾ which have accompanied the economic growth of the Community since its inception. Consumer prices, reckoned according to national retail price indices, rose between 1958 and 1963 in the Community as a whole by 16%. In 1963 the index in Federal Germany was 11.3%, in Belgium 8%, in the Netherlands 11%, in Italy 14% and in France 23% higher than the 1958 level.

The pressure of higher incomes partly due to the Common Market, certain aspects of the common agricultural policy and measures taken by the Governments to give effect to it, various remaining obstacles to trade and certain commercial practices have here and there adversely affected the price trend. On the other hand, keener competition progress in rationalization and productivity, also partly to be attributed to the Common Market, have had a moderating effect.

Trade expansion and the consumer

103. This year the Commission has made a special effort to find out to what extent the increased trade in finished goods between member countries had been of benefit to consumers, in particular in the form of more ample and diversified supplies and possibly lower retail prices.

On the basis of an analysis made by the Statistical Office of the European Communities, isolating about 300 items in external trade mainly of interest to households, the trend of imports from member countries and non-member countries between 1960 ⁽²⁾ and 1962 was studied and as far as possible collated with the trend of retail prices for the same items.

The data thus assembled were submitted to government experts and to representatives of commerce and of consumers and were discussed at several meetings. It was found that the study presented a number of difficulties owing to the multiplicity of factors influencing economic life and their interaction at all

⁽¹⁾ The causes are analysed in Chap. II, Economic Policy.

⁽²⁾ Because of changes in nomenclature it was not possible to go back beyond 1960.

stages. Moreover the statistics available are inadequate, particularly as regards price surveys. National statistics of retail prices vary considerably from country to country both in respect of the sample surveyed and the geographical area covered; it is rarely possible to put them side by side with figures for foreign trade, which as a rule are more widely based. No results are yet available of two studies undertaken by the Statistical Office, one of which is a price survey of some hundred articles comparable from country to country and, the other a study of retail prices noted in the course of an inquiry into household incomes and consumers' purchasing power. In any case they will still be insufficient to measure the effects of the Common Market though they will make some progress possible.

Intra-Community imports and supply to consumer

104. In 1962 imports into Community countries of goods for private consumption reached a value of \$6 500 million. Just over half the imports were from other Community countries, 8% came from associated overseas countries and the remainder from non-member countries.

In relation to 1960 intra-Community trade in private consumer goods was up by 46%, whereas the increase for imports from non-member countries was 27% and for those from associated overseas countries 8%.

TABLE 8

Imports of products for household consumption in 1962

(in \$ million)

Origin	France	B.L.E.U.	Netherlands	Germany (FR)	Italy	EEC
EEC	534	480 (1)	587 (2)	1 382	298	3 281
AASM	482 (3)	4	2	17	27	532
Other sources	529	198	226	1 241	445	2 639
Source not specified	—	—	58	—	—	58
Total	1 545	682	873	2 640	770	6 510

Source: Statistical Office of the European Communities.

(1) Including 203 m. from the Netherlands (Benelux).

(2) Including 305 m. from B.L.E.U. (Benelux).

(3) Mainly imports of food products.

TABLE 9

Increase since 1960

(in %)

Origin	France	B.L.E.U. (¹)	Nether- lands (²)	Germany (FR)	Italy	EEC
EEC	+ 73	+ 15	+ 46	+ 50	+ 53	+ 46
AASM	+ 4	- 39	—	+ 89	+ 59	+ 8
Other sources	+ 37	+ 5	+ 21	+ 34	+ 12	+ 27
Source not specified	—	—	+ 427	—	—	+ 427
Total	+ 34	+ 11	+ 46	+ 43	+ 27	+ 35

Source : Statistical Office of the European Communities.

(¹) - 2 % for products from the Netherlands.

(²) + 36 % for products from B.L.E.U.

In all Community countries the increase in imports from other member countries was appreciably greater than for other imports. The growth rate reached the highest level (nearly 75%) in France where, moreover, imports from associated overseas countries remained stable; the increase was nearly 50% in Italy, Federal Germany and the Netherlands and was only 15% in B.L.E.U. In every case these percentages were higher than those for imports from non-member countries, which ranged from 5 to 37%.

The increase in supplies from within the Community was very appreciable for a small number of products, imports of which from non-member countries, moreover, did not appear to slacken. The trend varied according to country and according to the nature of the products, especially as between agricultural and industrial products.

The products of which intra-Community imports rose between 1960 and 1962 by a million dollars or more numbered about 60 in Federal Germany, 50 in France, 40 in the Netherlands and 20 in B.L.E.U. and in Italy.

As the survey covered some 300 products, appreciable increases in intra-Community imports affected only from 5 to 20% of them according to country. This is all the more significant since in four countries out of five these products

accounted for over 90% of the total increase in intra-Community imports; in B.L.E.U., the percentage was lower but nevertheless reached nearly 80%.

TABLE 10

Products of which intra-Community imports have grown by over 1 million dollars

Countries	No. of products	Intra-EEC imports		Imports from non-member countries
		Growth in \$ million 1960-62	Percentage of total growth	Growth in \$ million 1960-62
Germany (FR)	62	425	92	214
France	52	245	108 (1)	112
Netherlands	39	178	97	19
B.L.E.U.	24	49	78	1
Italy	19	101	98	31
EEC	39 (2)	998	96	377
Total EEC imports	290	1 040	100	558

Source: Statistical Office of the European Communities.

(1) This special situation is due to appreciable reductions in imports which have adversely affected certain items in the agricultural products sector.

(2) Average by country.

As shown by the above table, increased intra-Community imports were not offset by reduced imports from non-member countries.

This observation is true of total EEC imports; it is also true of each Member State, particularly for products where intra-Community imports have made considerable progress. There has consequently been a distinct improvement in supply to consumers in each country.

This development is all the more significant since the ratio of imports to private consumption itself increased between 1960 and 1962.

TABLE 11

Imports in relation to private consumption of goods (1)

	France	B.L.E.U.	Netherlands	Germany (FR)	Italy	EEC
	1960					
Private consumption (\$ million)	31 458	5 068	5 312	45 245	17 021	94 104
Imports (\$ million) (2)	1 156	612	598	1 851	607	4 825
Ratio intra-EEC imports/private consumption (3)	1 %	8.2 %	7.6 %	2.6 %	1.1 %	2.4 %
Ratio imports from AASM/private consumption	1.5 %	—	—	—	—	0.5 %
Ratio imports from non-member countries/private consumption	1.2 %	3.7 %	3.5 %	2.6 %	2.3 %	2.2 %
Ratio total imports/private consumption	3.7 %	12 %	11.1 %	5.2 %	3.4 %	5.1 %
	1962					
Private consumption (\$ million)	37 912	5 362	6 368	43 772	20 949	114 381
Imports (\$ million) (2)	1 546	682	872	2 640	769	6 509
Ratio intra-EEC imports/private consumption (3)	1.4 %	8.9 %	9.2 %	3.2 %	1.5 %	2.9 %
Ratio imports from AASM/private consumption	1.3 %	—	—	—	—	0.5 %
Ratio imports from non-member countries/private consumption	1.4 %	3.7 %	3.9 %	2.8 %	2.1 %	2.3 %
Ratio total imports/private consumption	4.1 %	12.6 %	13.7 %	6 %	3.6 %	5.7 %

Source: Statistical Office of the European Communities.

(1) Owing to different methods of obtaining private consumption figures, country-by-country comparison must be treated with reserve.

(2) Products intended mainly for household consumption: 300 items selected by the SOEC from foreign trade statistics.

(3) Private consumption is reckoned at retail prices; imports at prices before customs clearance. The ratios would be higher if both quantities could be measured at retail prices. Moreover, the comparison concerns in principle only goods, not services.

The value of imports of private consumer goods rose in all EEC countries between 1960 and 1962 in relation to expenditure on such goods, which was also expanding. For the EEC countries as a whole the average figure was 5.1% in 1960 and 5.7% in 1962.

This movement is mainly accounted for by increased intra-Community imports. At Community level their share in the private consumption of goods rose from 2.4 to 2.9% between 1960 and 1962, while in the same period imports from non-member countries went up from 2.2 to 2.3%. The situation is similar in each of the member countries. In Italy the percentage of imports from non-member countries even declined.

Degree of unification of markets by country and by product

105. The situation differs somewhat from one member country to another. For some products a truly unified market seems to be well under way in the six countries; the most significant example is the motor-vehicle sector; but to a lesser degree the same is true of various articles of clothing (knitted and crocheted outer garments, women's outer garments, footwear) and one household appliance (non-electric cookers). Imports of other products showed varying trends. Besides the products just mentioned, in each of the Member States the principal increases in intra-Community imports, of both industrial and agricultural products, fall into the following classes:

In Federal Germany—Food products: meat and poultry (from the Netherlands and France), fruit and vegetables (from the Netherlands, Italy and France), wines (from France and Italy).

In France—Household appliances: refrigerators (from Italy and Germany), furniture (from Germany and B.L.E.U.), radio receivers and record-players (from Germany and the Netherlands).

Some very varied products: vegetables (from B.L.E.U., the Netherlands and Italy), fish (from the Netherlands), photographic apparatus (from Germany).

In Italy—Food products (from the Benelux countries cheeses (from Germany and France).

Some household appliances: washing machines (from Germany), television sets (from Germany and the Netherlands), tableware (from Germany).

In the Netherlands— Other textiles: men's outer garments (from Germany), carpets (from B.L.E.U.).

Household appliances: refrigerators (from Germany, Italy, France), radio sets (from B.L.E.U. and Germany).

In B.L.E.U.—One food product: grapes (from Italy and France). Knitted and crocheted articles (from Germany, France and the Netherlands). Miscellaneous: books (from France and the Netherlands), articles of plastic materials (from Germany and France).

It must be noted however that the increased trade between the Benelux countries, which form a customs union, cannot be attributed to the Common Market. The percentage of intra-Benelux imports is large in relation to the total intra-Community imports of these three countries: 42% for B.L.E.U. and 52% in the Netherlands (1962 figures); in 1960, 50% and 56 %.

Agricultural and industrial products followed different trends. Between 1960 and 1962 the rise in intra-Community imports of agricultural products was under 30% ; imports of industrial products went up by some 60%.

A similar situation is to be found in all EEC countries except the Netherlands:

France	129% for industrial products 12% for food products of agricultural origin
Germany (FR)	73% and 38%
Italy	76% and 11%
B.L.E.U.	18% and 9%
Netherlands	42% and 83%

Regarding the Netherlands, however, it must be noted that this country does not normally import agricultural products from the rest of the Community. Its import of food products barely reach 15% of its imports of industrial products.

As a whole the Common Market seems to have had less effect on prices than on the volume of supplies made available to consumers.

Price trends of agricultural products

106. The effects of the Common Market on agricultural products are less clear cut than its influence on industrial products; with perishable foodstuffs

and in the sphere of agricultural products in general, it is often difficult to measure the pressure of imports on prices which are often difficult to measure the pressure of imports on prices which are often strictly connected with the business situation and consequently unrelated to structural conditions in the markets.

It must be remembered that the common agricultural policy did not take effect until 30 July 1962 and began to influence prices only from that date. No measures could make themselves felt on the markets before a fairly long period of adjustment. It is common knowledge, too, that in the Common organization of markets no measure leading to a common level of prices has yet been taken.

Moreover, the common agricultural policy can directly affect the prices of agricultural products only at the production or wholesale stages. But such products are in the rough state and have to undergo much handling and processing before they are ready for retail sale.

The table on the following page brings out certain general points:

i) In all Member States except the Netherlands prices of agricultural products have risen since 1958 but at different rates. In 1962 and 1963 the rise was pronounced in Belgium and Italy. It was less so in Federal Germany. In the Netherlands agricultural prices (taking into account direct subsidies) remained stable ⁽¹⁾;

ii) Since 1958 producers' prices have increased more sharply than consumer prices in Belgium and Italy. In the other Member States the contrary has been the case.

If these price movements are examined, it will be observed that a number of them seem to have begun about the time when the common agricultural policy measures were implemented. As, however, the common organizations of markets were not yet completed, we must not see here any causal relationship. It is nevertheless interesting to examine the price movements for certain products with the first implementation measures of the common agricultural policy in mind ⁽²⁾.

⁽¹⁾ No figures are yet available for France in 1963.

⁽²⁾ See sec. 162, table of 1961-63 imports of some agricultural products from member and non-member countries.

TABLE 12

Indices of retail food prices (R) and of
prices paid to growers (G)
1958 = 100

		1958	1959	1960	1961	1962	1963
Belgium	R	100	102	101	102	104	106 (109) ⁽¹⁾
	G	100	107	104	106	108	118
Germany (FR)	R	100	101	102	103	107	110 (110)
	G	100	102	98	102	104	115
France ⁽²⁾	R	100	104	107	109	117	124 (127)
	G	100	94	98	100	106	...
Italy	R	100	98	99	99	103	112 (115)
	G	100	101	102	109	119	...
Luxembourg ⁽²⁾	R	100	100	101	101	101	104 (106)
	G	...	...	...	...	...	...
Netherlands ⁽²⁾ ⁽³⁾	R	100	102	103	104	109	114 (114)
	G	...	...	...	...	...	...
	G	100	98	97	97	97	...

(1) Between brackets: December 1963.

(2) Farming year: 1959 = 1959/60 etc.

(3) Including direct subsidies for milk and rye.

a) *Pigmeat*. The pigmeat market witnessed exceptional rises in prices both ex farm and retail; the average rise in the Member States was about 15% over 1961, with the exception of Federal Germany where it was 5%.

The rise in retail prices is due to higher prices ex farm and wholesale. It is difficult to determine the influence of the common agricultural policy and of other possible factors: the levy system has superseded other forms of protection and should not *a priori* effect prices in the Member States. The general rise, however, appeared in late 1962 and persisted till late 1963. It was not limited

to the EEC, and was primarily the consequence of the long severe winter of 1962/63. Reduced crops of piglets and higher mortality resulted in a sharp drop in the number of pigs slaughtered in 1963 in relation to the previous year, while the normal cycle of production was in the descending phase in the usual supplier countries (Netherlands, Belgium, Denmark).

The pressing demand in importing Member States called for additional purchases from Belgium and the Netherlands, and prices there rose very steeply. These purchases, however, restrained price rises in Federal Germany and Italy.

Apart from the abnormal circumstances of 1963, it can be stated that the common agricultural policy brought about a certain alignment of cycles in the Member States ⁽¹⁾.

b) *Eggs*. Retail prices of eggs rose in all Member States from 1958 to 1963 between 13 and 20%, while producers' prices went up rather less (Belgium, Germany) or even fell (Italy, Netherlands), with the sole exception of France.

There was nevertheless a considerable fall in prices in late 1963 and early 1964 and this fact calls for the following comments:

During the first nine months of 1962 producers' prices were low and led to a reduction in the number of laying hens, especially in the main producing countries (Netherlands, Denmark). This reduction coupled with the severe winter of 1962/63 caused a considerable fall in production and a steep rise in prices. The cyclical movement was thus aggravated by the weather factor. In certain Member States there is also the factor of agricultural policy to be taken into consideration (see below).

In consequence consumption fell and production expanded, above all in Federal Germany which is the largest European importer. The expansion of production made it difficult for exporting countries to find outlets and led to a considerable fall in wholesale prices, which in late 1963 and early 1964 reached an extremely low level. Trade in eggs being liberalized, the price trend was rather similar in all Member States.

The common agricultural policy in the egg sector has had a certain influence on prices for various reasons.

(1) See also sec. 169.

The imposition of higher levies on eggs in order to enforce the Community sluice-gate price, which is intended to prevent dumping, has no doubt prevented egg prices from falling even lower than they actually have.

The rise in feed-grain prices in certain countries (Netherlands, France, Italy) has not been reflected in egg prices because this is a buyers' market.

More direct competition between egg producers since the markets in the importing and exporting countries were opened has no doubt obliged producers to take rationalization measures which influence prices (reduction in quantities of foodstuffs used and higher yields).

c) *Poultry*. The poultry-meat sector is expanding briskly thanks to technical progress achieved, which has made it possible to reduce production risks and cut costs considerably and has encouraged higher consumption. }

Farmers' prices and retail prices are well below those of 1958. By comparison with 1961 farmers' prices are fairly stable in the main producing Member States (Belgium, France, Netherlands). In the importing Member States (Germany, Italy) there have been some reductions in the same period. By comparison with 1961 retail prices are rising in the Member States, with the exception of the Netherlands where they are falling.

The broad trends at present prevailing in the poultry market made their appearance some years ago and are consequently unconnected with Community policy in this sphere, but it is not impossible that developments have been somewhat influenced thereby.

d) *Cereal products*. The cereals regulation has had different repercussions according to country. In some Member States there have been changes in growers' prices, in others the common agricultural policy has probably had some influence on the trend of market prices for certain types of imported cereals. It is doubtful, however, whether similar influences are at play where manufacturers' prices for cereal products are concerned, in particular bread and pasta.

Trends in retail prices of bread and market prices of wheat for milling barely run a parallel course, if at all. With these products the cost of the raw materials weighs comparatively lightly in relation to the much higher costs of manufacture and marketing.

e) *Fruit and vegetables*. Despite the liberalization of trade in the "extra" class of these products, these are numerous widely varying factors affecting prices, so that it is extremely difficult to pinpoint the influence of liberalization and estimate its effect on price trends.

Even for a product such as Belgian hothouse grapes the price trend in the first two years of the common fruit and vegetable market was variable.

In 1962 Belgian hothouse grapes for the first time met with competition from imported grapes. This brought prices down sharply.

In 1963, on the other hand, a year in which the volume of production and imports was more or less the same as in the previous year, the level of prices corresponded approximately to the average over several years.

f) Other food products mainly followed the general trend, but there were some price falls such as for chocolate products in the Benelux countries, beer in certain regions of Federal Germany bordering on the Netherlands and Belgium, and certain sorts of fish in France.

In general the traditional protection, which was high in all Member States at the time the Common Market was established, was somewhat reduced at intra-Community level; nevertheless it is still fairly vigorous. Quotas, minimum prices and other controls have in many cases been maintained.

It should be noted, moreover, that in certain cases Community measures have replaced similar measures, at least in the aims pursued, which were in force at national level before 31 July 1962. Furthermore, as has already been pointed out, movements of food prices since 1962 have mainly been influenced by numerous factors other than the common agricultural policy: general economic conditions (inflationary tendencies in certain Community countries, increase of demand for some foods, changes in distribution channels), temporary causes (weather and plant health conditions), other measures arising directly or indirectly from the implementation of the Rome Treaty without being part of the common agricultural policy (alignment on the common customs tariff).

It is the combination of these factors, whether complementary or conflicting, and varying widely from country to country, which has in general caused prices to rise.

The trend of industrial prices

107. While it was not irrelevant to go into some detail on the trend of agricultural prices because of the extensive intervention machinery created in the common organization of markets, it is not necessary to dwell very long on the trend of industrial prices (or of prices for manufactured food products), since it is common knowledge that it is here that the influence of the Common Market is more marked. The foreign products offered to consumers at lower prices and the pressure on prices of national products already affect quite a large number of items including food products (mainly biscuits and chocolate). But the three main classes of products concerned were: in the clothing sector, conventional items but original in style, mainly from Italy (knitted and crocheted goods, footwear, etc.); household electrical appliances (refrigerators, washing-machines and radio sets); and motor vehicles where it has been generally noted that prices of vehicles manufactured in the EEC countries have dropped more sharply than those of vehicles imported from Great Britain, the United States and Sweden.

The effect on prices has differed from one country to another. It is very difficult to measure this effect in the Community as a whole; it has been pronounced in France because imported products frequently have novel features and foreign exporters make special efforts to enter this market, and to a less extent also in the Netherlands because the proportion of imported goods in domestic consumption is already very large.

General market situation

108. Intra-Community trade has been influenced by market conditions themselves, arising from Community or national regulations and from the action of the business concerns or associations engaged.

Among the former mention must be made of liberalization measures affecting customs duties and quotas, of various obstacles which persist (charges and other equivalent measures, technical and commercial regulations varying from country to country), and of the first decisions under the common agricultural policy.

The action of professional bodies has in the main promoted the development of trade, but certain practices still restrain expansion in some cases or limit its repercussions on prices.

The abolition of quotas and the progressive reduction of customs duties between the Member States has done much to promote the merger of the six national markets. In four of them, however, trade with other countries was already relatively free at the time of the first measures establishing the Common Market; it is therefore not surprising that the effects have been greatest in France and Italy because of the greater customs and quota protection obtaining in the past in those countries.

The extension, if only partial, of liberalization measures to non-member countries also partly explains the increased imports from such countries, whereas the first alignments on the common customs tariff have had much less effect.

109. Several obstacles still prevent the various liberalization measures from being fully effective. The Commission is endeavouring to remove them but often it cannot act quickly because, on the one hand, of difficulties in identifying or locating such obstacles exactly and, on the other hand, of the problems involved in harmonizing regulations at Community level.

First there are certain taxes on imported or exported products. Such taxes, which are imposed mainly, but not exclusively, in the Benelux countries on imports and exports of foodstuffs, are often for the purpose of financing the sanitary or quality inspection of products or are paid into funds for intervening on markets or subsidizing exports.

Many of such taxes have disappeared during the last few years and others are to be abolished in the near future. It seems, however, that in the main these taxes are not, except for very special cases, such as to have appreciable effects on supply to consumers or the prices paid by them.

The effects of measures other than taxes but having a similar effect (certain price and sales regulations, etc.) are more difficult to determine. As for the regulations, more often than not they are general measures which are not limited to any particular product or class of products. As things stand, it is almost impossible to measure their restraining influence on trade.

Finally there are, despite the approximation and harmonization measures described elsewhere ⁽¹⁾, a number of bodies of regulations on the technical and quality standards laid down for the manufacture and marketing of products.

(1) See paragraphs 18, 19, 21 and the Chapter "Competition".

Such regulations differ widely, some being more restrictive than others, and may hinder the development of trade.

110. The action of the business concerns or associations engaged in commerce is also very significant in the development of intra-Community trade.

Such development would not have been possible without the active participation of businessmen, producers and merchants. In all countries it has been noticed in particular what efforts manufacturers have made to win neighbouring markets and how large distributive concerns and, in a more general way, chain stores have imported growing quantities from the various Member States.

However, the situation of competition and certain commercial practices in certain cases still prevent the full effects of measures promoting trade, and in particular their effects on prices.

The expansion of sales abroad sometimes necessitates expenditure on organizing sales networks; in order to interest foreign traders in selling their products or to offset the new risks incurred, some manufacturers have offered them margins or discounts higher than those normally granted. In certain exceptional cases the extent of such discounts has even induced national producers to make similar concessions in order to preserve their existing distribution networks.

The Commission has kept a close watch on exclusive dealing agreements, since they often appear to be one of the causes of goods becoming scarce or dear.

111. Finally, on a much more general plane, the favourable business situation itself has restrained the repercussions of the Common Market on trade and price trends.

Owing to the constant pressure of domestic demand not all producers have had incentives to widen their outlets in the neighbouring countries. There has also been a tendency to bring retail selling prices into line with domestic prices even when imported goods were cheaper. This tendency has been encouraged by the fact that, in most countries except the Netherlands, though imports have appreciably increased over the last few years their share in national consumption is still rather small. Sometimes the lower prices of imported goods are of benefit to only a very small proportion of customers. As a general rule the repercussions on the national plane are still limited. This situation is also

partly due to the fact that since reductions in customs duties take place by stages the extent of each reduction is limited and is hardly felt in the final price.

If mention is made of these different examples of pressure on prices which amount to restrictive factors, it is to show that there are still various obstacles in the way of trade. But the very extent to which trade has developed also shows that the positive factors, such as Community measures and national measures within the Community framework and the action of those engaged in commerce have been by far the most important and the most decisive. Great caution must be observed, it must again be stressed, in making a diagnosis and care must be taken not to abuse some aspect or present effect of the Common Market to deceive public opinion. Those who are responsible for keeping the public informed, politicians, members of parliament, civil servants, professional associations, etc., know well that this is a long-term process and that it would be as false to blame the Community for a price increase in a given sector or area as it would be dangerous to expect from the Community an automatic solution to all problems of production, distribution and consumption in the Six. As a very provisional conclusion it will suffice to say that the dynamic activity of business circles which was stressed in the early General Reports, activity which showed confidence in the Common Market's future success, has not been belied by the facts after six years of the Community's existence. Any progress at consumer level will now depend as much on the cohesion of the Community and of the common view it takes of its future as on the business situation which favoured its beginnings.

CHAPTER II

TOWARDS A COMMON POLICY

Economic policy

THE ECONOMIC SITUATION AND SHORT-TERM ECONOMIC POLICY

THE ECONOMIC SITUATION IN THE COMMUNITY IN 1963 AND THE OUTLOOK FOR 1964

112. Since the beginning of 1959 the Commission has kept the European Parliament and the public regularly informed on economic developments by means of its special quarterly reports on the economic position. These Quarterly Surveys, entitled "The Economic Situation in the Community", are not confined to short-term analyses, but for some time past have reflected the increasing effort made by the Commission to supply annual estimates and forecasts of economic developments and their consequences. The fact that the Surveys are published every three months means that these estimates and forecasts can be constantly brought up to date.

The last Survey of each year's series is even taking on the form of a full-scale annual survey: it now contains an account and an analysis of trends during the whole of the preceding year together with quantitative assessments of the year's results, and it outlines the prospects for the year ahead, giving certain forecasts in actual figures. The Survey dealing in detail with the years 1963 and 1964 (Quarterly Survey No. 4/1963) was submitted to the Parliament and published in January 1964 ⁽¹⁾.

Conforming to what is now traditional practice, the Commission made a statement to the European Parliament early in the new year in which it reviewed

⁽¹⁾ Sales agents of the European Communities in the capital of each Member State. Central Sales Office: 2, Place de Metz, in Luxembourg; agent for UK and Commonwealth: HMSO, PO Box 569, London S.E. 1.

economic developments in 1963, the outlook for 1964 and the short-term economic policy problems emerging from the analyses made. Quarterly Survey No.1/1964 giving the latest analysis and forecasts has now also been published (1).

In view of their regular supply of information, the Commission feels that a detailed description of the economic situation and the outlook would be superfluous in this General Report to the Parliament.

Economic development and the objectives of the Treaty

113. Those economic objectives of the Treaty which bear on development—steady and balanced expansion, a more rapid raising of the standard of living, a high level of employment, price stability, and equilibrium in the member countries' balances of payments—were only partly achieved in 1963. It is just because of the closeness of our economic links with the rest of the world that it is difficult if not impossible to be at all times making the requisite progress towards all these objectives; this can only be done—if the correct economic policy is applied—by averaging the progress made over fairly long periods. However, even when a longer view is taken, developments in 1963 did not produce satisfactory progress towards all the economic objectives of the Treaty. The weakest points were prices, the employment situation and the balance of current payments. Economic growth and the improvement in the standard of living, taken alone, may be judged entirely satisfactory, but they too pose certain problems in relation to other objectives.

114. The gross product of the Community in 1963 is estimated to have been about 4% greater in volume than in the previous year. This growth rate is admittedly rather lower than the rates for preceding years—5.2% for both 1962 and 1961 and as much as 7.7% for 1960. It would be wrong however to assert that expansionary forces have suffered a serious loss of momentum: the slight slowdown in growth in 1963 as compared with 1962 is mainly explained by exceptional factors (the effects of differing weather conditions on output in building and agriculture, and a difference in production losses due to industrial disputes). Moreover, it is just in 1963 that the adjusted trend within the year shows a fairly distinct recovery in the forces making for expansion.

(1) See footnote on previous page.

From a longer-term point of view, economic growth in 1963 fits quite satisfactorily into the run of advances made previously. The gross product of the Community for 1963 was about 34% up in volume on the corresponding figure for 1957, the last before the Treaty of Rome entered into force. It is interesting to note that over the same period the corresponding figures for the United States and the United Kingdom are 21% and 16% respectively.

115. Private consumption (in real terms) again made fairly rapid progress, not only because of increased output in the Community but also thanks to a further deterioration in the balance of current payments (to be examined in more detail below) and a further change in the use of resources—in many cases to the detriment of investment.

At 5%, the growth rate of private consumption was admittedly weaker than it was between 1961 and 1962, but it was once again higher than that at which the gross product of the Community as a whole was growing.

In real terms, private consumption per head—one of the main indicators by which to assess the standard of living—was 3% higher than in 1962 (and 26% higher than in 1957) ⁽¹⁾.

At the same time, the decline in the number of hours actually worked per year and per person employed—another measure of living standards—continued, though at a slower rate than in 1962. For statistical reasons it is not, however, possible to give exact figures.

116. It has already been mentioned that these developments, which in themselves are decidedly encouraging, are not without their drawbacks. In the first place expansion, although it has been slower for some time, was too fast in certain member countries for prices to be kept stable. This was most evident in Italy, but France, the Netherlands and even Belgium were also affected. Once again a long period of rapid expansion has led to certain strains due partly to the fact that the various structural changes involved in growth do not occur fast enough. This applies not only to infrastructure development, but even more to the necessary changes in the geographical and occupational distribution of manpower. When in addition excess demand becomes general and severe—as in most member countries during 1963—this aggravates and spreads the diffi-

⁽¹⁾ For trends in the individual countries, see table on p. 98.

culties, price stability can no longer be ensured and balances of trade in goods and services deteriorate.

In addition, the fact that rising living standards have been accompanied for some years by a decline in the rate of investment is a matter for some concern. In 1963, for the first time since 1958, gross fixed asset formation in the Community increased at only the same rate as the aggregate gross product, whereas previously investment growth had been more rapid, and in 1961, for example, twice as rapid. Directly productive investment seems hardly to have increased at all in 1963, and investment in industrial equipment in the Community even eased slightly. If this trend were to persist too long, it would have very harmful effects on the Community's longer-term prospects of increasing output, productivity, real wages and the general standard of living.

Lastly, it must not be forgotten that the fairly rapid expansion of production was in part made possible by the deterioration in the balance of current payments.

117. Pursuit of the objective of a high level of employment produced satisfactory results: unemployment remained extremely low in most Community countries. In Italy, the only member country in which (for structural reasons) the number of unemployed is still appreciable, a further decline was recorded. But considerable excess demand for labour has led to a difficult situation.

In this connection, it is significant to note that by 1963 Italy too was suffering from a fairly general shortage, not only of skilled workers, but also of semi-skilled and, in some important regions, even unskilled workers.

In short, when the situation on the Community's labour market is assessed in economic terms, the year 1963 was for the Community as a whole not just a year of "a high level of employment", meaning reasonable "full employment", but one of "overemployment".

118. Most member countries failed to achieve price stability, in some, the upwards movement of prices even gathered considerable pace. It was only in the Federal Republic of Germany that they tended to settle down, at least until the autumn of 1963; at consumer level (cost-of-living index) the average for the twelve months was nevertheless 3.1% higher than in 1962, when prices had already outstripped those of 1961 by 3.5%. For Italy the corresponding rate was 7.4% (against 4.7% in 1962), for France 6% (against 5.2%), for the Netherlands 4.4% (against 3%), for Belgium 2.2% (against 1.4%) and

for Luxembourg 3.1% (against 0.9%). In all these countries therefore the upward movement was distinctly more rapid.

On the causes of the price increases experienced in recent years and the faster increase in 1963, the Commission has taken the opportunity afforded by the publication of its Quarterly Surveys, by a special study submitted to the Parliament and by statements in the Parliament itself to make known the conclusions that can be drawn from such analyses as it has been able to make in the light of the technical and institutional situation. Views similar to those expressed by the Commission were reflected in the Memorandum of 14 September 1962 on "Rising price trends and the means of combating them", prepared by the Committee on Short-term Economic Policy, and in the Opinions concerning the economic budgets for 1963 and the preliminary economic budgets for 1964.

All these analyses showed that rising price trends had not one cause but many, and that, as was to be expected, it is impossible, given the fairly extensive mutual interdependence of many of these, to measure the exact share of each in the general trend.

For 1963 the conclusion, however, is inescapable that the "excess demand" factor, that is to say a discrepancy between the expansion of overall demand in money terms and that of internal supply, again increased in importance a great deal, whereas in the past it sometimes yielded first place to "autonomous" factors. Obviously, the main reason for the re-emergence of excess demand was the boom in private consumer demand. This in turn was largely a consequence of the exhaustion of manpower reserves and of persistent strain on the labour market, coupled with a trend in liquidities which made it possible to finance without difficulty an increase in money incomes which outran the rise in real incomes and made prices rise. But the direct or delayed effects of the surpluses accumulated so far on the balance of payments, and more particularly the consequences of the influx of capital from non-member countries, must also be taken into account; in some cases the cash operations of the public authorities (and also in certain countries the methods chosen to finance deficits) also contributed; lastly, and to some extent in relation with these factors, the expansion of credit was certainly excessive in a number of member countries.

In 1963, the countries first affected by the too rapid development of demand in money terms were mainly Italy and France, but in the course of the year

signs of excess demand also appeared in Belgium and towards the end of the year in the Netherlands as well, partly because exports from these two countries, notably to the other member countries, again expanded sharply.

Factors other than the failure of supply to keep pace with expanding demand also served to force up prices. Mention must be made in particular of increases in the price of various foods, caused by bad weather or by the policy decisions taken in certain member countries. Costs also increased in the course of the year because of higher world prices for certain raw materials and imported semi-manufactures. In addition, there was a further round of "autonomous" increases—for example, in controlled rents and public transport fares. Lastly, rising wages, being a factor in costs, were bound to affect prices; in 1963 wages generally again advanced more rapidly than productivity—even in the Federal Republic of Germany, where the upward thrust of wage costs showed some loss of vigour; in other member countries, the increase in wage costs per unit of output was even decidedly more rapid than before. By and large, this factor in the upward price trend was not offset by any improvement in the propensity to save.

TABLE 13

Wage costs per unit of output in manufacturing industry ⁽¹⁾
(Percentage variations when compared with preceding year)

	1960	1961	1962	1963 ⁽²⁾
Germany (FR)	3	7	6	3
France	3	4	6	6
Italy	1	1	11	16
Netherlands	2	4	4	6
Belgium	0	0	3	4
United States	1	0	0	- 1
United Kingdom	1	6	3	- 1

⁽¹⁾ For method of calculation, see Annex to Quaterly Survey No. 2/1962.

⁽²⁾ Provisional estimates.

It has not been possible to make corresponding estimates of profit trends, since statistics in this field are generally far less complete than those on wages and salaries. However, the profits made by enterprises manifestly increased in 1963 in all parts of the Community and in any case the trends were more favourable than in 1962.

In conclusion it should, however, be noted that these "cost-push" factors generally took second place in 1963 to factors determined by excess demand. Cost increases were the effect rather than the cause of the inflationary process.

119. These trends within the Community are also reflected in changes in the balance of current payments, which again deteriorated in 1963, closing with only a small surplus.

The surplus had already fallen sharply in 1962, but this could still be attributed in the main to the fact that economic expansion was distinctly more vigorous in the Community than in non-member countries.

In the course of 1963, on the other hand, world business trends improved appreciably. Despite this, the deficit on the balance of visible trade increased by \$1 300 million in 1963 to reach a total of \$3 000 million. In comparison with 1960, the deterioration in the balance of visible trade can therefore be estimated at some \$3 000 million.

Admittedly, the annual figures for the Community's external trade were still affected to some extent in 1963 by the depressive factors which, as already mentioned, had slowed down world business activity in 1962; the improvement was felt only from the spring of 1963 onwards. It is however significant that on balance the external trade of the Community drew only a slight and ephemeral advantage from the changed situation. At all events, the Community's balance of trade, after a brief interlude in the spring and summer, tended in autumn to deteriorate even more rapidly than before, and a further increase in the deficit is forecast for 1964. This increase, given the favourable world business situation, is unlikely, however, to taken on the massive proportions of 1963. The Community's current account will show a fairly substantial deficit in 1964.

That the Community's overall balance of payments still showed a surplus in 1963 is mainly explained by a larger influx of private capital. This was particularly heavy in the first six months, while in the rest of the year there was

a certain decline which might, in part, be a first result of various measures taken in the United States (raising of money-market rates; interest equalization tax bill). Certain member countries also adopted specific measures to discourage imports of capital.

As a result of the deterioration on current account, and despite the fact that, in the results for the full year, the surplus on capital movements increased, the surplus on the Community's overall balance of payments fell short of the 1962 figure. Although official gold and foreign reserves in the member countries increased by \$1 460 million from the end of 1962 to the end of 1963, and consequently grew more rapidly than in the preceding twelve months (\$600 million), the drop of some \$800 million in the net foreign exchange holdings of the commercial banks was about twice as large as in the preceding year.

SHORT-TERM ECONOMIC POLICY OF THE MEMBER COUNTRIES

120. The policy pursued by the authorities in the various member countries was adjusted in the light of changes in the business situation and of the economic trends which occurred in 1963. The effect of these changes was to generalize disequilibria which had until then been more or less localized. It is, however, regrettable to note:

a) That the selective policy—which initially seemed the most appropriate, and which should also in certain member countries have had certain general effects—was not always pursued consistently and energetically enough;

b) That the policy designed to slow down the expansion of internal demand in money terms throughout the economy—the need for which became more and more urgent as the year wore on—was not applied with sufficient stringency.

121. In accordance with warnings and recommendations by the Commission and the Short-term Economic Policy Committee, budget policy should have been used to keep a prudent rein on the development of public expenditure and particularly to curb the expansion of spending on goods, services and transfers. Deficits should have been financed by methods which did not stimulate expansion. In fact, public expenditure in 1963 again increased fairly substantially in all the member countries—in Italy and in Belgium more even than during 1962; in most cases the increase exceeded 10 %, and it was precisely on expenditure for goods, services and transfers that most of the additional outlay was concen-

trated. In all the member countries, despite booming business conditions, deficits were allowed to swell instead of being reduced. Moreover, certain member countries, such as Italy and Belgium, ran into difficulties over financing Treasury deficits from their money or capital markets; they therefore had no choice but to seek aid from the banks of issue or to borrow abroad (the monetary effects of which are the same).

In the field of credit policy France was, until the summer of 1963, the only country to pursue a more cautious policy, which tended to encourage lending to finance investments and to discourage short-term loans, experience having shown that such loans can fairly easily be used to finance higher incomes and prices. In Italy, on the other hand, the credit policy adopted by the Central Bank remained fairly expansionary until the spring of 1963, one aim being to combat, by the creation of money, the shrinking of the capital market caused by political developments at home. In the Netherlands, the last quantitative restrictions were suspended in October 1963. In other member countries, credit policy remained largely neutral in its effects.

There was reinforcement in Federal Germany, coupled with maintenance in the Netherlands and to a lesser degree in other Community countries, of the selective policies intended to bring pressure on the building and construction industry through budgetary measures, through action in the credit field or by means of direct controls. In Federal Germany the measures taken had some success in the housing sector, but at the same time the public authorities did little to restrain the expansion of their own demands on the industry. As however current developments in the business situation produced an easing in demand, the overall position was rather quieter. In the Netherlands, success was at best very relative: although numbers employed in building increased by about 10 %, strain persisted unabated on the building markets. In Belgium, the Government curtailed the granting of subsidies to building, and here too the demand for housing weakened slightly, though strains did not ease to any significant extent. In France and in Italy the policy pursued at first served, if anything, to favour the expansion of construction rather than to slow it down.

122. The Commission and the Short-term Economic Policy Committee have on several occasions stressed the importance of incomes policy as an instrument through which to achieve, among other things, some moderation in the growth of production costs. But it was obvious that this could not be obtained unless a common approach covering all classes of income was worked out.

In fact very little progress was made in 1963 in the field of incomes policy, especially in France and Italy, the very countries where some curb on the rise of money incomes was most needed. But in Belgium there was an actual—though temporary—loss of ground, since the “accord social” of May 1960 was not renewed. In the Netherlands, the policy of moderation in the field of wages remained effective only until the autumn. Since the signing of the new agreement between the two sides of industry, which will mean an increase of about 17% in the wage and salary bill in 1964 and is bound to have its impact on prices and the balance of current payments, the moderating policy must be considered, at least for the time being, to be in abeyance.

This development seems to show that in the field of incomes policy it has proved too difficult to work out a common approach capable of securing the support, at least on a provisional basis, of the main sectors of the public. The Parliament asked the Commission whether it could supply a definition—in effect, a common approach—for the incomes policy it considers desirable.

The Commission supplied such a definition at a meeting of the Parliament's Economic and Financial Committee on 8 July 1963: “... What is needed is that the authorities and the most important economic and social sectors of the public should make, on the basis of economic forecasts, a concerted effort to ensure that the various categories of income shall move upward and lead to as fair a distribution as possible of the fruits of expansion compatible with a satisfactory growth rate, stability of prices and the other main economic policy objectives.” The Commission is well aware that this is no more than an outline definition, valid in technical and economic terms. Important though it is, much of its substance remains to be filled in. Here the problems lie largely in the political sphere, and they will accordingly have to be settled at political level.

It seems obvious that if in this field decisions taken are not to be reversed they must be based on economic forecasts covering a number of years. It was therefore in order to be able to work out guidelines for a comprehensive longer-term policy on incomes that the Commission prepared its proposals on forecasts of economic development over several years, on the scope for action that will be provided by such development, and on the co-ordination of medium-term economic policy. It is evident that an incomes policy cannot be worked out unless incomes statistics in all member countries are considerably improved.

Since the problem is mainly a political one, since no decision of principle has yet been taken at this level, and since formidable practical difficulties are still

unsolved, it is understandable that no very appreciable progress in the field of incomes policy has been achieved. It would, however, have been desirable to adopt at least a provisional solution in 1963, as this might have kept the increase in monetary incomes within reasonable bounds; a rule might for instance have been adopted according to which none of the major categories of income would have been allowed to rise faster than the volume of output itself.

The fact that in this field little or nothing was achieved may explain in part why there has been a renewal of widespread imbalance between the development of demand and that of supply in both goods and services. The consequent aggravation of strain on the labour market has only increased the difficulty of working out an incomes policy. Before this can be done action will have to be taken to curb the expansion of overall demand and so ease conditions on the labour market: only then will the endeavour to establish an incomes policy have any chance of success.

123. Lastly, it would seem that not all opportunities have yet been grasped for using policy on imports as an instrument to combat inflationary pressures and price increases. France and Italy have, it is true, adopted measures to step up imports: they have cut customs duties in advance of the due date and widened or lifted altogether certain of the surviving quotas: but these measures have in general been somewhat limited in their range and scope. The other member countries have lifted obstacles to imports only temporarily and for only a small number of items; certain of these measures were in any case adopted as part of Community decisions on trade with non-member countries. It is significant that practically no use has been made of the right under Article 15(2) to make advance cuts in duties on items imported from other member countries, although the Commission and the Short-term Economic Policy Committee have recommended this on several occasions.

These advance cuts in duty and the elimination of other obstacles to intra-Community trade would—where they affected items in adequate or ample supply at appreciably lower prices in other member countries—have helped to stabilize prices. Such market disparities unquestionably subsist for a large number of products.

124. When, in the course of 1963, it became more and more imperative to apply an economic policy curtailing the general expansion of home demand, the necessary measures were in most cases put in hand only after much hesitation.

The greatest hesitation was in Italy, where till late in the autumn virtually no radical measure had been taken to limit the expansion of public expenditure and to place the financing of the deficit on a sound footing. At the end of 1963, the Italian Government tightened up its short-term economic policy by decisions to cut the budget deficit and put a brake on the expansion of consumption.

In France the policy pursued from the beginning of 1963 onwards was not able to prevent aggravation of the inflationary pressures. A comprehensive programme of new stabilization measures was therefore decided on in September. Further measures were introduced by the Government early in 1964 to reinforce this stabilization programme.

In Belgium, where strains began to appear during the year because of the upsurge in external demand—primarily from the other Community countries but also as the result of a more rapid increase in private consumption and current government expenditure on goods and services—moves to damp down the expansion of demand were taken only late in the year; these consisted mainly in a decision to slow down the pace of expenditure in the public investment sector and in a more restrictive monetary policy.

In the Netherlands, measures to restrict the expansion of demand were introduced only towards the end of 1963. They mainly concerned government and local authority expenditure on investment, credit policy and arrangements governing the amortization of private investments.

In the Grand Duchy of Luxembourg, too, where the shortage of manpower worsened appreciably, a number of measures were taken to slow down the rate of expansion, especially in the building sector.

In 1963 no overall restrictive policy proved necessary in the Federal Republic of Germany.

In the last two Quarterly Surveys of 1963 and in the first Survey of 1964 the Commission analysed in detail and commented on all the measures taken by the Member States for the overall restraint of expansion in home demand.

THE COMMISSION'S WORK ON SHORT-TERM ECONOMIC POLICY

125. In accordance with the objectives proposed by the Commission in its Memorandum on the Action Programme for the Second Stage, further steps

have been taken to improve instruments of analysis and forecasting; in addition, useful work has been done to meet the conditions which must be fulfilled if short-term economic policies are to be properly co-ordinated, and a series of problems in this field have been studied.

Business surveys

126. Previous general reports have discussed this subject in full. The Commission has now also published a new booklet on the principles and methods underlying the surveys; as the booklet was placed at the disposal of Parliament early in 1964, no detailed discussion is needed here. It will suffice to mention that the technical improvements and additions foreshadowed in the Sixth General Report have now practically all been incorporated in the survey. Further progress has also been made in preparing harmonized investment surveys at EEC level. Initial results are already available, but this is a complex field and since time is needed to experiment and overcome teething troubles, the results are not yet ripe for publication.

Unfortunately it has not yet proved possible to bring the Netherlands into the EEC business surveys: the Dutch industrial federations have so far failed to reach a decision recommending their members to take part in this joint operation designed to improve the analysis of current developments and to provide an exchange of information between heads of enterprises.

However, internal negotiations are now in hand in the Netherlands, and these may well lead to Dutch participation in the surveys.

On the question of surveys among consumers, a start has been made on initial studies concerning the various possible methods and the results obtained in other countries; but it must be emphasized that surveys among consumers involve large-scale, difficult and above all costly operations which would put an excessive strain on the Commission's present financial and human resources. For the moment it is not considered possible to establish a specific time-table for the execution of these surveys.

Economic budgets

127. The annual economic budgets are another important instrument for analysing and forecasting economic developments, and also for co-ordinating

economic policy as a whole. On various occasions the Commission has already had opportunities to inform the Parliament and the public of the purpose and methods of this system of forward national accounts prepared by each member country in comparable manner on the basis of a common plan.

Very important progress in this field was made in 1963, when "preliminary economic budgets" were introduced. These are initial, "neutral" forecasts showing the main lines of economic development in a small number of tables and annexed comments that explain the assumptions on which the tables are based. On a proposal from the Commission, the Short-term Economic Policy Committee decided that these preliminary budgets, established for the succeeding year on the basis of a common plan, would be discussed and compared each year towards the end of June or early in July.

The preliminary budgets are designed to check whether, for the current year, actual development corresponds to the forecast made in the final budgets; they are also designed to supply preliminary facts and figures for the forthcoming year early enough for the results of the confrontation of budgets to be taken into consideration when the draft budgets of the member countries are being established.

In early July, 1963, the Short-term Economic Policy Committee was for the first time able to examine preliminary economic budgets (covering 1964). In early autumn, a revised version was established and discussed.

In this way a system of running revision of forecasts and estimates has been established which makes it possible to pinpoint and allow for short-term variations in business trends.

The Commission may at this point be allowed to point out that it has for some years been developing this technique little by little in its Quarterly Surveys which, by giving estimates and forecasts, have prepared the ground for the work being done by the Short-term Economic Policy Committee.

Important improvements have also been made in the final economic budgets (for 1964), notably with respect to their comparability. But in this field there is still much to be done, particularly by the relevant departments in the member countries, before the Commission's staff can establish a combined version of the economic budgets with sufficient detail and inner consistency to serve as the basis for an economic budget of the Community as a whole (see Action Programme, sec. 92).

Partial forecasts for the main sectors of the economy, supplementing the general forecasts, have already been embodied in the economic budgets. However, the breakdown does not go as far as important individual industries: quite apart from objections of principle which could be raised, it would seem that in many cases the requisite statistical and other conditions of a technical or institutional nature do not yet exist. The Commission itself, though it would consider annual forecasts without binding force to be none the less an entirely valid source of information for those who have to shape economic policy, has neither the necessary staff nor the funds to have these forecasts worked out in its own departments.

Lastly, it should be added that economic budgets have by now proved their worth as an instrument by which trends can be more closely followed and proposals made for dealing with current developments. This view is also borne out in the opinions formulated by the Short-term Economic Policy Committee after each confrontation of economic budgets, preliminary economic budgets and revised preliminary economic budgets. These opinions have all been published as annexes to the Commission's Quarterly Survey.

They call attention — in good time and in clear terms — to the change in the business situation that has already been described and in the requirements of economic policy, such as the need to switch from selective to general measures designed to slow down economic activity as a whole.

Economic indicators

128. Work on harmonizing, adding to and improving short-term economic indicators (sec. 94 in the Action Programme) has been continued. Responsibility for this work lies primarily with the Statistical Office of the European Communities in association with the statistical offices of the member countries. Given the complexity of the subject, the progress made so far must be considered as very considerable; it cannot, however be regarded as even nearly satisfactory when compared with what is needed if a rapid diagnosis of the economic situation is to be possible. In order to focus more attention on its proposals and to give them greater weight at political level, the Commission's staff is now preparing a recommendation to the Member States setting out a minimum statistics programme.

Special studies

129. Studies on prices, wages and wage costs per unit of output in industry (including building) have been continued; the results have been laid before the Parliament and published in annexes to Quarterly Surveys No. 1/1963 and No. 1/1964.

In addition, at the request of the Parliament, a special study — “Price trends in the Community in recent years” — was prepared and forwarded to the Parliamentary Committee concerned. It represents a summary and extension of the reports on the economic situation already made at regular intervals, in which price trends have always been given due attention.

The Commission has also continued to pay the closest attention to the improvement of the instruments of short-term economic policy—this being one of the objectives of the Community—and to the co-ordination of national policies in this field.

As already reported, the Commission at the end of 1962 addressed concrete recommendations to the Member States' Governments concerning the extension and improvement of the instruments available to combat any recession or prolonged weakening or stagnation in economic expansion. The text of these recommendations was sent to the Parliament.

The recommendations dealt not only with the various instruments taken individually, but also with their effectiveness when taken together; in other words, they went into the question of co-ordination at national level and at Community level.

In view of the nature of the subject, the recommendations obviously dealt with the question of readiness and ability to apply not only measures to combat recession but also measures to combat inflationary pressures: for most of the measures that can be used against a recession can equally be used, in the reverse direction, in the fight against inflationary pressures.

Previous studies had shown that the range of instruments available in all the member countries was considerable, but that there were still lacunae and imperfections affecting their efficacy in forestalling and promptly reversing any tendency towards a recession; the studies made it clear that something needed to be done to put this situation right.

Although such work is obviously beset with a whole series of political, psychological, institutional and legal difficulties and there was therefore no prospect of early success, the Commission asked to be informed of the action Member States had taken or intended to take on its recommendations. The Commission's staff has already prepared a first composite picture of the replies received. This document does not, however, yet embody enough information to yield sufficiently detailed conclusions on the extent to which the recommendations are being implemented, since some of the replies received are still incomplete, or would at least be improved by additional information. Further replies are expected. As soon as a satisfactory general picture can be completed, the Commission will lay a detailed report before the Parliament. It is perhaps useful to mention here the interim report presented orally on 11 October 1963 in Berlin to the Economic and Financial Committee of the European Parliament by the Commission's representative.

Co-ordination of economic policies

130. The Commission pressed steadily ahead with its endeavours to improve the co-ordination of short-term economic policy in the Community, making proposals here and intervening there with the various co-ordinating organs — the Short-term Economic Policy Committee, the Monetary Committee and the Conference of Ministers of Finance — and with the competent authorities in the several member countries. The frequently cited opinions of the Short-term Economic Policy Committee reflect in part the work being done in this field by the Commission, which can claim to have given due warning whenever there was a threat of inflationary developments and to have called on each occasion for appropriate measures. The Commission even went so far as to make direct and concrete recommendations to Italy and France, orally and in writing, for the adoption of a stringent stabilization policy.

Early in 1964, in its annual statement on the economic situation in the Community, the Commission expressed to the Parliament its concern at the spread and aggravation of inflationary trends within the Community. This concern was shared by the Council of Ministers and by the European Parliament (resolution of 23 March 1964). The development of the situation led the Commission to formulate early in April a proposed recommendation to be addressed

by the Council to the Member States with a view to re-establishing the internal and external economic stability of the Community ⁽¹⁾.

MONETARY POLICY

The development of internal liquidity

131. In 1963 the expansion of internal liquidity generally continued at a high rate, higher than the rate at which the gross national product progressed. But there was some narrowing of the gap between the countries in which the volume of money had in the previous year expanded at a very high rate (Italy and France) and the other countries.

The rate of expansion of the volume of money (bank notes and sight deposits), which had gathered considerable pace in Italy and France in 1962, slowed down in these two countries and after some fluctuation settled down at a rate equal to or even lower than that for 1961 (about 14% as against 18% in 1962). In these countries with a more moderate rate of monetary expansion a speed-up was noted, except in Federal Germany, where the rate remained much what it had been in 1962 (7% as against 7.8%): in the Netherlands and in Belgium, the volume of money increased from November 1962 to November 1963 by 9%, compared with figures of some 7 1/2% to 8% during the preceding twelve months.

For an overall picture of the development of internal liquidity, "secondary" liquidity, i.e. short-term placing of funds by private individuals and enterprises, must also be taken into account. The rate of expansion of this form of liquidity continued to build up in most member countries, notably Belgium (15% as against 8% in 1962); in the Netherlands and in Federal Germany the growth rates were 12% and 14% respectively, compared with 8% and 13% in 1962. In France and in Italy, where the rates had been about 18%, they came down to 12% and 14% respectively. In France the decline was not in savings deposits, but in other short-term investments with the banks or the Treasury; this trend is explained by the Treasury's policy of cutting rates in order to reduce the volume of short-term paper issued.

(1) This recommendation was adopted by the Council at its session of 13-15 April 1964 and was published in the official gazette of the European Communities, No. 64, 22 April 1964.

When internal liquidity (notes and coin in circulation plus short-term placing of funds) is considered as a whole, Italy, France and Luxembourg are the countries where the pace of expansion fell most sharply. In Italy this was due mainly to the emergence of a heavy deficit on the balance of payments, and in France to the curbing of bank credit under restrictive measures adopted in 1963, reinforced by some loss of pace in the net inflow of foreign currency. In France the decline in the expansion of bank deposits (17 % as against 22 % in 1962) was much in line with the decline in the expansion of bank credit to commerce and industry (15 % as against 24 % in 1962). If in Italy, on the other hand, internal liquidity again expanded considerably (though not so much as in 1962), this was because the banks continued to build up their short-term lending at the same high rate (14.5 %) as the year before, and their medium- and long-term lending at a distinctly higher rate (22 % as against 14 %). In Luxembourg, the reduction in the pace at which internal liquidity was growing was mainly due to the pressure exerted by Treasury surpluses.

In both Belgium and the Netherlands the growth of internal liquidity was about 10.5 %, after having been about 7.5 % in both countries the year before. A common factor was the fairly high expansion of loans to commerce and industry — 20 % in Belgium, i.e. as much as in 1962, and 14 % in the Netherlands (as against 12 % in 1962). On the other hand, transactions with abroad and Treasury operations had different effects in the two countries. Whereas in Belgium transactions with abroad created much less liquidity than in 1962, in the Netherlands they induced a much larger inflow of liquidity. Conversely, the indebtedness of the Belgian Treasury to the banking system grew seven times faster than in 1962, while in the Netherlands the Treasury was able to absorb liquidity to a fairly appreciable extent by redeeming its debts to the banks and the Central Bank (in 1962, it had contributed, on the contrary, to increasing domestic liquidity). In Federal Germany, where the rather more rapid development of short-term saving offset the slight loss of pace in the expansion of sight deposits, the rate of expansion of internal liquidity remained much the same as in 1962 (14 %) despite the considerable influx of foreign currency (DM 3 000 million as against DM 650 million in 1962).

Bank liquidity and the money markets in 1963

132. In contrast with 1962 trends — characterized by easier conditions on the money markets and a tendency for rates to ease — tightness related to the fluc-

tuations that occurred in bank liquidity beset these markets during 1963, though in varying degree from one country to another. In several countries the unmistakably restrictive policy pursued by the monetary authorities themselves was one of the factors behind this tendency for markets to tighten.

Important changes occurred in the influence of the factors which determine the liquidity situation of the banks. Balance-of-payments surpluses again became the main source of funds for the banks in the Netherlands and even more in Germany, where the net flow of foreign currency to the banks more than doubled from 1962 to 1963. In both countries the banks were able to scale up their foreign holdings very appreciably. In France, on the other hand, the net contribution of foreign currency in this field declined somewhat in comparison with the 1962 figure, though it remained appreciable. Transactions with abroad exerted heavy pressure on bank liquidity in Belgium and above all in Italy. In Belgium the net external situation of the banking system as a whole deteriorated as a result of heavy loans in foreign currencies contracted by the banks abroad. But the pressure of foreign currency transactions was much greater in Italy, where the heavy deficit on the balance of payments led, among other things, to an increase in the short-term foreign indebtedness of the banks.

Except in France, appreciable changes also occurred in the effects of Treasury transactions on the cash position of the banks. In Federal Germany the transactions of the public authorities and the surplus on external trade favoured the growth of bank liquidity; in the Netherlands, Government transactions also led to the creation of liquidity. In Italy and in Belgium, on the other hand, the considerable increase in the budget deficit brought even more funds to the banks than in 1962. In Italy, the Treasury was heavily in debt to the Central Bank owing partly to a shift in the Italian Treasury's issue policy (non-renewal of nine-year bills in January 1963, slowdown in placing of ordinary Treasury bonds with the banks). In France the deterioration of the actual budget deficit led to a substantial contribution of liquidities to the banks from March to September only. In the last quarter, on the other hand, tax payments and subscriptions to the public loan launched in September enabled the Treasury to repay the sums borrowed from the Banque de France during the summer, with something to spare; Treasury surpluses then worked in the same direction as restrictive monetary measures, reducing bank liquidity sharply.

In the six countries as a whole, the pressure exerted on bank liquidity by the demand for bank notes remained much the same, except in Belgium. It even

eased slightly in France, Italy and the Netherlands, where the circulation of bank notes increased a little less sharply than in 1962. Pressure was rather heavier in Federal Germany, though not sufficiently so to offset the distinct loss of pace of 1962, and in Luxembourg. In Belgium, on the other hand, the public's growing inclination to hold cash was reflected in an appreciable increase in the demand for bank notes, which had already begun in 1962; this development cost the banks almost Bfrs. 3 000 million in 1963.

Trends on the capital markets and long-term interest rate policy

133. The sharpening of inflationary pressures in several Community countries and the individual difficulties in certain of them were among the factors which often caused divergent trends to appear on the capital markets.

For example, the fixed-interest-bearing security markets developed in differing directions in the various countries. Broadly, the volume of issues swelled sharply in the Netherlands and even more in Federal Germany and in France, whereas it tended to remain unchanged or sometimes even to decline in the three other countries. In addition, rates continued relatively stable in Germany and in France, whilst they generally increased in the other countries, though for differing reasons.

In Federal Germany there was a rise in the net placings of bonds by roughly 25 % (DM 12 200 million in 1963 as against DM 9 600 million in 1962) coupled with a decline in the issue of shares, heavier calls by the public authorities on the market and extensive foreign purchases of German bonds (estimated at DM 2 000 million in 1963). This considerable inflow of long-term foreign capital is becoming a major headache for the German monetary authorities.

In France, interest rates on bonds remained relatively stable in 1963, whereas issues increased by almost 50 % (or FF 4 000 million) over the figure for 1962. Most of this increase occurred in the public sector: the Government, which had refrained from long-term borrowing since 1958, floated one 15- and one 20-year loan in 1963 for a total of FF 3 000 million at a nominal rate of 4.25 % (4.75 % for the last ten years of the second loan), with total or partial exemption from personal income tax. Subscribers apparently considered that this relief offset the difference in the rate of interest offered as compared with the usual market rates (5.6 % to 5.7 %). However, the general level of long-term rates is considered too high, and the financial authorities continued in

1963 their efforts to widen the gap between long-term and short-term rates, and thus to channel towards the capital market part of the funds committed as short-term lending. In April interest rates were accordingly cut once again by 1/4 % for all classes of Treasury bond offered to the public. Corresponding reductions were applied to the public's short-term deposits with the banks. In addition, a decree in September authorized the establishment of open-end investment companies which — like investment trusts in other countries — would help to channel small savings on to the capital market.

In the Netherlands, the public sector accounted for the lion's share of the increase in bond issues, while the net issues of the private sector were negligible. The monetary authorities took steps to ease the pressure of the demand for capital on the bond market. For example, the Central Bank ceased authorizing foreign issues on the Dutch capital market in May 1963. The Government also decided in October to limit the volume of loans issued by local authorities for the twelve months from November 1963 onwards to 91 % of their issues in the preceding twelve months.

Unlike these three countries, which experienced a heavy increase in the issue of long-term loans (most of the funds raised went to the public authorities), there was in Belgium and Italy during the same period a decline in the issue of bonds and a sharp rise in interest rates, contrasting, in the case of Belgium, with the decline in 1962.

In Belgium it was mainly loans in the private sector which declined, while total issues in the public sector were again very high, though somewhat lower than in 1962 (about Bfrs. 28 000 million as against Bfrs. 36 000 million). After the reform of the capital yield tax, the effective yield on public sector securities at first declined (4.64 % in March 1963 as against 5.08 % in December 1962); but the disparity between rates in Belgium and in other countries, and particularly the effects of tax reform, led public authorities issuing loans to raise rates: the Government, in particular, gradually pushed up the nominal rates on its long-term issues (5 % to 5.25 % in March, 5.5 % to 5.75 % in June, 6 % in October, 6.25 % to 6.5 % in February 1964). As the Treasury's calls on the capital market did not suffice to cover its needs, it was obliged to borrow at short term abroad, both direct and through the banks. On the domestic capital market, the Government loan at 5 or 10 years issued in February 1964 (Bfrs. 12 000 million) reflects the 1963 rise in rates, since its average yield at issue was 6.44%, comparing with 5.09% for the Government loan issued in March 1963.

In Italy a decline in issues of fixed-interest-bearing securities on the capital market was from March onwards accompanied by a sharper increase in long-term interest rates. In the course of the year, the net yield on paper issued by the Government rose from 4.88 % to 5.62 %. Although the increase was a little less pronounced for private bonds (6.42 % at the end of the year as against 5.95 % at the beginning), it totalled nearly 1/2 % over the year. Developments in interest rates and the decline in the volume of issues indicate that the measures taken at the end of 1962 to shift towards the capital market and to bring down interest rates failed to offset the influence of certain psychological factors linked both with the political climate and with inflationary pressures. The decline in stock exchange prices in 1963 confirms that psychological factors in Italy lay behind the growing reluctance of savers to invest their money on the domestic capital market. The flight of capital abroad — betrayed by the large-scale repatriation of illegally exported bank notes—is one of the most unmistakable pointers to this trend. Measures were, however, taken in February 1964 to curb exports of capital and so free more funds for the financing of productive investments.

Monetary policy in the member countries in 1963

134. Except in Federal Germany, where the slowdown in the rate at which demand was growing, coupled with relative price stability, induced the Bundesbank to pursue a more or less neutral monetary policy in 1963, inflationary pressures forced the monetary authorities of the member countries to put in hand or to strengthen restrictive policies broadly designed to curb the expansion of liquidity, to curtail internal demand indirectly by pressure on the volume and, where appropriate, on the cost of credit. However, it was mainly from the autumn onwards that credit restriction measures were adopted; their scale varied very widely according to country.

In France, the restrictive policy launched in February 1963 with the raising of the special system of minimum reserves, or "coefficient de trésorerie", and the limitation to 12 % a year of the increase in bank credit was reinforced from September onwards, as part of the stabilization plan, by a further reduction — to 10 % — of the latter rate, by the raising of Bank rate from 3 1/2 to 4 % and by various measures planned to stem the influx of short-term foreign capital. Over the whole of 1963, bank credit increased by 12 %, compared with 20 % in 1962.

In the Netherlands, developments in the economic situation and the imminent rise in wages forced the monetary authorities to resume a restrictive policy from the autumn onwards: in October the Central Bank brought back into force its system of quantitative restriction on the granting of bank credit suspended early in 1963, and supplemented it with an arrangement to supervise the distribution of medium-term credit. It also raised Bank rate to 4 % in January 1964, having lowered it to 3½ % a year previously.

In Belgium, where the expansion of bank credit had been spurred on by a reform of the cover ratios, or "coefficient de couverture" in January 1962 and their withdrawal in January 1963, and where the banks had stepped up their short-term borrowing abroad—partly in order to cope with the growing volume of public paper being offered by the Treasury—the monetary authorities switched from the cheap money policy they had introduced in 1961. Confined at first to the raising of Bank rate—to 4 % in July 1963—the new policy raised Central Bank rates selectively and then led in February 1964 to the conclusion of a "gentleman's agreement" with the banks so as to keep the year's increase in advances to commerce and industry—which had jumped by 20 % in 1963 — down to 10 %.

In Italy, the policy pursued by the monetary authorities became restrictive only in the second half of the year. Until then, and particularly in the first quarter, the Banca d'Italia had striven to prevent the pressure exerted on the banks' cash resources by a growing balance-of-payments deficit and by the working of the obligatory reserves arrangements—adjusted in 1962—from hampering the banks unduly in making advances to manufacturers.

From the autumn onwards the Central Bank responded to developments in the economic situation by gradually scaling down its direct aid to the banks, and called on them to reduce their indebtedness to abroad. This operation and the announcement of a selective credit policy were the main monetary measures taken in Italy during the reporting period.

Although it could be argued that they frequently fell short of what was required by the needs arising from economic developments in the Community, the restrictive measures taken in most member countries were in line with the policy recommended by the Commission, by the Monetary Committee and by the Short-term Economic Policy Committee; they all pointed in one direction, and it is not too much to claim that they are the beginnings of a co-ordinated monetary policy; the means of implementing this policy were strengthened early in 1964.

Strengthening monetary co-operation within the Community

135. The emergence or the worsening of inflationary trends in several Community countries, and the danger of these trends spreading, threw into sharp relief, particularly in 1963, the importance of real co-ordination of the monetary and financial policies of the six countries. But such co-ordination is not only vital as a response to economic requirements. As economic unification advances, economic frontiers are gradually disappearing and the economic and monetary situation of each member country is being more and more influenced by that of the other Community countries and by the measures they take in the economic, monetary and financial spheres, with the result that co-ordination is becoming essential.

Accordingly, as promised in the Action Programme, the Commission addressed to the Council in June 1963 recommendations designed to strengthen the monetary and financial co-operation already practised within the Community in the regular meetings of the Ministers of Finance, of the Monetary Committee and of the Short-term Economic Policy Committee. The recommendations have a twofold aim: to create serviceable institutions for monetary co-operation, and to lay down procedures for consultation prior to any important monetary decision.

For this purpose the Commission recommends, first, the establishment of a Committee of Governors of EEC Central Banks, which would observe monetary developments in the Community. The members of the Committee would consult one another before any major change in the Central Banks' policies on credit, money market operations and the foreign exchange markets. Secondly, the Commission recommends that the EEC Council set up a Budget Policy Committee composed of senior officials from the Ministries of Finance of the six countries and of representatives from the Commission. Its task would be to examine and compare the main lines of budget policy in Member States, and in particular the impact of budgetary decisions on internal liquidity and on the monetary situation in general.

In the field of external monetary relations, the Commission recommends firstly that Member States should consult one another before any change in exchange rates. It then recommends that consultations should take place within the Monetary Committee before important decisions are taken in international monetary relations, whether they concern the general working of the international monetary system, the recourse of a Member State to funds available under interna-

tional agreements, for example, in the International Monetary Fund, or the participation of one or more Member States in large-scale support operations on behalf of non-member countries.

The European Parliament rendered a favourable opinion on all these recommendations at its session of 20-24 January 1964, and at a meeting of 29-30 January 1964 the Economic and Social Committee also gave its approval. The Council is expected to reach decisions on them in the first half of 1964 ⁽¹⁾.

MEDIUM-TERM ECONOMIC POLICY

136. In its Action Programme for the Second Stage, the Commission had expressed the opinion that the Community needed to have a picture of its future development in terms of a period of several years. As the Commission pointed out, "this would by no means imply an arbitrary plan, imposed on particular firms, and interfering with the freedom of the market, but would constitute a framework for the action of Governments and the Community's institutions". The Commission deemed such a programme necessary for Governments and the Community when taking decisions the effect of which will be felt only after a certain time, for example measures designed to develop economic and social infrastructure. It was also necessary so that the common policies on agriculture, transport and energy which the Community was put in hand could be fitted into an overall Community development plan. The Commission added that a rational framework for Community decisions and governmental action would not mean an increase, but probably a reduction in the number and scope of such measures.

Before transmitting to the Council the proposals it had undertaken to prepare, the Commission obtained various opinions on the suggestions it had made in the Action Programme. After the Parliament rendered a very favourable opinion ⁽¹⁾, the Economic and Social Committee issued a general opinion on 29 May 1963 declaring that "the economic policy of the Community should

⁽¹⁾ These decisions were, in fact, adopted at the Council session of 13-15 April. In addition, the representatives of the Member States adopted a declaration whereby the Member States pledge themselves to consult one another before any change in official exchange rates. The Commission will be associated with this arrangement, details of which are to be settled after the Monetary Committee has rendered an opinion.

⁽²⁾ See Sixth General Report, sec. 4.

promote maximum expansion, stability, and the evening out of business fluctuations and national regional disequilibria. For this purpose economic policy should be based on a forecast and should be directed towards long-term objectives worked out after consultation of business and other circles in the Community”.

The Committee felt that “these long-term forecasts and objectives could serve as a guide for the economic measures to be taken by the public authorities and the decisions made in the private sector”.

137. On 25 July 1963 the Commission laid before the Council a recommendation on a medium-term economic policy for the Community.

After recalling that in the Treaty of Rome Member States had agreed to align their economic policies so as to promote the harmonious development of economic activities in the Community as a whole, the Commission stressed the vital role of the market as the most effective instrument for allocating resources. At the same time, it pointed out that the action of the public authorities had a profound impact on the economic life of all member countries. This situation raised the question of how far this action was in fact rational — its medium-term implications being often obscure. The growing interdependence of the economies within the Common Market means that the problem of rationalizing economic policy is no longer confined to the individual countries but arises at European level also.

The Commission therefore considers that the Community must work out a general framework for medium-term economic policy which would lead to the co-ordination not so much of the activities of economic transactors as of economic policy itself.

For this purpose, a procedure in two stages should be followed:

a) Economic forecasts: as there should be discussions, based on the fullest information available, to decide common lines of development, medium-term economic projections for the Community, covering say five years, would be necessary;

b) Next, the results obtained from these quantitative studies would be used to define a programme of medium-term economic policy by which the decisions of Governments and of European institutions with special importance for medium-term economic development would be co-ordinated in the light of the

objectives of the Treaty, thus enabling a rational and effective set of measures to be taken in the fields where there are to be common policies.

In order to ensure the objectivity of these quantitative projections, the Commission has proposed that it should call in independent experts from each of the member countries to study the economic prospects of the Community. To make sure that those responsible for shaping policy are given some quantitative indication of the probable effects of their decisions, the experts should not confine themselves to a single projection but should consider the variants entailed by different economic hypotheses. The necessary flexibility would be ensured through the establishment each year of projections for the five following years.

It is proposed in the recommendation that the Council set up a Medium-term Economic Policy Committee. Composed of senior officials, the Committee would use all available information and particularly the forecasts made by the experts to work out a Community programme covering a period of five years from 1 January 1966 onwards and setting out the main lines of the economic policy which the Member States and the European institutions intended to follow during the period in question, thus ensuring its co-ordination. This programme would determine the action to be taken in connection with general financial matters, extension of the infrastructure, education and vocational training, scientific and technical research, and regional policy, thus providing a single framework for the policies pursued in the various sectors where state action is decisive.

The Commission stressed that the major industrial, professional and commercial circles in the Community should be associated with the working out of the medium-term policy; though not ruling out direct contacts between the Commission and their representatives, it proposed that this work should be carried out mainly through the Economic and Social Committee. In addition, the Parliament should be not only consulted when the programme was adopted, but kept informed of the progress of the work so that it could make its views known at the drafting stage.

The Commission's recommendation on medium-term economic policy also suggests that it would be wise to compare and contrast at European level the efforts made in each country to spur on the development of scientific research and technical knowledge. Pending the establishment of the organization proposed, the Commission's staff has been examining how the combined efforts of the

member countries could enable the effectiveness of measures taken at national level to be strengthened ⁽¹⁾.

138. Before taking a decision, the Council requested opinions from the European Parliament and the Economic and Social Committee.

On 21 January 1964 the Parliament, approving its Economic and Financial Committee's report, presented by M. Dichgans, adopted unanimously a resolution in which it: "Welcomes the EEC Commission's intention to provide the scientific basis necessary for a medium-term economic policy in the Community by entrusting to independent experts the task of preparing forecasts [...] Supports the EEC Commission's plan to work out, with the assistance of a committee of senior officials from the Member States, objectives for an economic policy, to propose the measures by which they should be attained and, after consulting the European Parliament, to submit them to the Council of Ministers and the Member States".

139. At a meeting on 29 January the Economic and Social Committee adopted unanimously an opinion confirming the one it had adopted on 29 May 1963 and supporting the Commission's proposals. The opinion states, in particular, that the Committee "shares the Commission's belief that short-term economic policy measures must be made part of a policy covering a longer period [...] It believes that the common medium-term programme proposed by the Commission provides a framework into which the measures taken by Governments and the Community institutions can fit, but that it must on no account constitute an authoritarian plan encroaching on the freedom of the economy".

The Committee wished to be informed of the progress made, so that it could express its views while the proposals were still in the drafting stage, and it requested the Commission to co-operate in setting up an advisory panel of experts representing the various industrial, commercial and professional groups, which would thus be more closely associated with the preparatory work.

⁽¹⁾ At its session of 13-15 April 1964 the Council adopted a decision setting up the Medium-term Economic Policy Committee with terms of reference based on the Commission's proposals. The Council also invited the new Committee to make appropriate proposals for consulting the representatives of industrial, commercial and professional circles in the Community.

140. Pending the Council's decision on the recommendation, the Commission continued the forecasting work it had already tackled with the aid of certain experts. The Working Party for problems of structure and long-term economic development, which in June 1962 had published a report on the outlook for economic development in EEC from 1960 to 1970, remained in being. In 1963 its work mainly concerned the methods to be used in studying the possible implications of a hypothesis concerning growth rates put forward in the Working Party's first report; the purpose of the study would be to show how the level of activity in the various branches of industry might develop if the gross product of the Community expanded at the rate indicated.

The main purpose of the work was to test internal consistency and to acquire fuller understanding of development trends in sectors in which state action has a preponderating influence. Hypotheses covering, on the one hand, a breakdown of final demand by major category of consumer (households, consumption and investment of public authorities, gross investment of enterprises) and supplementary hypotheses on Community trade with the rest of the world made it possible to work out for 1970 a balance between supply and demand in the Community. This exercise has made it possible to try out the methods chosen by the Working Party and to obtain valuable information for the Commission's future work in this field.

REGIONAL POLICY

141. The economic interdependence of the Member States is growing with the progressive introduction of the customs union: to be fully effective, regional policies can no longer be pursued in a national framework alone, but must be adapted to the introduction of an enlarged market. It is true that the role of the Community in regional policy is only subsidiary, both in terms of finance and of organization; but this does not mean that the impact of the progressive introduction of the common market can be ignored, nor that it is any the less necessary that the Member State and the regional authorities should adopt, in association with the Community institutions, all measures necessary to ensure balanced development in the regions of the Community.

The Action Programme for the Second Stage, guided to a great extent on this topic by the lessons learned at the 1961 European Conference on Regional Economies, announced the measures the Commission intended to take to prevent

progress on the co-ordination of policies in this field lagging behind the liberalization of trade.

The first step was to settle, as requested by the European Parliament, the Community's overall approach to regional policy. For this purpose the member countries' regional policies had to be compared, the results obtained had to be analysed, and it had to be decided how far experience acquired in one country could be useful in other countries. In this way a general body of thought on regional operations in EEC will gradually emerge in such a way that the policies pursued will not run counter to but offer support to one another. The action of the regional authorities, of the Governments and, to the extent that they have responsibilities in this field, of the European institutions can be so combined as to avoid encouraging the concentration of activities in certain areas and to ensure that the introduction of the common market will promote a balanced distribution of economic activities throughout the Community.

This overall approach is particularly necessary for the European Communities' own action: regional policy cannot be confined to certain specific operations, for all economic and social policy decisions have repercussions on regional policy. When, for example, the Commission proposes, as part of the common policy, to take measures in the fields of agriculture or transport, it should be fully aware of the effects these measures will have on the various regions. The overall approach is also needed to provide criteria for Community organs such as the European Investment Bank and the Social Fund, which dispose of funds that can be used to resolve certain regional problems in the Community. In order to work out this overall approach the Commission decided, in agreement with the national authorities, to set up three working parties of highly qualified individuals playing a major role in making and implementing regional policy in the various member countries.

142. These working parties held their first meeting on 14 January 1963 and it is expected that their reports will be ready about the middle of 1964.

The first working party, charged with a study of the methods which might be used to speed up the development of the less-developed regions of the Community, devoted the first stage of its work to an analysis of existing regional policies, and so to defining the main problems that would face the Community in this field. It became clear that, although the diversity of regional situations justifies the use of methods adapted to each region, it is also necessary, in an

economic area on the road to unification, to have a complete picture of the principles underlying regional policy and of the methods used in applying it.

The working party's analysis covered first of all the concept of "region"; it then noted the existence of regional disequilibria harmful to the economies of the countries concerned; it studied the orientation to be given to the major sectors of economic activity—agriculture, industry and services—in the context of regional development, and considered the role played by infrastructures. Lastly, regional policy methods were studied, the necessary distinctions being made according to the nature and the gravity of the problems faced. Political and administrative structures were also discussed. The role of vocational training was analysed, both from the economic angle and from the social angle: in this way it will be possible to mobilize any productivity reserves still available in the less-developed regions and thus to promote general economic growth.

The second working party is studying long-established industrialized areas which have run into adaptation difficulties because of the ageing of industrial structures and of the social framework. The main question is why the growth of new activities has failed to offset the decline of certain old-established activities in these areas. The working party attempted, in the light of these adaptation difficulties, to pinpoint precisely the nature of the problems, to assess their scale and to discover why they have arisen.

The policies pursued in the Member States and in certain non-member countries (the United States and Great Britain) to remedy these difficulties by conversion operations have been compared and contrasted from the angle of methods used and results obtained.

This work, carried out in association with that of the ECSC High Authority, will enable the working party to make certain suggestions that can clear the ground for the decisions to be taken in this field, notably with respect to the development of new activities, the problem of infrastructures and of the equipment necessary for reviving the economies of the areas concerned and the reorganization of urban structures.

The third working party had the task of assessing the effectiveness of the various forms of preferential treatment intended to promote regional development. It made a comparison of these various forms of preferential treatment so as to assess their effectiveness and to study them in the Community context. The aim is to find out how, within the limits set by Article 92 of the Treaty, the best results can be obtained.

This working party studied not only direct subsidies to enterprises, but also other advantages which, from the point of view of regional development, are of crucial importance, such as the establishment of adequate infrastructures. The comparison of experiences gained with aids to enterprises and the establishment of infrastructures will make it possible to draw conclusions which take account of the diversity of regional problems and of administrative structures. Having due regard to the objectives of the Community, the working party will also formulate certain suggestions on the adaptation of these aids to the various methods of regional development studied by the first working party. The working party on aids took the view that this analysis should be supplemented by a study of the administrative arrangements in the various countries, to see how far they are adapted to the objectives of a regional development policy.

143. The Commission hopes that the reports from these working parties will offer an initial response to the recommendations made by the European Parliament in its resolution of 22 January 1964 on the report which M. Birkelbach presented on behalf of the Economic and Financial Committee.

With the reports from these three working parties to guide it, the Commission will be able to propose to the Member States a common basis for their action which will ensure that, in the words of the Parliament, there shall be that "co-operation of all institutions responsible for regional development without which a common regional policy in the Community is doomed to failure".

When the medium-term policy programme proposed by the Commission ⁽¹⁾ is being prepared there should be a check to ensure that the measures contemplated by the Member States and the Community institutions are compatible among themselves and capable of leading to a well-balanced development within the Community.

Studies of the probable development of supply and demand for manpower in each region would be particularly useful. They would yield information on the number and location of jobs that would have to be created if an abnormal development of migration is to be avoided; the wave of migration threatens to aggravate urban concentration at points where it is already excessive and also—through the departure of the younger and more active workers—of hampering the development of those areas that are at present in the least favoured position.

(1) See secs. 136 *et seq.*

In addition, the Commission pointed out in its Action Programme that it intended to use its limited funds on a number of studies which would at the same time be experiments designed to throw light on certain fundamental questions.

Activity of the Action and Liaison Committee for the sulphur industry in Italy

144. This Committee, set up in September 1962 ⁽¹⁾ to investigate ways and means of reorganizing the Italian sulphur industry, held its first meeting on 26 November 1962. At its ninth full meeting, held on 15 November 1963, it revised and finally approved the text of its report to the Council and the Commission.

On 3 December 1963, the Chairman of the Committee presented the report to the Presidents of the Council and of the Commission, and despatched a further copy to the President of the European Investment Bank.

The Council, the Commission and the Italian Government are now studying this report. Pending the results of this examination the Commission, having extended the safeguard measures granted under Article 226 ⁽²⁾, is preparing the decisions which, pursuant to the Committee's report, will enable the Italian sulphur industry to be gradually incorporated in the common market.

Study on the promotion of a focal point for industry in southern Italy

145. The Commission has put in hand a study of the promotion of a focal point for industry in an underdeveloped area of EEC. The study will show how much would have to be invested in order to establish such a focal point in a fairly small area whose material and human resources are such as to allow of considerable industrial development.

The plan is to set up an industrial complex based mainly on the production and processing of steel in the area between Taranto and Bari.

⁽¹⁾ See Sixth General Report, sec. 106.

⁽²⁾ See Chap. 1, sec. 31.

The first part of the study, the socio-economic analysis of the area, is ready, and the organization concerned has now tackled the second part, which is a study of the industries which are to form the core round which an industrial area will develop.

Study on development of the Eifel-Hunsrück area

146. The Commission has decided to take part with the Land Rhineland-Palatinate and the Federal Government in a study on the development of the Eifel-Hunsrück area. This study will serve to show what facilities the Community offers for helping its less-developed areas to participate in the progress achieved in neighbouring areas.

Co-operation between northern Lorraine and the south of Belgian Luxembourg

147. The results of the study carried out on problems common to the south of Belgian Luxembourg and the north of French Lorraine were submitted on 24 April 1962 to a "round table" of representatives from government departments and from industrial, agricultural and trade union organizations. Those taking part approved unanimously the Commission's views on economic factors that are or could usefully be linked up in the two frontier areas, and the Commission then addressed to the Kingdom of Belgium and to the French Republic a recommendation ⁽¹⁾ concerning ways and means of exploiting the complementary factors in the two areas to their mutual advantage. The recommendation covered the problem of water supply and of measures to assist new industries moving into the area; it also suggested adjustments in customs arrangements and the fullest possible co-ordination of forecasting and economic planning, of vocational training, improving the infrastructure and availability of transport the study of new residential and industrial areas, etc.

A start has already been made with the execution of these ideas. The parties concerned with the water problem have met for a thorough investigation; however, the development of the economic situation has led the iron and steel industry in the Meurthe et Moselle department to reconsider its estimates of water needs, and it has become clear that further studies are necessary.

⁽¹⁾ See official gazette of the European Communities, No. 97, 27 June 1963.

This fact in no way detracts from the importance of taking advantage of other possibilities of bringing together the other complementary factors in the two areas. The Commission hopes that the negotiations between the Governments concerned will be opened very soon, and is ready to help in the work.

THE COMMON ENERGY POLICY

148. The Commission has continued its efforts in co-operation with the other European Executives to bring to fruition the proposal for a common energy policy and for the progressive establishment of the common market in petroleum, gas and electricity, in accordance with the Treaty of Rome. The Action Programme for the Second Stage lists the objectives, to be attained, but it is no secret that these are far from having been achieved.

The development of the fuel and power market

149. In 1963 the consumption of fuel and power in the Community reached 556 million metric tons of hard coal equivalent, 42 million tons, or 8% more than in 1962. The increase from 1961 to 1962 was only 23 million metric tons, or 4.7%. Heavy fuel consumption in 1963 was due in part to very favourable economic situation, in part to the particularly severe weather at the beginning of the year. This being so, some loss of momentum in the expansion of fuel and power consumption is now to be expected. Initial forecasts for 1964 suggest that the increase may be no more than 2%.

In 1963 the consumption of coal increased only 2%, but for petroleum products the rise was more than 16%. The share of coal in the total consumption of fuel and power, at 46% in 1963 as against 48% in 1962, continues therefore to decline, while the share of petroleum products increased from 34% to 37%.

150. Coal prices in 1963 increased slightly, contrasting with the relative stability or even in certain cases an actual decline in the prices of petroleum products.

In the major producing areas there were again heavy surpluses of petroleum products on the market, and these tended to depress prices. The situation however varied according to products: for petrol there was a slight decline in prices in the Caribbean and in the Persian Gulf; business and weather con-

ditions caused a slight increase in the prices of middle distillates, while the prices of heavy fuel oil remained to all intents and purposes stable. However, consumer prices in the Community are mainly a function of the taxes imposed under the fuel and power policies of the individual States. The prices of heavy fuel oil, coal's main competitor, were between \$20 and \$21 in Germany and in France, \$17 and \$18 in the Netherlands and \$16 and \$17 in Belgium and Italy, taxes included in each case. These price levels are less disparate than a few years ago, mainly because prices have come down in France; they conceal, however, continuing wide disparities in before-tax prices, which vary from \$18-\$19 in France to \$13-\$14 in Germany and the Netherlands and \$11-\$12 in Belgium and Italy.

General lines of the common energy policy

151. In 1963 the Community institutions examined the proposals for a common energy policy established in co-operation with the other European Executives and embodied in the "Memorandum on the energy policy". They were submitted to Governments on 25 June 1962. It will be recalled that subsequently the Executives had published a "Study of the long-term energy prospects of the Community" (these two documents are discussed in the Sixth General Report, sections 113 to 118).

152. On 30 May 1963 the Economic and Social Committee, consulted by the Commission, adopted by a large majority an opinion on the energy Memorandum in which it endorsed the views expressed by the Executives, stressing, however, the need to carry out a regular review of the situation so that the general lines of the energy policy could if necessary be adjusted and brought into line with changed conditions.

153. On 17 October 1963 the European Parliament held an important debate on the energy policy, based on a report presented by Senator Leemans, rapporteur of the Energy Committee. The resolution subsequently adopted approved the main lines of the approach proposed in the Memorandum but, supporting the opinion of the Economic and Social Committee, expressed the view that greater flexibility would be needed in the application of the measures proposed to take account of any future changes in the fuel and power situation.

It went on to stress the urgent need, emphasized by the Parliament on several previous occasions, for the establishment of a common energy policy, and noted

that the responsible Ministers of the Member States had instructed the Executives to submit proposals on this subject on 5 April 1962. It thanked the Executives for the work which had made possible the proposals embodied in the Memorandum which took account of the Parliament's resolution of 20 February 1962. It regretted that the Councils had not shown enough political strength of purpose to take a decision on the proposals in the Memorandum, and expressed the fear that a decision might be put off indefinitely, a development which would constitute a grave threat to the progress of the Common Market. Considering that such a situation is not compatible with the responsibility of the Executives, the Parliament called on the latter to abandon the task entrusted to them by the Ministers if by 5 April 1964 the Councils had not taken a concrete decision on their proposals.

154. The ECSC Special Council of Ministers, which is responsible for questions of energy policy, decided on 21 March 1963, after two general discussions in October 1962 and January 1963 ⁽¹⁾, to set up two working parties:

- a) A panel of technical experts to carry out a critical examination of the study of long-term energy prospects and to go more deeply into those questions which would decide the choices to be made when laying down a common policy;
- b) A special committee on energy policy to work out the principles to govern a common policy, the means of action to be used and priorities to be laid down.

155. On 22 November the Special Committee submitted to the Council a draft resolution which includes a number of the objectives set out in the energy Memorandum and suggests that the Council should authorize the Member States to grant aids to encourage rationalization measures in the coalmines and lay down a Community procedure for the control of such aids.

With regard to petroleum, after a declaration of intention expressing the will of the Governments to pursue, in the framework of the Treaty of Rome, a common policy ensuring a broadly based supply at the lowest and most stable prices possible under arrangements that can be adapted to changing circum-

(1) See Sixth General Report, secs. 113 *et seq.*

stances, the Special Committee proposed that a common stock-building policy should be worked out, any discrimination between the Member States progressively eliminated from national regulations and taxes on these products harmonized.

For nuclear power, the Governments should undertake to promote and expand research, experiment and aid to industrial development.

Lastly, a permanent consultation procedure should be introduced to ensure the co-ordination of national measures affecting one or other of the forms of energy.

The three Executives raised serious objections to this draft, for, though they acknowledged the progress made in the establishment of objectives, they regretted that neither the means to be adopted jointly to achieve them nor any exact time-table for progressive implementation had been more clearly stipulated.

Submitted to the Council on 2 December, the draft was not adopted, and the Special Committee was asked to reconsider the problem and report back by 1 March 1964.

In the face of these repeated delays, the Parliament adopted at its session of 20-24 January 1964 a further resolution in which it noted once again the absence of agreement and the lack of political strength of purpose in the Councils and "formally denounces the danger arising from increasing efforts to solve current difficulties by recourse to measures which would make the introduction of a common policy still more difficult"; the Parliament again recommended that the Executives should take the action proposed in its earlier resolution.

A new démarche by the President of the High Authority led to the adoption by the three Executives in January of a draft protocol of agreement between the six Governments by which national measures of aid for coal would for a limited period be placed on a Community basis under the Treaty of Paris. This arrangement would facilitate the requisite rationalization measures, the protection of labour and the smooth working of the Common Market.

The Commission approved this draft protocol as a useful contribution to progress in this field. It noted, however, that while it deals in particular with the collieries, the protocol fails to settle the fundamental problem of a common energy policy.

In February and March the President of the High Authority, acting on behalf of the three Executives, held bilateral conversations with the six Governments prior to examination of the draft protocol by the ECSC Special Council of Ministers ⁽¹⁾.

The common petroleum market

156. Despite uncertainty as to the outcome of discussions for the establishment of a common energy policy, the Commission has continued its examination of petroleum problems.

The growth of the share of petroleum in the fuel and power supply of the Community will in all probability continue. In their report on the long-term outlook for energy, the Executives reached the conclusion, based on various assumptions concerning the output of coal and natural gas, that the consumption of petroleum products would probably reach from 215 to 230 million metric tons in 1970 compared with 86 million metric tons in 1960; at current average cif prices for imported petroleum, these tonnages will be worth about \$4 000 million. Since nearly 90% of the petroleum consumed must be imported from outside the vital question for the Community will be that of security of supply sources and steadiness of prices.

The Commission took the initiative in organizing an exchange of views between the Member States on these questions. A panel of experts was entrusted with a study of three fundamental points in petroleum policy emergency stocks, the various alternative sources of supply in cases of partial crises and the long-term diversification of the sources of the petroleum needed by the Community. The report on stock-building is now being examined by the Member States; the two other studies are in hand and will be continued in 1964.

(1) The ECSC Special Council of Ministers adopted on 21 April 1964 a protocol in which the Member States, having regard to the time which must still elapse before a common energy policy can be defined, agree to postpone until the merging of the Communities the basic choices to be made in connection with this policy; meanwhile, they pledge themselves to harmonize any measures they may need to adopt and, for this purpose, agree to hold regular consultations at Community level.

157. In addition to the fundamental question of Community petroleum supplies, the Commission has been pursuing, in collaboration with the Member States, its examination of specific questions concerning the application of Common Market rules to this product:

a) In addition to consultations, carried out pursuant to the Council decision of 3 November 1961 on commercial agreements, fact-finding conferences have been organized at regular intervals by the Commission to keep track of changes in the pattern of petroleum imports into the Community.

A report published by the Commission in September 1963 showed that petroleum from the countries of the Eastern bloc covered only 7.1% of the Community's petroleum needs in 1962; this was the same figure as in 1961, and initial estimates suggest that it was the same in 1963.

b) After consulting the Member States, the Commission addressed a recommendation to the Governments in April 1963 proposing that in view of conditions in the Community's refining industry the duties on petroleum products should be low; the question is being studied in the Council;

c) With regard to the freedom of movement of petroleum products within the Community, the Commission has recognized that Article 37 of the Treaty applies to the special arrangements for the import of petroleum into France; it addressed to the French Government two recommendations, one in 1962 ⁽¹⁾, the other in 1963, requesting that the French market be gradually opened to products imported from the other Member States. In the light of the Commission's recommendation, the French Government widened the import quota from 900 000 metric tons in 1961 to 1 400 000 metric tons in 1962 and 1 650 000 metric tons in 1963. A further recommendation will be addressed to the French Government shortly.

On the question of competition, the Commission reached the conclusion that the law concerning aids to the petroleum industry which the Federal Republic of Germany had submitted to the Commission was compatible with the Treaty subject to one point concerning regenerated oils. It also reserved the right to examine at a later date the procedures by which the law is implemented ⁽²⁾.

⁽¹⁾ See Sixth General Report, sec. 120.

⁽²⁾ See also sec. 74 above.

In accordance with a request from the Council and as part of the task of harmonizing legislation, the Commission has set up a working party to study technical safety standards in pipeline transport, with a view to their unification.

Arrangements for the exchange of information on investments have been in force since 1960. A second report was published by the Commission in September 1963 with the investment forecasts established by the Member States on output, refining and transport ⁽¹⁾. This collated picture, covering the period up till 1966, shows that the expected growth of capacity should enable domestic needs—estimated at that date at more than 180 million tons—to be covered and a heavy flow of exports to non-member countries to be maintained. The reporting experts emphasized that expansion as rapid as this would depend on the maintenance of a high rate of economic growth, and it was their view that particular attention must be given in the coming years to the way consumption was actually developing, so that these forecasts, made against the background of boom business conditions, could be reviewed if necessary.

The common market in other forms of energy

158. The discovery of a large deposit of natural gas in the Netherlands puts this country in the first rank of European gas producers. The Community can also import gas from North Africa, either in tankers specially equipped for the transport of liquified gas or by underwater pipeline. The Commission is making a detailed analysis of the possible impact of these new supplies on the Community fuel and power situation, particularly in those areas best placed to be supplied with natural gas. It has referred the problem to the responsible authorities of the Member States, who have agreed to examine its various aspects (output, transport and distribution) on the basis of the Commission's study and to prepare Community solutions.

The comparative study of the price of electricity published by the Commission in 1962 showed wide disparities between the levels of prices charged in the various Member States. This led the responsible governmental authorities and the electricity supply companies to carry out studies which might well lead to adjustments in the rates now charged. The result should be some alignment of the terms on which current is supplied to the various classes of user.

⁽¹⁾ See Sixth General Report, sec. 122.

The Commission has decided to investigate the exact range and the consequences of the cost of energy in economic activity. Independent economists will assess the impact of the price of energy on the competitiveness of consumer industries and will attempt to determine the incidence a variation in energy prices can have on economic expansion. This study should be completed in 1964.

STUDY OF INDUSTRIAL PROBLEMS

159. The preparation of sector studies, begun by the Commission in previous years to show the development prospects for the various sectors of industry, has been discontinued for lack of staff; priority has been given to other work, notably that made necessary by the Kennedy round. The Commission has not therefore been able to examine, as it intended, a number of industrial problems. However, it has worked for Community solutions in those sectors which appear to have run into difficulties. One aim is to limit the extent to which Member States resort to safeguard measures.

The Commission has now received the studies on the problems of small- and medium-sized enterprises which had been carried out at its request in the Member States. It will shortly compare the situation of these enterprises with that of similar enterprises in the United States, from the angle of adapting them to the needs of the large common market and the economic union now being established.

THE EUROPEAN INVESTMENT BANK

160. The Bank's lending and borrowing policy for 1963 is described in detail in its annual report.

The Bank continued to build up its activities during the period under review. Its Board of Directors approved 31 loans, compared with 14 in 1962, for a total of 104 600 000 units of account, as against 93 500 000 units of account in 1962. The loans granted in 1963 were contributions to schemes of which the total cost was estimated at 340 million units of account.

The increase in the number of loans in 1963 is explained by the expansion of operations to help medium-sized enterprises, mainly in the south of Italy. Two loans for the improvement of certain sections of the Italian railway system,

intended to promote trade between the south of Italy and the rest of the Common Market, may also be noted; another loan granted was for the extension of a thermal power station in West Berlin, and one was for the conversion of an enterprise in the St. Nazaire area.

For the first time the Bank lent funds in 1963 to a country associated with the European Economic Community. Five loans, totalling 23 million units of account, were made to Greece for infrastructure projects of which the overall cost is estimated at 54 700 000 units of account.

Between its foundation and the end of 1963 the Bank approved 67 loans, totalling 358 300 000 units of account; the investments to which the Bank has contributed amount to more than 1 500 million units of account.

The Bank, which has by now lent far more than its paid-up capital, maintained its policy of borrowing and raised loans for a total of 35 million units of account; loans were issued for the first time in France, Belgium and Federal Germany.

The Bank has been closely associated by the Commission with the latter's activities in the sphere of regional development; it is participating in the work of the study group engaged in working out an overall approach to regional policy in the framework of the Common Market, and it is associated with the Commission's research on the problems besetting certain Community areas.

Common agricultural policy

General aspects

161. The Council decisions of 23 December 1963 bore witness to the resolve of the Member States and Community institutions to go ahead with the establishment of the common agricultural policy, introducing further common organizations of markets and a system of Community financing.

These decisions, however, represent only a part of the action taken in the sphere of common agricultural policy. Such action during 1963-64 falls under three heads:

i) Extension and development of trade in agricultural products which are subject to Community regulations (cereals, pigmeat, eggs and poultry, fruit and vegetables, wine).

ii) Integration of new sectors in the common agricultural policy (rice, beef and veal, milk and milk products, bases of a common policy on vegetable fats and oils, to which must be added decisions on financing the common policy and on the Community's attitude in the Kennedy round.

iii) New proposals by the Commission (single-stage alignment of cereal prices, countervailing measures, Community plans for improving the living standards of the farming population, adoption of a common organization of the markets in sugar and vegetable fats and oils).

The Commission submitted to the Council various reports and a memorandum, which were also referred to the European Parliament. The Commission's report to the Council on the implementation of the regulations and lessons to be drawn therefrom sums up a year's work on setting up the common organizations of markets and is the basic document to which reference should be made for enlightenment or further information on the points which follow. The report on support measures provides an inventory requested by the Council. The memorandum surveys agricultural prices and price policy and sets out the economic repercussions which the Commission's proposals for a single-stage alignment of cereal prices may have on agriculture and on the economy of the Community countries. Furthermore, a detailed inventory has been made on the social and economic situation of farmers and farm-workers in the Member States.

Further progress has been made in harmonizing the legislation of the Member States on agriculture and food.

The new common organizations of markets are extremely important. According to 1961 figures, beef and dairy produce represent 32% of the value of agricultural production in France, 42% in Federal Germany, 31% in Belgium, 55% in Luxembourg, 33% in the Netherlands and 19% in Italy. These figures are higher than for any other branch of agricultural production. In absolute terms, the 1961 production in those sectors reached some \$7 400 million which was more than the value of production in the Community metal-working industries, including the construction of all types of vehicle (motor vehicles, aeroplanes, ships, etc.).

The technical problems of a common organization of the markets in milk will have very considerable financial repercussions because of the large-scale and

complex government intervention in the milk markets which takes place in most Community countries, not to speak of the high rate of subsidies.

With the regulation on rice, all types of cereal have now become subject to the common organization of markets.

The key problem, however, continues to be the single-stage alignment, as proposed by the Commission, of cereal prices (wheat, rye, maize and barley) from the 1964/65 marketing year onwards ⁽¹⁾.

The Parliament, as well as the trade circles concerned and the European public at large, are aware of the immensity of the task of implementing a common agricultural policy within the time-limits laid down by the Treaty; it is a task in which the various aspects, economic (rationalization, productivity, balance of markets, general price levels, etc.), social and human (standard of living and social benefits of the rural population, vocational training) are interrelated and will need a long-term, radical transformation of structures and legislation in connection with regional policy. While a general "doctrine" is being worked out and approved by all the Member States—a doctrine which cannot be defined on a theoretical or *a priori* basis—the Commission's first concern is to speed up the establishment of a Community framework for agricultural activities and to introduce free movement for agricultural products in the Community by fixing a common price level; here there is a considerable time lag by comparison with the results achieved for industrial products. The setting up of market organizations, the first elements of structural and social policies, and the definition of a common constructive attitude to the Kennedy round, all provide solid bases for further progress.

Market trends

162. Market trends for products subject to the common organizations have been marked by the following factors: the grain harvest in 1963 was one of the best since the war despite the severe winter of 1962/63; the total crop, including rice, was 56.7 million tons against 58.8 million tons in 1962 (the 1958-62 average was 53.5 million tons); the wheat harvest was below average, but the coarse grain crop was very large and the barley crop was 10% up on 1962.

⁽¹⁾ See sec. 182.

On the market for livestock products there was a cyclical scarcity of pigmeat; this situation was aggravated because the traditional exporting non-member countries were themselves not able to provide sufficient supplies to restore the market position. The strain is expected to ease in the autumn and winter of 1964.

The overall production of poultry continued to increase, especially table birds (chickens). This was the result of improved production methods, but also of the common organization of the market which placed the producers of all the member countries at least on an equal footing with their external competitors. Demand further increased, but at a slower pace.

A fall in the numbers of laying hens in certain major producing countries and the lower yields due to the cold weather of 1962/63 led to higher egg prices in early 1963; producers in all the countries reacted to this development by a heavy increase in the buying of one-day chicks. Consumption, however, did not follow the higher trend of production and this disturbed the balance of the market more and more from October 1963 onwards. One sign of this difficult situation was Germany's decision to apply the safeguard clause in February 1964 and suspend egg imports, but its decision was not confirmed by the Commission. The production of fruit and vegetables rose increasingly fast, but at different rates according to the product; while the increased output of apples, pears, peaches, dessert grapes, plums and carrots was particularly spectacular, there was only a very slight rise in the production of citrus fruits and certain other vegetables.

163. The trends of agricultural trade are shown in the following table. In order to interpret the figures, a distinction must first be made between the data on cereals and those on livestock products.

The influence of the common organizations of the market on trade in cereals has been negligible, apart from speculative purchases in the first half of 1962, and up to now there has been scarcely any sign of diversion of trade in the sense of imports from non-member countries being replaced by imports from Community countries. The volume of imports depends primarily on how much demand is left unsatisfied by harvests. It is common knowledge that in 1962 and again in 1963 the harvest was particularly good and consequently there was less call for imports.

TABLE 14

*Imports by EEC countries of some agricultural products
subject to regulations under the common agricultural policy*

Products	Year	Germany (FR)		France (1)	
		Jan./July	Aug./Dec.	Jan./July	Aug./Dec.
I. From non-member countries					
Wheat (tons)	1961	934 504	1 245 039	240 937	235 878
	1962	1 773 617	765 829	124 754	283 277
	1963	818 282	734 778	253 725	389 185
Barley (tons)	1961	364 161	260 924	157	26
	1962	1 451 392	172 665	81 064	47 762
	1963	274 527	181 308	1 370	49
Pigs for slaughter (units)	1961	267 951	253 586	35 920	4 217
	1962	190 154	100 154	336	10 380
	1963	63 013	68 201	588	22 212
Poultrymeat (tons)	1961	50 814	74 730	79	—
	1962	97 019	42 260	3	5
	1963	39 752	51 863	29	194
Shell eggs (tons)	1961	65 341	30 219	309	604
	1962	51 248	18 610	399	1 134
	1963	28 991	16 693	826	10
II. Intra-Community trade (imports)					
Wheat (tons)	1961	263 145	203 698	173	—
	1962	271 885	91 391	—	9
	1963	111 955	96 005	7 176	1 293
Barley (tons)	1961	151 879	195 236	—	—
	1962	258 053	131 879	162	285
	1963	269 605	134 514	287	—
Pigs for slaughter (units)	1961	89 853	63 578	47 153	14 426
	1962	55 899	41 541	—	31 229
	1963	29 079	12 211	1 904	151 390
Poultrymeat (tons)	1961	28 221	30 489	577	96
	1962	43 749	29 513	338	263
	1963	41 413	39 070	440	7
Shell eggs (tons)	1961	87 761	83 358	2 051	5 171
	1962	97 970	57 645	4 836	5 357
	1963	69 682	55 745	6 449	4 764

Source: Foreign trade bulletin of each member country.

(1) For France the periods January-June and July-December.

TABLE 14 (cont'd)

Products	Year	Italy		Netherlands	
		Jan./July	Aug./Dec.	Jan./July	Aug./Dec.
I. From non-member countries					
Wheat (tons)	1961	1 942 563	480 581	382 202	343 668
	1962	322 887	121 670	533 048	228 031
	1963	149 904	75 691	288 433	392 518
Barley (tons)	1961	181 455	76 905	87 864	56 752
	1962	90 691	267 886	200 603	61 214
	1963	398 568	165 437	127 342	46 206
Pigs for slaughter (units)	1961	4	32 199	494	—
	1962	76 889	17 745	—	—
	1963	59 920	11 208	40	1
Poultrymeat (tons)	1961	3 775	3 809	446	470
	1962	2 606	2 060	525	391
	1963	1 659	2 953	456	414
Shell eggs (tons)	1961	47 750	17 727	1	—
	1962	53 297	8 671	—	—
	1963	32 759	8 900	—	—
II. Intra-Community trade (imports)					
Wheat (tons)	1961	382	10 401	38 548	62 914
	1962	5 812	—	53 473	2 001
	1963	—	—	14 146	30 666
Barley (tons)	1961	114 374	203 251	67 287	56 798
	1962	64 076	13 158	49 623	4 214
	1963	85 437	97 454	31 813	8 729
Pigs for slaughter (units)	1961	—	28	3	285
	1962	—	49 359	2	—
	1963	48 642	404	—	5
Poultrymeat (tons)	1961	—	—	—	38
	1962	—	111	—	53
	1963	—	24	4	34
Shell eggs (tons)	1961	3 692	8 826	27	29
	1962	6 301	13 214	26	—
	1963	7 199	3 484	17	—

TABLE 14 (cont'd)

Products	Year	B.L.E.U.		EEC	
		Jan./July	Aug./Dec.	Jan./July	Aug./Dec.
I. From non-member countries					
Wheat (tons)	1961	261 687	248 570	3 761 893	2 554 736
	1962	245 063	148 566	2 999 369	1 547 373
	1963	183 202	248 519	1 693 546	1 840 691
Barley (tons)	1961	54 283	28 064	687 920	422 671
	1962	166 692	53 718	1 990 442	603 245
	1963	37 485	34 940	839 292	427 940
Pigs for slaughter (units)	1961	2	—	304 371	290 002
	1962	1	43	267 380	128 322
	1963	570	442	124 131	102 064
Poultrymeat (tons)	1961	10	30	55 124	79 039
	1962	13	68	100 166	44 784
	1963	24	105	41 920	55 529
Shell eggs (tons)	1961	175	12	113 576	48 562
	1962	53	25	104 997	28 440
	1963	—	—	62 576	25 603
II. Intra-Community trade (imports)					
Wheat (tons)	1961	—	242	302 248	277 255
	1962	—	20	331 170	93 421
	1963	29 352	69 778	162 629	197 747
Barley (tons)	1961	147 557	94 266	481 097	549 551
	1962	87 761	52 309	459 675	201 845
	1963	124 003	61 990	511 145	302 687
Pigs for slaughter (units)	1961	53	2	137 062	78 319
	1962	—	—	55 901	122 129
	1963	—	133	79 625	164 143
Poultrymeat (tons)	1961	66	43	28 864	30 666
	1962	55	56	44 142	29 996
	1963	47	57	41 904	39 192
Shell eggs (tons)	1961	160	100	93 691	97 484
	1962	141	115	109 274	76 331
	1963	3	—	83 350	63 993

In contrast, where livestock products are concerned there is a much greater long-term diversion of trade flows in favour of imports from member countries. The drop in egg imports is due primarily to the marked increase in production in the Federal Republic of Germany. The considerable increase in France's imports of pigs for slaughter from non-member and also from member countries (Netherlands and Belgium)—here the trend is particularly clear—was striking in the second half of 1963, and the same is true of Italy. Federal German imports, however, dropped appreciably in the same period.

Imports of poultrymeat from non-member countries decreased appreciably less than might have been expected in view of the difficulties with the United States in this sphere. In fact the other exporting non-member countries, foremost among them Denmark, largely managed to maintain their volume of deliveries to the Community and in the main only imports from America declined. Moreover, this decline was not matched by an increase in intra-Community trade; it was rather that an increase of production in the importing countries reduced the need for imports, while in Federal Germany consumption per capita was static for the first time in ten years.

164. Price trends were as follows: the market prices of wheat in France, Germany, Belgium and the Netherlands as a general rule remained between the limits of the target price and intervention price, but generally nearer the latter, while Italian prices more often than not exceeded the target price. In Luxembourg, on the contrary they were below the intervention price.

For barley the trend was similar; however prices temporarily rose above the target price in the Netherlands and Italy.

World market prices (cif Rotterdam) of cereals, especially durum and rye, tended to rise after a slight decline until July/August 1963, mainly in consequence of purchases of wheat by the East bloc and related increases in freight.

After a temporary seasonal drop in the spring of 1963, pigmeat market prices in all the member countries, except Luxembourg, rose extremely sharply to reach a peak at the turn of the year; the spring fall-off will probably be less marked in 1964 than is usual and no easing of prices can be expected before the autumn and winter of 1964 (1).

(1) For details of these price trends see sec. 106.

Poultry prices benefited in particular from the shortage of competing meats (pork and beef), so that despite increased Community production and a slower growth of demand, the price trend remained firm. It was necessary, however, to protect the market against extremely low offers from non-member countries by imposing additional levies (1).

The trend of egg prices in 1963, on the other hand, diverged slightly from the normal. On account of the prolonged severe winter of 1962/63, prices remained longer at a relatively high level and dropped to the seasonal minimum only in May 1963; in consequence, however, of the considerable expansion of production (additional purchases of one-day chicks in spring 1963), the normal upward trend of prices at the end of the summer came to a halt in September; prices weakened and fell sharply in January/February 1964 (1).

165. In fixing and enforcing minimum prices, the Member States acted according to the Council decision of 4 April 1962 (2).

Federal Germany replaced the bilateral systems of minimum prices established before the entry into force of the Treaty by minimum prices fixed in accordance with the decision for certain fruits and vegetables.

Belgium introduced minimum prices for imports of beef in place of the import taxes in force hitherto. The other Member States continued to introduce minimum prices for various products which are not yet covered by a common organization of markets.

166. In general it may be concluded from these observations that the development of production, market price trends, trade trends, and the situation of imports of products in which the markets are subject to a common organization, prove that the interpenetration of the agricultural markets is still only at an early stage. Any substantial progress in this sphere appears to hinge upon the fixing of a Community price for cereals.

COMMON ORGANIZATION OF MARKETS

167. Almost two years have passed since the entry into force on 30 July 1962 of the regulations on the markets in six agricultural products. The imple-

(1) See also sec. 106 and 172.

(2) See Sixth General Report, sec. 141.

mentation of these regulations, whether this was a matter of current management or of adjustment or of amplification, has called for a large number of supplementary enactments. In drafting these, especially as regards current management, it is important that the Commission should be supplied with the necessary information by the Member States.

The Management Committees have made a valuable contribution to the drafting of implementing measures; they have functioned satisfactorily and there has been close co-operation between them and the Commission. Under their rules of procedure, the Committees may refer disputes to the Council, and this has resulted in one case in the amendment of a regulation adopted by the Commission.

The safeguard clause has been applied on only three occasions in order to suspend imports: once by Germany and France for certain varieties of apples, a second time by Germany for eggs, and on a third occasion by Germany for maize. In the first two cases the Commission's decision either to limit the duration of the safeguard measures or to remove them was not amended by the Council. In the third case it was not necessary to refer to the Council.

Common organization of cereals markets

168. No serious disturbance was noted on the markets of the Member States during the period under review in consequence of the implementation of Regulation No. 19. For products subject to levies, the replacement of all other protection measures, in particular quotas, by this type of protection took place without harmful effects. The price stabilization machinery set up proved to be effective, while harvest again reached a record level in the Community, especially for barley.

Stabilization of cereal prices in the Community at the level deemed necessary was attained, as is shown by an analysis of price trends in 1962/63, independently of world prices, which are influenced by national export policies and bilateral agreements, as for example the purchases by the East bloc countries on the Canadian and American markets. The levy system has therefore worked satisfactorily.

In administering the system, difficulties have been experienced as regards refunds on processed products derived from cereals. The present procedures,

which in intra-Community trade limit the amount of refund to that of the variable component of the levy, in certain cases act as a brake on trade between Member States, mainly between those without a common frontier and at some distance from each other.

Council Regulation No. 115/63 ⁽¹⁾ is designed to remove such difficulties by basing the calculation of the refund on the difference between threshold prices; this should enable trade between Member States with high prices and those with low prices to be conducted under more satisfactory conditions.

The Commission will have to propose measures to supplement or amend certain provisions of Regulation No. 19 assuming that the common basic target prices for the various cereals have been fixed.

Such measures would provide for:

- i) The fixing of the quality standards determining target prices and intervention prices;
- ii) The fixing of premiums or discounts to be applied on intervention in order to allow for quality differences;
- iii) A uniform monthly graduation of prices;
- iv) A uniform method of fixing the threshold prices of cereals for which no target price has been fixed;
- v) Uniform procedures for determining intervention prices;
- vi) Special conditions for granting aids to growers of durum wheat.

Common organization of the pigmeat market

169. The institutions, and more especially the Commission, had the following tasks:

- a) To adjust each quarter the levies on imports from non-member countries according to the price trend of feed-grains, and also to adjust sluice-gate prices;

⁽¹⁾ See official gazette of the European Communities, No. 155, 28 October 1963.

b) To study the pigmeat market situation in the Community (production level, supplies, prices, trade);

c) To make the first reduction in the fixed component of intra-Community levies on 1 August 1963.

All this was duly effected. The reduction of the variable component in intra-Community levies (Art. 9 of Regulations Nos. 21 and 22), on the basis of the cereal price approximation, was decided by the Council on the Commission's proposal in accordance with Article 12 of Regulation No. 20, while the fixed component was reduced automatically. However, the basis for approximating prices on the one hand and the method of adjusting levies on imports from non-member countries quarterly on the other led to a distortion of competition between Member States and certain non-member countries. In order to remedy this situation the Commission proposed that Article 5 of Regulation No. 20 be simplified by the application of a flat rate. The proposal was submitted to the Council and has been approved by the Parliament.

The extension of Community regulations, from 2 September 1963, to cuts of pork, sausages and other pigmeat preserves has placed all pigmeat products under the levy system, abolishing all quantitative restrictions on trade ⁽¹⁾.

170. The situation on the pigmeat market has given cause for concern. A shortage of supplies following the severe winter of 1962/63 has caused a disturbing increase in prices since May 1963.

To remedy the situation without upsetting the organization of the intra-Community market, levies on imports from non-member countries were reduced in France and Italy and later in all the member countries.

As the situation had greatly worsened in Belgium at the end of the year, the Council took special measures for this country on the Commission's proposal.

The Commission, furthermore, supplemented the regulation fixing the surcharge which may be refunded on exports to non-member countries (decision on the export of bacon).

The Commission keeps the market situation permanently under review, watching over the production level, regularity of supplies and their availability, observance

(1) See official gazette of the European Communities, No. 123, 9 August 1963 and No. 126, 17 August 1963.

of sluice-gate prices, price trends. The aim is to reduce differences between prices in step with the approximation of cereal prices, and to ensure that arrangements in respect of non-member countries, especially refunds on exports, are coherent.

That imports from non-member countries declined was due in part to the fact that Regulation No. 20 was not yet applicable to the entire pigmeat sector. The Community continued to be nearly 100% self-sufficient.

Common organization of egg and poultry markets

171. Little difficulty was encountered in giving effect to the basic regulations, in particular the quarterly adjustment of levies on imports from non-member countries and of sluice-gate prices. The same was true of the conversion rates adopted in fixing levies on eggs.

Because of the trend of international prices, the sluice-gate price machinery was in operation for chickens during the whole period under review, from October 1963 for several egg products and from 20 January 1964 for shell eggs.

Refunds on exports from one member country to another caused certain difficulties and this led the Council, on 23 December 1963, to amend the previous system considerably on the proposal of the Commission.

On 5 February 1964 the Council issued Regulation No. 19/64 ⁽¹⁾ amending its Regulations Nos. 20, 21 and 22 in respect of refunds on exports to member countries; the new provisions will be applied from 1 July 1964.

172. Mention must be made of some special cases. On various occasions the Member States, in accordance with Article 5 of Regulations 21 and 22, requested a reduction of the levy. The Commission gave its assent to the majority of the requests, which were submitted mainly by Federal Germany (in particular for Berlin), France and Italy.

Chapter IV ⁽²⁾ contains an account of the dispute between the Community and the United States on the trade system to be applied to poultry imports; this

(1) See official gazette of the European Communities, No. 34, 27 February 1964.

(2) See sec. 308.

dispute was settled by GATT arbitration, after which the United States took certain retaliatory action.

Another difficulty arose on the egg market early in February. Invoking Article 12 of Regulation 21, Federal Germany notified the Commission on 3 February of its intention to subject egg imports to import licences and no licences were issued. Germany gave as the reason for this decision the low price of imported eggs, mainly from the Netherlands and Denmark, and the threat of prices collapsing on the home market. The Commission, which had referred the matter to the Member States through the Management Committee (Art. 12,2), rejected the German decision on the ground that the difficulties in that country were caused mainly by greatly increased home production and not by increased imports from non-member countries ⁽¹⁾. At the same time, the Commission recommended that Member States should take care, in exporting eggs to other member countries, to avoid creating difficulties in the importing Member State which might compromise the objectives of Article 39 of the Treaty. The Federal Republic referred the matter to the Council, which held a special meeting on 8 February when the representatives of the Member States approved in general the reasons for the Commission's decision. Germany withdrew its application ⁽²⁾.

Common organization of the fruit and vegetable markets

173. Among measures to implement Regulation No. 23 are:

- a) The Commission regulations fixing the reference prices (Article 11,2) of nine products for the 1963/64 marketing year ⁽³⁾;
- b) The regulation concerning the quality control of fruit and vegetables imported from non-member countries (Article 2,2) ⁽⁴⁾.

On 17 January 1964 the Commission submitted to the Council a proposal for a regulation on the application of quality standards to fruit and vegetables sold on the home market of the producing Member State.

⁽¹⁾ See table on the trend of agricultural trade, sec. 163.

⁽²⁾ See sec. 351.

⁽³⁾ See official gazette of the European Communities, Nos. 66, 29 April 1963, 81, 20 May 1963 and 104, 5 July 1963.

⁽⁴⁾ *ibid.*, No. 121, 3 August 1963.

The regulations have confirmed in practice the effectiveness of the efforts made to improve the quality of products entering into intra-Community trade and of provisions to introduce free movement progressively, at least for "Extra" class products. For such products the total abolition of quantitative restrictions between Member States and of the system of minimum prices did not cause any particular difficulties on the markets of the importing Member States.

There were on the other hand certain difficulties early in 1964 when the Member States abolished, in pursuance of Article 9 of Regulation No. 23, quantitative restrictions and minimum prices for fruit and vegetables. The difficulties affected Class I dessert apples as the result of a particularly abundant harvest which brought prices down on the German and French markets. In consequence the German Government, and later the French Government, excluded, on the basis of Article 10 of Regulation No. 23, certain varieties of apples from the liberalization measures for imports.

The safeguard measures, which were taken on 1 January, were to terminate by Commission decision on 12 January 1964. The German and Italian Governments appealed to the Council against the Commission's decision. After a special meeting of the Council on 6 January 1964 ⁽¹⁾ the appeals were withdrawn. The Council stressed that only in exceptional circumstances could recourse be had to the safeguard clauses in the agricultural regulations.

These difficulties confirmed the need for Community rules on the functioning of the markets and on commercial transactions. The Commission will in the near future submit proposals to the Council to deal with special situations and proposals for co-ordinating and unifying the rules concerning imports from non-member countries (Article 11 of Regulation No. 23). A draft regulation is being prepared which is designed to bring about a better balance of supply and demand on the fruit and vegetable markets.

Common organization of the market in vine products

174. The Commission has completed the drafting of a proposed regulation for quality wines produced in specified regions ⁽²⁾. Experience gained in

⁽¹⁾ See sec. 348.

⁽²⁾ This was submitted to the Council on 15 April 1964.

applying Regulation No. 134, according to which growers and traders have to declare their harvests and stocks of wine and must, is very important for determining the production potential. The results of the first declarations of harvests and stocks were communicated to the Commission after the 1962/63 marketing year. Despite some delays, the information gathered must be considered highly satisfactory.

As for trade between member countries, the Council, on the proposal of the Commission, took a decision on 30 July 1963 to widen by 15% (1 380 000 hl.) the 1963 quotas for imports of table wines and wines used for making sparkling wines into the Federal Republic. By the same decision the import quotas (to be opened by France and Italy) for quality wines produced in specified regions have been widened by 100% (300 000 hl.) on account of the considerable difference between the quotas opened for Germany and those of the two countries mentioned.

A clearer idea of the supplies available and of the overall market situation thanks to the estimates made will enable the Commission in the near future to draft proposals to the Council to complete the organization of the market in vine products by provisions on Community measures to stabilize prices.

The Commission believes it will be in a position to formulate such proposals during the first half of 1964.

FURTHER MARKET ORGANIZATIONS

Common organization of the market in dairy produce

175. The regulation which was the outcome of the Council's deliberations of 23 December 1963 and 5 February 1964 and is to take effect from 1 July 1964, embodies many provisions appearing in the Commission's original draft, which was examined by the European Parliament at its session of June 1962 ⁽¹⁾. It also contains new provisions, some of which represent amendments proposed by the European Parliament.

The common organization covers a wider range of products than in the original proposals. Lactose, lactose syrup and forage have been added. The following

⁽¹⁾ This regulation is to take effect from 1 July 1964.

products: milk and fresh cream, not concentrated nor sweetened, will be the subject of a separate regulation to be adopted by the Council before 1 July 1965.

The trading system is based on levies, reckoned according to the difference between threshold prices and free-at-frontier prices. For imports from Member States, free-at-frontier prices will be determined on the basis of the producers' price ex farm or factory, plus a standard amount covering carriage to the frontier of the importing country and frontier-crossing charges.

For imports from non-member countries the free-at-frontier prices of the importing Member State are fixed on the basis of the most favourable offers in international trade.

The Member States have been authorized to impose a countervailing charge on exports to the other Member States; this may not exceed the amount of national aids granted for the same product. The Member States which avail themselves of this possibility will grant, in the case of imports from the other Member States, a subsidy reckoned on the basis of the countervailing charges on exports.

Refunds are reckoned exclusively on the difference between the price of the product delivered free-at-frontier to the importing Member State and the threshold price of the exporting Member State less the standard amount.

The obligation to produce a licence and deposit a surety has been limited to imports of butter and most preserved milks.

Approximation of prices and system of aids: The regulation provides for the fixing of national target prices for milk ex farm. They will be fixed, for the year in which the regulation takes effect, within a bracket the higher and lower limits of which will consist of the prices paid to producers in 1963 and brought up to date. From the 1965/66 marketing year onwards the Council, on the proposal of the Commission, will fix the Community target price year by year. This price will serve as a basis for progressively harmonizing the national target and threshold prices for the various milk products. Should such alignment cause the target price to fall below that received by the producer per kilogramme of milk for liquid consumption in 1963 as a whole, the Member States concerned may make up the difference in price. Compensation may be paid per kilogramme of milk but it must not be paid in this form beyond the end of the transitional period. The Commission will make a recommendation to the Member States in question that aids granted per kilogramme of milk must be

modified from 1966/67 so that the change-over to the final system can be made without difficulty.

Each year throughout the transitional period the Council, on the proposal of the Commission, will determine the amount by which direct aid to milk and milk products must be reduced, subject to the regulation referred to in the foregoing paragraph, concurrently with the annual alignment—which is based on the common target price for milk—of the national target prices and threshold prices, so that the change-over to the final system is made smoothly.

The Member States, furthermore, must annually reduce by one seventh that part of the aids which makes it possible to maintain the level of the market prices for milk products below that corresponding to the lower limit of the price bracket which provides the framework for approximating national target prices.

The reduction in aids is offset by a corresponding increase in threshold prices.

Finally, to permit interventions on the domestic market the regulation provides not only for the purchase by the intervention agency in each Member State of fresh first-grade butter, but also allows the Member States to grant aids for the private stocking of fresh first-grade home-produced butter and frozen home-produced cream.

The Parliament suggested that the Commission extend intervention measures to cheese and also provide for the possibility of intervention for powdered milk. With this object in view the Council must determine, within two years after the entry into force of the regulation, to which products and in what manner Community intervention measures will be applied.

As things stand, intervention will continue to be possible in the individual countries but will be made the subject of co-ordination at Community level.

176. The Commission is now drafting implementing regulations to be adopted either by the Council through the Management Committee and on the proposal of the Commission ⁽¹⁾ or by the Commission itself.

The upper and lower limits of the national target prices for the first marketing year were fixed by the Council on 24 March 1964.

⁽¹⁾ At its session of 13-15 April 1964 the Council adopted a regulation fixing the amount covering the carriage and frontier-crossing costs for certain milk products.

Other proposed regulations will deal with:

- i) The determination of classes of butter to be considered first-grade butter;
- ii) The determination of pilot products and derived products;
- iii) The fixing of rules for co-ordinating national intervention measures concerning intra-Community trade in butter taken out of stock.

Common organization of the beef and veal market

177. The regulation on this sector was also approved by the Council on 23 December 1963 and issued on 5 February 1964. It will take effect from 1 July 1964.

The scope of the common organization is that laid down in the Commission's proposals. Certain provisions relate to imports of frozen meat from non-member countries.

The trading system provides for the application of a combined system of customs duties and levies. For trade with non-member countries the national customs duties will be maintained but will be progressively aligned on the common external tariff to reach that level by 31 December 1969. However, when the price on the domestic market stands at between 100 and 105 % of the guide price, the levy will be halved; when the price on the home market is over 5 % higher than the guide price the levy will not be applied. In this way prices will be aligned and a common policy on agricultural markets will be established progressively. These proposals stem from amendments suggested by the Parliament or made by the Commission to the original proposal.

An import licence will be necessary in order to import frozen meat from member or non-member countries; furthermore there will be a quota system and the possibility of opening a supplementary quota, the amount and duty rate of which will be decided by qualified majority. Certain exceptions are also provided for in the case of imports into Federal Germany from Denmark.

The Member States may intervene on their own markets when home prices are at or lower than a level to be fixed by the importing Member State between 93 and 96 % of its guide price.

When a Member State intervenes on its own market, it may impose on imports from the other Member States a levy equal to the difference between the import price plus the import duty and the guide price less 5 %. However, when the intervention price has been fixed by the importing Member State at a level between 95 and 96 % of the guide price, the levy will be equal to the difference between the intervention price and the import price including import duty.

178. This basic regulation determines the action to be taken by the Council and Commission in the months to come. On 10 March 1964 the Council fixed the upper and lower limits of the guide prices for the marketing year beginning 1 April 1964.

By 1 July 1964 decisions must be taken on the method of fixing import prices, on what coefficients are to be applied for the calculation of levies on corresponding products, and on various criteria regarding intervention procedures ⁽¹⁾. The Commission will also have to decide the details concerning import licences and the measures to be taken to prevent diversion of trade.

The Management Committee for beef and veal will be set up as soon as possible and several of these proposals will be referred to it.

The progressive establishment of a common organization of the rice market

179. This regulation is based on the same principles as the regulation on cereals. It was adopted by the Council on 23 December 1963 and 5 February 1964 according to the proposals, slightly amended, of the Commission and is to take effect from 1 July 1964. To complete the organization of the market, however, other Council regulations will be needed, for example, on the systems to be applied to processed products based on rice and to imports of rice and broken rice from the associated African States and overseas countries and territories. On 31 January 1964 the Commission submitted to the Council a proposal to this effect, which the Council then referred to the Parliament.

By and large the scope of the regulation corresponds to the Commission's proposal. But while cereals are grown in all the six Member States, it is ob-

(1) At its session of 13-15 April 1964, the Council adopted a regulation fixing the coefficients for the calculation of the levy applicable to each of the products listed in Annex II of Regulation No. 14/64/EEC (beef and veal).

viously necessary to make a distinction between the two rice-producing Member States and the others. This aspect of the problem gave rise to general discussions on the very principle of Community protection.

The trading system is based on levies in both intra-Community trade and trade with non-member countries until the end of the transitional period.

On imports from non-member countries, the amount of the levy will be equal to the difference between the threshold price and the cif price of the product determined according to the most favourable purchasing terms on the world market. As a general rule no levy is imposed on trade between non-producing Member States nor on imports from producing Member States where prices are higher than the threshold price of the non-producing Member States. Consequently it is mainly in intra-Community trade between the two producing Member States that a levy may be imposed.

A number of Council and Commission implementing regulations are to be drafted and adopted before June 1964 ⁽¹⁾. On the proposal of the Commission, the Council adopted the regulation on the levies in advance (Art. 11(3) of the regulation). The Commission adopted Regulations Nos. 27 and 30 on the criteria for fixing the scale of surcharges applicable to imports and for determining the cif prices of husked rice and broken rice, the quality standard of husked roundgrain rice for which the threshold price is fixed, the table of equivalence between the types of rice offered on the world market (a maximum of 15) and the quality standards ⁽²⁾.

Progressive establishment of a common organization of the sugar market

180. The regulation on the common organization of the sugar markets as proposed by the Commission comprises a system of prices the level of which is maintained by levies on imports and by refunds on exports or import subsidies.

The regulation applies to sugar, sugar-beet, sugar-cane, molasses, and certain processed products based on sugar listed in Annex II of the Treaty.

⁽¹⁾ At its session of 13-15 April 1964, the Council adopted a regulation on the criteria for fixing the standard amounts for rice and broken rice.

⁽²⁾ See official gazette of the European Communities, No. 48, 19 March 1964 and No. 50, 23 March 1964.

System of prices: The Member States will fix annually for white sugar ex factory, excluding charges, a target price intended to:

- a) Guide the production of sugar and sugar-beet;
- b) Influence indirectly the level of sugar-beet prices;
- c) Determine the level of an intervention price to serve as a minimum price;
- d) Determine the level of a threshold price and levy to be applied or of the subsidy to be granted for imports.

National target prices are to be aligned so that by the end of the transitional period the Council will be able to fix a single target price applicable throughout the Community.

In order that sugar-beet growers may have a guaranteed price, sugar target prices will be accompanied by an intervention price, the price at which intervention agencies in the Member States are obliged to buy any home-produced white sugar offered to them.

In the interests of price stability there will be a system of compensation for storage costs which aims at spreading deliveries over the whole year.

Trading system: Imports of sugar into a Member State will be subject to a levy computed by the difference between a threshold price and a cif price for imports from non-member countries or a free-at-frontier price for imports from Member States.

Preference in favour of the latter is ensured by deducting a standard amount from the levy.

The levy on sugar-beet is computed according to the levy on sugar and the average sucrose content.

Processed products are subject to a fixed levy representing protection for the processing industry. Furthermore, such levies can be supplemented by a variable component depending on the content of sugar or other sweetening agent.

The threshold price, which is the upper limit for computing the levy, will be fixed annually at a level to ensure that the selling price of imported sugar reaches the target price.

The cif price—the lower limit for computing the levy on imports from non-member countries—will be determined on the basis of world market prices

assuming a specified frontier-crossing point and adjusted for differences in quality.

The free-at-frontier prices taken in calculating the levy on imports from Member States will be related, in the absence of national market price quotations, to the impact of world market prices on the home market. Thus, according to the level of the latter, they will be established on the basis of the intervention price, the cif price or the target price, to which prices there will be added the costs of marketing and transport to the frontier-crossing point.

Possible trends on the world sugar market necessitate certain measures in the interest of the consumer. Should cif prices be higher than threshold prices, import subsidies may be granted. Where cif prices are higher than target prices a levy will be imposed on exports.

In order to permit the export of white sugar, a refund may be granted. Normally this refund will be equal to the difference between prices in the exporting country and those on the world market. The system of trade is free, but for record purposes and in order to compute the levies it is still compulsory to hold an import or export licence.

The levy may be fixed in advance on payment of a premium.

Any imbalances on the market arising from freedom of trade may be avoided by suspending the issue of import licences when market prices reach a certain reference price. Furthermore, the general safeguard clause provided for in other regulations will be applied in the event of serious market disturbance.

A certain number of implementing regulations will have to be made by a Management Committee such as is provided for in other regulations on agricultural markets.

The system regulating the sugar sector is to take effect in the 1964/65 marketing year beginning 1 October 1964. The Council has referred this Commission proposal to the Parliament.

*Progressive establishment of a common organization
of the market for vegetable fats and oils*

181. On 31 July 1963 the Commission submitted to the Council a draft resolution on the broad lines of an organization of the market in vegetable fats

and oils. On 23 December 1963, at the same time as it took a decision on the organization of the market for dairy produce, the Council adopted this resolution, which the Commission had slightly amended in the meantime. Taking this as a basis, the Commission will submit to the Council by 1 November 1964 a proposal for a regulation on the market in vegetable fats and oils.

The regulation will be based on the free importation of oil-seeds in view of the Community's important role in world trade in such products and in accordance with consumers' interests. It will place the produce of associated overseas states and territories in a certain privileged position and provide for direct aids to Community producers. Special provisions will guarantee the living standards of olive-oil producers in the Community.

Aids and intervention provided for in the regulation will be financed on the one hand by a charge on fats and oils of vegetable and marine mammal origin consumed in the Community, for which a maximum total of 87.5 million units of account has been fixed by the Council, and on the other hand by the European Agricultural Guidance and Guarantee Fund (EAGGF).

COMMON POLICY ON PRICES

182. The system of levies set up under the various common organizations of markets has protected prices in the individual countries so that there has been no alignment, despite the growth of trade. The disparity between the prices of agricultural products in the various member countries has remained almost as great as when the Rome Treaty came into effect, and in some cases has even become greater. The Community could take no direct action apart from fixing the upper and lower limits of cereal prices. Under Article 6 of Regulation No. 19, these prices were to be progressively aligned during the transitional period and were to lead to the harmonization of the prices of livestock products by the abolition of levies. The first alignment of cereal target prices took place in the 1963/64 marketing year and was in fact almost negligible; it consisted mainly of raising the lower price limits.

Having surveyed the political situation in the Community in late 1963, the Commission proposed to the Council, on grounds of internal, agricultural and trade policy, that cereal prices be harmonized in a single operation from the 1964/65 marketing year.

The proposal was referred to the Parliament and the Economic and Social Committee, which gave it their whole-hearted approval. It is not confined to fixing cereal prices (target, intervention and threshold prices), but contains other recommendations related to price alignment—compensation for farmers in member countries who suffer a loss of income by a fall in cereal prices, such measures being incorporated in “Community plans to improve the living standard of the agricultural population”, and of solutions to financing problems.

In the cereals sector further arrangements are proposed, in view of the removal of levies and intra-Community refunds thanks to the harmonization of prices, to deal with the technical matters involved in setting up a single internal market organization (e.g. regional differentiation of prices, uniform monthly graduation, intervention measures, etc.).

The Commission proposes that basic target and intervention prices for cereals should be fixed for the north-western area of the Community (Ruhr, Rhine, Scheldt and mouth of the Meuse) and for the south (Sicily). At the opening of the 1964/65 marketing year the basic target price is to be 106.25 units of account per 1 000 kg. of wheat other than durum, and the basic intervention price 98.76 units of account.

Prices are protected against imports from non-member countries by threshold prices which are uniform throughout the Community.

The basic target prices of other cereals will be decided in accordance with the supply situation, in such a way that the prices of coarse grains are kept at a level fairly close to that of wheat other than durum.

As regards compensation for farmers threatened by a fall arising from the harmonization of cereal prices (in Federal Germany, Italy and Luxembourg), the Council will fix, on a proposal of the Commission, the amount corresponding to the loss of income. The Member States will then take compensatory measures, which may be of various kinds according to the situation in the country concerned: e.g. direct payments to farmers, subsidies to improve social benefits for farmers and their families, aids to productivity and rationalization, aids to durum growers (in Italy).

Such measures are limited to the transitional period. Direct payments, however, are to be gradually reduced between 1967 and 1969 to two thirds of their original total. The funds required for compensatory measures are to be provided by the Community and will be reduced between 1967 and 1969 to two thirds

of the original amount. The first "Community Plan to Improve the Standard of Living of the Agricultural Population" will be introduced in 1966; under this first plan the three States mentioned above will receive a sum corresponding as a minimum to the amount by which they have reduced their direct payments between 1967 and 1969. From 1970 compensatory measures will be replaced by measures under the Community plans.

In accordance with Regulation No. 25 (financing of the common agricultural policy), the Community, or more precisely the European Agricultural Guidance and Guarantee Fund, will meet the expenditure incurred by Member States in respect of refunds on exports of cereals (as well as of pigmeat, eggs and poultry), to non-member countries, and in expenditure on intervention in the domestic cereal market.

The Community plans to improve the living standards of the agricultural population are designed to facilitate the process, in which agriculture is already engaged, of adjustment to the economic development of the Community, and to remedy regional disparities. The plans include various types of measure: measures aiming at improving farm incomes in regions which are at a disadvantage from the structural point of view, special programmes in favour of farms of certain classes (hill farms, small holdings), improvements in social security systems, aids to income which are not tied to production.

In certain regions the Community will make a financial contribution to the measures taken by the Member States. The level of and conditions for such contributions will be decided by the Council in each case.

Furthermore, the social measures in the agricultural sector laid down by the Commission in its Action Programme to promote a social policy in agriculture must be implemented without delay .

COMMUNITY FINANCING

183. In pursuance of Council decision of 30 July 1963 to combine the activities of the proposed European Fund for the improvement of agricultural structures with those of the European Agricultural Guidance and Guarantee Fund, the Commission submitted to the Council on 27 September 1963 amended proposals for a regulation on the granting of aid by the Fund and for a financial regulation of the Fund.

The European Parliament rendered its opinion on 18 October 1963 and the Economic and Social Committee on 30 October 1963, suggesting a certain number of amendments. Acting under Article 149(2) of the Treaty, the Commission amended both proposals and transmitted them to the Council on 11 December 1963. The amendments to the regulation on the granting of aid from the Fund make it compulsory to refer Community programmes for the improvement of structures to the Parliament, applying to them the procedure of Article 43(2), third paragraph. They also concern the strengthening of links between regional structures and the policy of improving agricultural structures. Finally, on 23 December the Council stressed the importance it attached to strengthening the Parliament's budgetary powers and decided to take up this question at the same time as that of merging the Executives and that of widening the Parliament's powers.

184. The two regulations approved by the Council on 5 February 1964 form the basis for Community financing of the common agricultural policy ⁽¹⁾.

Under the terms of the regulation on the granting of aid by the Fund, the Fund will comprise two sections:

i) The Guarantee Section gradually assumes liability for refunds on exports to non-member countries; this is to be done over the next few years on the basis of the net quantities exported and the lowest average refund. The manner of calculating these factors will need to be precisely determined. In order to reckon the net quantities exported, the "basic products" method has been adopted, i.e. a calculation is made for each basic product, derived products being expressed in terms of basic products. In order to ascertain the lowest average refund, adjustments have been decided upon to eliminate the effect of random factors.

As for expenditure on intervention in the home market, a general concept of the criteria to be observed has been worked out. The conditions and detailed procedures for assuming liability for intervention expenditure will be established for each sector as part of the common organization of the market. The Council,

⁽¹⁾ See official gazette of the European Communities No. 34, 27 February 1964.

on the proposal of the Commission, has already determined the conditions for the cereals sector (1).

ii) The Guidance Section deals with structural operations to improve conditions for agricultural production and with the marketing organization for agricultural products coming under Community regulations.

Certain rules governing support from the Fund have been adopted, one being that projects submitted must, from 1966, be consistent with Community programmes to be established by the Council.

Aid from the Fund will take the form of a capital subsidy not exceeding 25 % of the cost of the project. The beneficiaries must themselves contribute at least 30 %. Furthermore, the Member State in which the project is to be carried out must show its interest by sharing in the financing thereof to the extent allowed by its legislation.

Co-operation between the Member States and the Commission will take place through a Committee of the Fund which, according to case, will give its opinion by the same procedure as the Management Committees or will simply be consulted. In the Guidance Section, co-operation will be ensured mainly through the already existing Permanent Committee on Agricultural Structures, which will give its opinion on projects to be financed by the Fund.

In accordance with Article 7(1) of Regulation No. 25, contributions by the Member States to the Fund's expenses in 1963/64 and 1964/65 will cover respectively one tenth and two tenths of such expenditure in proportion to their net imports. It has been decided that the net imports of each Member State will be reckoned by value and separately for each sector of the common organization of the markets.

The financial regulation of the Fund is based on Article 209 of the Treaty and contains the financial budgetary provisions under which the Fund will operate. While confirming that the Fund forms part of the Community's budget, the financial regulation contains provisions modifying certain general rules intended exclusively for administrative expenditure and not for economic intervention. Conditions have been eased in one respect since payment of expenditure incurred

(1) See Regulation No. 18/64 published in the official gazette of the European Communities, 27 February 1964.

may be made over a certain number of years to allow for the time-lag in carrying out projects to improve structures. Expenditure on refunds and intervention will be repaid retrospectively once a year by a clearing system between creditor and debtor States.

A number of implementing regulations and decisions have still to be issued by the Commission or the Council in the next few months to get the scheme of Community financing started. On 1 March 1964 the Commission submitted to the Council a proposal for a regulation drawing up a list of basic products for calculating payments in respect of refunds on exports to non-member countries ⁽¹⁾. The Member States will soon be submitting their claims for repayment in respect of refunds and intervention during the 1962/63 marketing year and their first projects for improving structures to be financed by the Fund.

STATE AIDS TO FARMING

185. In order to give effect to the provisions on competition in agriculture contained in Council Regulations Nos. 19-23 and No. 26 the Commission has divided aids into three categories:

- i) Category 1: Aids for products to which it has been decided that Art. 92-94 of the Treaty shall apply from 30 July 1962, namely cereals, pigmeat, eggs and poultry, fruit and vegetables;
- ii) Category 2: Aids for products the regulations on which were then being drafted, namely beef and veal, dairy produce, fats and oils, sugar and rice;
- iii) Category 3: Aids for products other than those listed above and general aids.

On the basis of information supplied by the Member States, the Commission has drawn up various inventories which were examined in 1963 with the representatives of the Member States. On 8 November 1963 the Commission submitted to the Council its "Final Report on Aids to Farming", the main points of which were as follows:

(1) The regulation was adopted by the Council at its session of 13-15 April 1964.

Aids in category 1

In the cereals sector, the Commission recommended the abolition of aid in Belgium to the productions of malting barley.

Among aids for live pigs, carcasses and sides and in the egg and poultry sector there are none incompatible with the Treaty.

In the fruit and vegetables sector some aids have already been abolished; other cases are still under examination.

Aids in category 2

In the beef and veal, dairy produce and rice sectors a complete inventory has been drawn up and submitted to the Council (It must be recalled, however, that with the inception of the market organizations in these sectors, Articles 92 and 93 of the Treaty are now directly applicable.) The inventory of aids for sugar and fats and oils is under examination.

Aids in category 3 and general aids

A complete inventory is being drawn up. At present the Commission considers that some of these aids, mainly in the form of finance and credit facilities and aids for construction, do not at present have a decisive influence on the competitive position of Member States as regards products not subject to a common organization of the market.

186. As soon as all the aids have been examined, more precise information can be given on the whole range of subsidies to agriculture in the various Member States, in particular a complete list of those granted to reduce retail prices and to promote exports.

Besides these continual reviews, which are made in pursuance of Article 93(1) of the Treaty, the Commission has taken certain decisions on proposed aids notified by the Member States under Article 93(3) of the Treaty.

Besides regional aid projects, mainly in Italy and in some cases France, there are others of a national character which concern particular products. Some of these projects the Commission has declared to be compatible with the common

market: for example, the creation of an agricultural improvement and development Fund in the Netherlands and aids in France to reduce the prices of durum seed.

Others have been declared incompatible with the common market, such as aids granted by France for exports of fruit and vegetables; for some of these the Commission has decided to set in motion the procedure of Article 93(2).

In future the Commission's work will be mainly to complete the inventories of the second and third categories and to evaluate such aids with a view to establishing equal competitive conditions, while examining the aids notified by the Member States under Article 93(3). Charges similar in nature to taxes will also be examined and a position adopted in regard to trade associations where the rules for competition are concerned.

HARMONIZATION OF LEGISLATION

187. Work on harmonizing legislation necessitated by the common agricultural policy has continued in close co-operation with experts from the Member States in the five working parties and their twenty or so sub-groups. Two scientific committees have co-operated in this work. There has also been close collaboration with the trade associations represented at Community level and with the Consumers' Contact Committee in the Common Market.

The Commission submitted to the Council eight draft directives the particulars of which follow.

188. In the sphere of food for human consumption, the Council adopted on 5 November 1963, on the proposal of the Commission, a directive on permitted preserving agents in food ⁽¹⁾.

Two draft directives, one on antioxidants and the other modifying the Council directive of 23 October 1962 on colouring matters ⁽²⁾, will be submitted to the Council in the near future.

(1) See official gazette of the European Communities, No. 12, 27 January 1964.

(2) See official gazette of the European Communities, No. 115, 11 November 1962.

A draft directive on cocoa and chocolate was submitted to the Council on 18 July 1963. An opinion was rendered on this proposal by the Economic and Social Committee and it will shortly be referred to the European Parliament also.

A draft directive fixing purity standards for preserving agents has been drawn up and another on jams, marmalades, fruit jellies and chestnut paste is in course of preparation.

On the basis of a study made by experts, the Commission has begun the preliminary drafting of a directive on the definition of preserves and semi-preserves, and on rules relating to containers, marking and labelling.

A great deal of work is being done on purity standards for preserving agents and colouring matters, the standardization of methods of analysis and Community definitions of wines and various other products.

Studies have been made on additives to animal feeding-stuffs, and their significance when the flesh is used as human food.

189. In the veterinary sphere the work is becoming more urgent because of the increasingly free circulation of livestock, meat and meat products which has resulted from the common organizations of markets.

Two proposed directives, one on health requirements for trade in fresh meat and the other for trade in cattle and pigs, had already been submitted to the Council on 28 June 1962 (1).

Unanimous agreement was reached in the Council on the substance of these directives but not as to their legal basis. Nevertheless, the Commission is drafting further directives for their implementation.

In accordance with the priorities fixed by the Commission with the Council's approval, two proposed directives on health requirements regarding fresh poultry meat and meat products, were submitted by the Commission to the Council on 18 and 19 December 1963 and referred to the European Parliament and the Economic and Social Committee.

(1) See Sixth General Report, sec. 144.

A start has been made on the drafting of directives fixing the common veterinary and health requirements for imports from non-member countries of fresh meat, cattle and pigs, poultrymeat and meat products.

In the plant health sector the preparatory work on a first directive to facilitate trade in plants and vegetable products between the Member States is nearing completion.

The Commission referred to the Council five proposals for directives on cereal seed, herbage seeds, seed potatoes, beet seed and forestry reproductive material.

Another proposal concerns the formation of a standing advisory committee on seeds and seedlings composed of government representatives. Further work has been begun on the establishment of a Community catalogue of varieties, and on regulations concerning vegetable seeds and vine stocks and seedlings.

Fisheries

190. In pursuance of the Council's decisions of 25-26 March and 23-24 September 1963, the Commission will submit during the first half of 1964 a report on the fisheries situation in the Member States and on the broad lines of a common policy in this sector. It has already assembled basic documentation prior to its participation in the North Sea Fisheries Conference held in London from 3 December 1963 on the initiative of the British Government. The conference concluded with an agreement between the Six and the United Kingdom on fishing in reserved areas, providing reasonable safeguards for the traditional fishing rights of the Member States in British coastal waters.

Forestry

191. A report was drawn up on the co-ordination of national forestry policies ⁽¹⁾. It lists the problems and outlines a programme for closer co-ordination in the context of common agricultural policy. Other work has been done or is in progress on harmonizing regulations concerning reproductive material, on the execution of the general programmes for the freedom of establishment

(1) The report was submitted to the Council on 8 April 1964.

and freedom to supply services, and on the compilation of Community forestry statistics and an inventory of state aids.

IMPROVEMENT OF AGRICULTURAL STRUCTURES

192. The Standing Committee on Agricultural Structures set up by Council decision of 4 December 1962 ⁽¹⁾ held three meetings during the course of 1963.

It planned a study of the Member States' approach to these matters, examining in particular the principal concepts in the sphere of agricultural structure policy and the financing of improvements. The reports presented by the Member States set out their objectives in this sphere and the bearing such objectives had on regional policy, market policy and social policy.

The Committee has begun its study of the central problem, namely total income in agriculture in relation to the number of agricultural workers.

The Commission has completed studies on:

- i) The costs of technical measures for improving agricultural structures (reference year 1958);
- ii) The consolidation of holdings and other measures to improve land distribution;
- iii) Farm equipment, etc.

The causes of the disparities between Member States in the matter of financing and the cost of credit were dealt with in a report published in 1963. A report on indebtedness and financing in agriculture and a report on agricultural co-operatives will be published in 1964.

The Commission is planning to undertake in 1965 a statistical survey on farm structures which will provide reliable data for taking decisions. Preparatory work for this survey is under way.

Agricultural advisory services and agronomic research

193. The Commission continued its study of the policies and objectives of the Member States in these fields and published a report on the organization

⁽¹⁾ See Sixth General Report, sec. 145.

of agronomic research in the six countries. A proposal to further co-ordination as envisaged in Article 41 a) of the Treaty is in preparation.

Information service on farm accounts

194. The Commission submitted to the Council a proposal for a regulation setting up a Community information service on farm accounts. The object is to obtain and keep up to date the most accurate information possible on real incomes and on the economic conditions under which the various types of farms are run. For this purpose the Commission proposed to establish a Community committee and liaison bodies in the Member States.

On 18 October 1963 the Parliament expressed a favourable opinion on the proposal, while suggesting certain amendments, most of which were incorporated by the Commission in the proposal it submitted to the Council on 30 October 1963.

SOCIAL POLICY IN AGRICULTURE

195. Bearing in mind the conclusions of the advisory conference on the social aspect of the common agricultural policy (Rome, September/October 1961) and after consulting the quarters and governments concerned, the Commission submitted an Action Programme to promote a social policy in agriculture.

The programme is designed to remedy social situations which are below the standards accepted as a fair minimum or which may impede the common agricultural policy, and secondly to bring about social equality for agricultural workers.

It is first necessary to determine the demand, as regards both numbers and skills, for farm-workers in the various regions and to ensure stability of employment. Efforts will be made to narrow the notoriously wide disparities in working conditions between agriculture and other sectors. The programme also provides for measures relating to the acquisitions of farms, share-cropping, security of employment, etc.

Special attention will be paid to sources of finance for the implementation of social legislation in agriculture.

A special programme on vocational training, closely co-ordinated with the general programme ⁽¹⁾ and following the same principles, is being worked out in order to facilitate adaptation to the new conditions created by the implementation of the common agricultural policy.

Consultation with the circles concerned is now rendered easier by the creation of an advisory committee on the social problems of farmers (19 December 1963) and of a joint advisory committee on the social problems of paid farm-workers (17 May 1963). At the inaugural meetings of these two committees, on 9 March and 25 February 1964 respectively, the Commission requested their opinion on the priorities and methods for the Commission's Action Programme to promote a social policy in agriculture.

CO-OPERATION WITH FARMERS' AND FARM-WORKERS' ASSOCIATIONS

196. Eighteen information meetings and frequent bilateral discussions were held. The representatives of the farmers and workers were consulted on measures regarding the harmonization of legislation. On 20 September 1963 a study group for long-term agricultural problems was set up consisting of prominent figures from the agricultural world.

The advisory committees on cereals, pigmeat, poultrymeat and eggs, fruit and vegetables, and wine held nine meetings. As intermediaries between the business circles concerned and the Commission, they were able to advise the Commission on measures to give effect to the basic regulations.

The Committees, whose members are appointed by the Commission from a list proposed by the trade associations in the agricultural sector represented at Community level, are convened by the Commission. The chair is taken by rota. The object of their discussions is to arrive at a synthesis at Community level of the viewpoints of the trade associations represented. The results are transmitted to the Commission ⁽²⁾.

⁽¹⁾ See "Social Policy", sec. 228.

⁽²⁾ For the Advisory Committee on the social problems of farmers, see "Social Policy", sec. 228.

Further to the decisions taken by the Council on 23 December 1963, the Commission intends, as soon as the regulations on dairy produce, beef and veal, and rice take effect, to establish corresponding advisory committees, as well as an advisory committee on agricultural structures when the regulation on the granting of aid from the European Agricultural Guidance and Guarantee Fund comes into force.

197. There is still a great deal of work to be done. Among the tasks for 1964 are:

a) In the sphere of markets: preparation and adoption, by the Council or Commission, of a large number of implementing provisions ensuring the entry into force within the established time-limits of the new regulations on dairy produce, beef and veal, and rice; drafting of new proposals relating to the common organizations of the market, in accordance with Article 40 of the Treaty, for potatoes, ethyl alcohol, tobacco and non-edible horticultural products; harmonization of national provisions which still handicap trade (approximation of regulations on foodstuffs and seeds, and of plant health and veterinary regulations);

b) In the sphere of prices: approximation of cereal prices in a single operation on 1 August 1964 and allied measures relating to observation of the market, price trends, approximation of the prices of other agricultural products.

Price policy is directly linked to commercial policy for agricultural products, particularly with reference to the trade negotiations at GATT (Kennedy round) opening in May 1964 and the United Nations Conference on Trade and Development which began on 23 March 1964.

The Commission will intensify its efforts to harmonize national policies on agricultural structures, mainly through the Standing Committee on Agricultural Structures. Stress will be laid on the development of regional policy and on the links between market and structural policies.

The first proposals to harmonize the Member States' policies on fisheries and forestry will be submitted.

Common transport policy

FIRST PROPOSALS FOR THE ACTION PROGRAMME TO PROMOTE A COMMON TRANSPORT POLICY

198. On 21 May 1963 the Commission submitted to the Council a number of proposals for the Action Programme to promote a common transport policy ⁽¹⁾.

The Council will not take a decision until the Parliament and the Economic and Social Committee have rendered their opinions. The procedure of consultation with the European Parliament is not yet concluded.

The five proposals concern:

- i) The establishment of a rate bracket system for goods transport by rail, road and inland waterway;
- ii) The institution of a Community quota for goods transport by road within the Community;
- iii) The harmonization of certain provisions affecting competition in transport;
- iv) The organization of a survey on infrastructure costs in rail, road and inland waterway transport;
- v) The standardization of procedures for issuing licences for road haulage between Member States.

The proposals cover the three main spheres on which, in the Commission's view, Community action in transport should be brought to bear: integration, organization and harmonization. They also fulfil the need for gradual and co-ordinated action, the importance of which the Commission had stressed in its Action Programme.

199. The object of the proposal to establish a rate bracket system is to introduce rates with upper and lower limits, between which competition may operate freely.

(1) See Sixth General Report, secs. 154-62.

The upper limits are intended to prevent the unfair exploitation of dominant positions and the lower limits are to prevent uneconomic competition.

The system will be applied simultaneously to the three forms of inland transport.

Because of the close links between inland and international transport, the Commission recommends that the rate bracket system be applied to international as well as to inland transport.

The proposal also provides for the establishment of common rules to determine transport costs on which the rates will be based and certain arrangements for the publication of such rates in order to allow users a well-informed choice of the most advantageous means of transport.

200. The object of the proposal relating to the institution of a Community quota is to provide for the control and supervision of capacity in road haulage between the Member States. From the end of the transitional period, road haulage will be operated throughout the Community under Community licences. During the transitional period the Community quota system will be progressively substituted for the present bilateral arrangements.

The proposed system will make it possible to adjust the Community quota, with the required degree of flexibility and on the basis of transport forecasts and statistical data, to the economic situation and transport needs.

The proposal also provides for the liberalization of road haulage for hire or reward between Member States, of transit traffic and return loads after an international journey. It also contains special provisions on the hiring of commercial vehicles.

201. The proposal on the harmonization of competitive conditions deals with taxation, insurance and social matters, as well as certain forms of government intervention. The main points are as follows:

Taxation:

- i) Abolition of double taxation in international road haulage;
- ii) Standardization of rules concerning duty-free entry for fuel in the tanks of commercial vehicles and bunkers of inland waterway vessels;

- iii) Standardization of the basis of tax assessment of motor vehicles and inland waterway vessels used for the carriage of freight;
- iv) Adjustment of charges and dues to ensure an equitable apportionment of the infrastructure burden;
- v) Application to transport of the general turnover tax system.

Insurance:

- i) Establishment of uniform rules on the covering of third party risks in road and inland waterway transport;
- ii) Harmonization of rules relating to insurance of goods carried.

Government intervention:

- i) Establishment of common principles regarding public service obligations;
- ii) Establishment of common rules regarding standardization of railway accounts;
- iii) Progressive harmonization of rules governing the financial relations between railway companies and governments.

Social matters:

- i) Harmonization of rules on working hours and rest periods in each type of transport;
- ii) Approximation of rules on the composition of crews in each type of transport on the basis of Community norms;
- iii) Harmonization of overtime arrangements, in particular the basis on which overtime is classed as such;
- iv) Introduction in road and inland waterway transport of a personal log-book making it possible to check whether rules on working conditions have been observed.

202. The object of the proposal survey on infrastructure costs is to obtain the necessary data for tax harmonization and to assess more accurately the costs falling upon public funds.

203. The object of the proposal to standardize procedures in the issue of road haulage licences is to simplify and speed up the issue of bilateral road haulage licences which are still compulsory during the transitional period.

204. The Economic and Social Committee rendered its opinion on these five proposals at its sessions of 28 November 1963 and 29-30 January 1964.

It approved the Commission's proposals for a survey on infrastructure costs and the standardization of procedure for the issue of road haulage licences.

In its opinion on the proposed rate bracket system, the Committee suggested an amendment making the system experimental for a period of three years and only for transport by rail and road between the member countries.

The Commission did not agree with the opinion of the Economic and Social Committee as to the application of the proposed regulation on rates for the following reasons:

a) The introduction of the rate bracket system as a three-year experiment would cause serious legal and practical difficulties. It would lead, in particular, to total uncertainty and insecurity regarding the interval between the end of the experimental stage and the institution of the final system;

b) Limitation of the rate bracket system to international transport would raise insoluble problems in the way of control; carriers operating at home and abroad could, by legally valid agreements, grant their inland customers advantageous rates and thus rob the international rate system of any practical significance;

c) The non-application of the rate system to inland waterways would seriously infringe the principle of equal treatment for the different forms of transport and make it difficult to impose a system of rates on the other forms of transport on routes where these might be in competition with the waterways.

On the proposal relating to the Community quota, the Committee proposed certain amendments making the Community quota experimental in nature, and it reserved the right to make proposals later for quotas according to economic areas and routes. As in the case of the rate bracket system, the Commission considered that to make the Community quota experimental in character would raise serious difficulties and would considerably delay economic union in the transport sector.

The Committee approved the proposal relating to the harmonization of competitive conditions subject to a number of amendments and additions.

205. At its session of 20-24 January 1964, the European Parliament passed a resolution expressing its opinion on the proposal for a survey on infrastructure costs.

In its resolution, the Parliament expressed a number of suggestions, asking the Commission to say on what basis and in what manner the survey would be carried out, and to submit, in accordance with Article 75 of the Treaty and before 1 September 1968, proposals for an apportionment of infrastructure costs among users. The Parliament proposed, furthermore, to extend the scope of the survey to pipelines and to sea and air transport, and suggested that the problems involved in apportioning infrastructure costs should be examined with Austria and Switzerland when contacts were made with those countries.

The Commission shared the Parliament's view on the desirability of extending the survey to pipelines and the infrastructure of sea and air transport. However, in view of the volume of work involved the Commission felt that the survey should be so extended only as a second stage in the light of the lessons learnt from the survey as at present envisaged.

The Commission's other proposals are still under consideration of the European Parliament's Committee on Transport, which has appointed rapporteurs and has already held several meetings on the subject.

IMPLEMENTATION OF PROVISIONS IN FORCE

First directive of 23 July 1962 (1)

206. The first Council directive of 23 July 1962 relating to the establishment of certain common rules governing international road haulage for hire or reward, which provides for the liberalization in certain cases of international carriage of goods and transport by rail, has been implemented in the Member States since early 1963.

(1) See official gazette of the European Communities, No. 70, 6 August 1962.

Prior examination of provisions adopted by Member States

207. The Member States have satisfactorily implemented the Council decision of 21 March 1962 introducing prior examination and consultation in respect of laws, regulations and instructions contemplated by Member States in the transport field.

In pursuance of this decision the Commission was consulted and gave its opinion on the following cases:

- i) French draft decree amending certain provisions of decree No. 49-1473 of 14 November 1949 on the co-ordination and harmonization of rail and road transport;
- ii) French proposal to change the rates for public goods transport by inland waterway to the north of Lyons.
- iii) Belgian Bill amending the law of 25 August 1891 revising the section of the commercial code which deals with transport contracts.

Application of the standstill clause of Article 76

208. The Commission has continued to examine whether measures taken by the Member States in the field of transport are compatible with Article 76 of the Treaty. In accordance with the Council decision of 21 March 1962 referred to above, it has taken steps to prevent any measure which might conflict with the provisions of Article 76.

The Commission has had occasion to investigate certain French and German laws and regulations amending the system of importation, free of customs duties or charges, of fuel contained in the normal tank of commercial vehicles. It is negotiating with the Governments concerned in order to settle these matters.

Further, a Franco-German agreement on the issue of licences for international transport for hire or reward is being carefully studied.

Technical harmonization

209. *Weight and dimensions of road vehicles.* In April 1963 the Commission submitted to the Council a proposal for a directive on this subject to supplement

the Commission's original proposal of 6 September 1962, adding further technical requirements in the interests of safety and reliability affecting the determination of certain maximum weight and dimensions.

The Council referred the proposal to the Economic and Social Committee and the Parliament. In its opinions of 24 April and 29 October 1963, the Economic and Social Committee approved the Commission's proposal, while suggesting the following amendments: that a maximum length of 18 metres be fixed for vehicle trains and that vehicles with a load of 13 metric tons per single axle (19 tons per twin axle) be allowed to operate on roads of Community interest designated by the Council on the proposal of the Commission. The Parliament also approved the Commission's proposal in a resolution of 17 October 1963; it likewise suggested that the maximum length of vehicle trains be 18 metres and the maximum single axle weight 13 tons, while requesting the Commission to draw up a list of roads from which vehicles of these new weights and dimensions would be temporarily barred.

The Commission noted with great interest the opinions of the Economic and Social Committee and European Parliament. It saw no objection to a maximum length of 18 metres for vehicle trains. The question of weight per axle was a delicate one both from a technical standpoint and as a matter of policy; the Commission considered it desirable to adopt an economically satisfactory solution taking into account technical progress in equipment and infrastructure.

210. *Inland waterway transport equipment.* Work continued on standardizing the construction of inland waterway transport equipment; the Commission attaches great importance to this subject, but there have been delays because of priorities in other spheres.

Infrastructure

211. The Commission continued to examine the main problems arising in the improvement of major lines of communication of Community interest.

An informatory meeting, attended by representatives of the ECTM (European Conference of Transport Ministers) and the Italian and Austrian Governments, was held at the Commission's headquarters in order to examine various problems relating to the construction of the Brenner motorway.

The Commission decided to have road traffic forecasts made for the Liège/Strasbourg route.

Loans have been granted by the European Investment Bank for railway improvements:

- i) Electrification of the north-south line Hamburg (Bremerhaven)—Hanover—Hanau (Gemunden) (work in progress);
- ii) Electrification of the Le Mans-Rennes line (project forming part of the fourth French modernization plan and to be finished by 1965);
- iii) Conversion of current on the Modane-Italian frontier-Turin-Genoa line and improvements to the stations at Modane and Saint-Jean-de-Maurienne (work to be finished by 1970).

Transport costs and tariff and taxation policy

212. Work was concerned primarily with the preparation of the survey on infrastructure costs.

The Committee of government experts assisting the Commission in the determination of transport costs concluded its work on methods of determining infrastructure costs and turned its attention to the essential problem of apportioning of costs among the various classes of users. It also continued to study the effective burden borne by the various types of transport and individual firms with a view to assessing the effects on transport costs of intervention by public authorities.

The national delegations transmitted to the Commission their findings after studying certain links in international road haulage. The Committee will shortly begin similar studies on competition between resident and non-resident carriers in the international carriage of goods by inland waterway.

The Commission, furthermore, has invited a group of economists to study certain tariff problems in the light of the teachings of economic theory: for example, the level of tariffs and the general principles of a rational fiscal policy as regards the use of infrastructures.

*Discrimination and support in transport rates and conditions
(Articles 79 and 80 of the Treaty)*

213. The Commission continued to examine a number of tariffs applicable to the three types of transport in the Member States, in particular for the carriage of imported or exported goods from or to seaports or equivalent inland ports.

The work, undertaken with the help of the Governments, has led so far to the abolition of 124 special tariffs and of some general measures not conforming to the Treaty, as well as to the amendment of 156 other tariff measures. Furthermore, 227 tariffs have been approved on justification being supplied to the Commission by the Governments concerned. Under Article 80(2) the Commission also authorized:

- i) The continuance of local adjustments to the new tariffs of 1 October 1962 listed in "Annexe B (ter)" to the French national railways' general schedule of freight rates ⁽¹⁾;
- ii) Until 31 December 1964, Tariff No. 251 A of the Italian railways applicable to fruit and vegetables exported from southern Italy, and a 15% reduction granted by the French railways on the carriage of early cauliflowers and potatoes from Brittany over a minimum distance of 650 km ⁽²⁾.

The important subject of export, import and transit rates was dealt with as part of the "joint action to abolish discrimination in transport rates and conditions between a Member State's domestic traffic and international traffic", which has the advantage of not prejudicing any measures the Community and its institutions may decide to take later.

Support measures and disparities, not justified by the competitive situation of carriers or by the technical or economic aspects of transport operation, between a Member State's inland transport and intra-Community goods traffic must be considered serious obstacles to the establishment and smooth functioning of the common market.

The Commission, therefore, did not object to the action taken since it will produce an immediate and very substantial effect on transport rates.

(1) See official gazette of the European Communities, No. 44, 13 March 1964.

(2) *ibid.*, No. 57, 6 April 1964.

A large number of general tariffs of the type referred to have already been abolished or adjusted and numerous others of far-reaching economic importance are shortly to be amended to conform to the provisions laid down in the scheme for joint action. Some fifty rates for exports are involved; they will either be abolished or extended to traffic between Member States or in transit through them.

The scheme for joint action provides that where the straightforward abolition of the transport rates and conditions concerned is out of the question and where such rates and conditions cannot be justified under point 2 of the scheme, they are to be dealt with by:

- a) Extending to traffic between Member States and, where applicable to transit via Austria and Switzerland, transport rates and conditions which at present apply only to a Member State's domestic traffic;
- b) Applying export rates and conditions only in traffic to non-member or associated countries and extending such rates and conditions to traffic from the other Member States;
- c) Restricting import rates and conditions to traffic from non-member or associated countries and extending such rates and conditions to traffic to the other Member States;
- d) Restricting to traffic to and from non-member or associated countries the transport rates and conditions for imports or exports applicable on certain routes;
- e) Restricting transit rates and conditions to transit traffic to and from non-member or associated countries.

Improvement of frontier-crossing conditions

214. The Commission continued to examine the question of charges and dues incurred at rail frontier crossings and began a detailed survey of the situation; a recommendation on the subject may be addressed to the Governments with a view to harmonizing the structure of such charges.

The Commission drew special attention to difficulties in connection with rail freight at Italian frontier-crossing points.

In order to meet the wish expressed by the European Parliament and fulfil the task given it by the Council, the Commission, in co-operation with the ECSC High Authority, undertook in the second half of 1963 a number of inquiries into frontier-crossing problems with the governments departments concerned. It intends to make relevant proposals in 1964.

Progress has been made in frontier-crossing by waterway, particularly on the Franco-Belgian and Belgo-Dutch frontiers.

In the road transport sector, the Commission examined the situation at certain frontier posts with a view to improving crossing conditions; it also studied various general problems such as the improvement of infrastructures and the development of road traffic under TIR ⁽¹⁾ arrangements.

215. On 8 October 1963, in order to meet the concern expressed on several occasions by the European Parliament and by the Economic and Social Committee, the Commission once more put before the Council its proposal of 7 November 1961 to extend to long-distance pipelines the procedure of prior examination and consultation which was the subject of the Council decision of 21 March 1962. It asked the Council to take a decision on the matter at its next session on transport affairs.

Application of the rules of competition to the transport sector

216. Under Council Regulation No. 141 the transport sector is not affected by Regulation No. 17.

In accordance with Article 2 of Regulation No. 141, the Commission will submit to the Council by 30 June 1964 proposals for the application of the rules of competition to transport by rail, road and inland waterway.

The Commission examined the Governments' replies to the questionnaire addressed to them on aids granted by the Member States to transport firms.

There will be meetings of government experts to advise the Commission in defining for the purpose of Article 77 of the Treaty the expression "aids... required to co-ordinate transport or discharge certain obligations which are inherent in the concept of public service".

⁽¹⁾ *Transport International Routier.*

Social problems in the transport sector

217. In December 1963 the Commission arranged a Round Table on social policy in the transport sector to obtain the opinions of the Governments and both sides of industry as to the measures to be taken. The questions examined were the harmonization and co-ordination of working conditions, vocational training, employment, and industrial health and safety. The Commission will continue its survey of working conditions in the three types of transport in order to make concrete proposals in the near future.

Relations with international organizations

218. The Commission has maintained close contacts with international organizations of all types, governmental, professional and trade union, active in the transport sphere.

It continued to take part in meetings of the Central Commission for the Navigation of the Rhine under the co-operation agreement with that Commission. The meetings were largely devoted to a study of problems arising from the application of Regulation No. 11 and the common transport policy to Rhine shipping. It likewise followed the work of the ECE (Economic Commission for Europe) Inland Transport Committee and the European Conference of Transport Ministers. It was represented by an observer at the meetings of the OECD Maritime Transport Committee.

The Commission's relations with the employer's associations and trade unions continued satisfactorily. An example of co-operation with these bodies was afforded in particular by the Round Table on social problems in the transport sector. On several occasions the Commission invited them to send delegates to join groups of experts studying special problems.

European road policy

219. On a motion for a resolution on a European road policy put by M. Pleven, the European Parliament at its session of 23 January 1964 approved the interim report on a European road policy presented on behalf of its Transport Committee by M. Brouot-L'Hermine. The Parliament also passed a resolution recalling its view on the regulations concerning the weights and dimensions of commercial vehicles, urging that these regulations be embodied in a European highway code to be drawn up in the near future.

In its Action Programme to promote a common transport policy of 23 May 1962, the Commission has already stressed the importance it attaches to the introduction of a European highway code, which must take into account the work already done by the Economic Commission for Europe (ECE) and the European Conference of Transport Ministers (ECTM). The Community must begin by approving the principles which have been or will be adopted by the ECTM before formulating, as soon as possible, the European highway code itself.

With this object in view, the Commission has continued to co-operate with the ECTM in harmonizing road traffic and safety rules. As soon as the work in hand has made sufficient progress, proposals will be made in these two spheres.

FUTURE DEVELOPMENTS

220. Without waiting for the Council to pronounce on the five proposals submitted on 21 May 1963, the Commission decided to go ahead with the preparation of other measures foreshadowed in the Action Programme to promote a common transport policy according to the time-table laid down therein.

It has submitted one new proposal for a regulation and will very shortly submit another. The first, dated 11 March 1964, concerns the abolition of double taxation on motor vehicles, a measure provided for in the proposal on the harmonization of competitive conditions ⁽¹⁾. The second concerns the introduction of common rules for international passenger transport by road and is the first common policy measure for this class of transport; the measures proposed are to co-ordinate the various forms of passenger transport by road and liberalize non-scheduled services.

Further proposals for other far-reaching measures will shortly be made.

221. In so far as they concern inland waterway shipping, all measures contained in the Commission's proposals apply in principle, to Rhine shipping. But, as the example of Regulation No. 11 has shown, there are difficulties in

⁽¹⁾ See sec. 201.

applying to the Rhine the measures taken in pursuance of the Rome Treaty. The Commission therefore called for an examination by the Council of the whole question of Rhine shipping. To this end, the Commission will shortly submit a memorandum putting forward its views.

Social policy

IMPROVEMENTS TO COMMUNITY REGULATIONS

Social security for migrant workers

222. Continuing its work to improve and simplify Regulations Nos. 3 and 4, the Commission on 25 July 1963 submitted to the Council a proposal for a regulation on the granting of allowances for pensioners' children and for orphans ⁽¹⁾; the Council adopted this proposal on 18 December 1963.

On 12 November 1963 the Commission put before the Council a proposal for a regulation to remedy certain abuses (particularly in the building and construction sector) arising from Article 13 of Regulation No. 3; the proposal would enable workers employed in a Member State other than their country of origin to be affiliated to the social security scheme of their country of origin for a maximum of two years and persons who normally pursue their occupation in more than one Member State (certain commercial travellers, for instance) to be brought under a single system of social security legislation ⁽²⁾.

The Administrative Committee has also reviewed the provisions of bilateral agreements relating to mineworkers still in force under Regulations Nos. 3 and 4 and has withdrawn those which were less favourable for the workers in question ⁽³⁾. The Committee is similarly revising the other bilateral provisions contained in the annexes to these regulations.

⁽¹⁾ Regulation No. 1/64/CEE, official gazette of the European Communities, No. 1, 8 January 1964.

⁽²⁾ Regulation No. 24/64/CEE, official gazette of the European Communities, No. 47, 18 March 1964.

⁽³⁾ Specifically by Regulation No. 130/63/CEE, official gazette of the European Communities, No. 188, 28 December 1963.

223. In accordance with Regulation No. 36/63/CEE on social security for frontier workers ⁽¹⁾, a proposal for a regulation adding annexes thereto was submitted to the Council on 18 October 1963 and adopted on 18 December 1963 ⁽²⁾. The proposed regulation lists the provisions of agreements relating to frontier workers not affected by Regulation No. 36/63/CEE. In accordance with the Parliament's wishes, the provisions in question are those conferring greater advantages on frontier workers. The Commission has also made a regulation, dated 29 January 1964, listing the communes comprised in the frontier zones established on either side of the frontier between France and neighbouring Member States ⁽³⁾.

224. On 13 March 1963 the Commission put before the Council a proposal for a regulation, replacing its initial proposal, concerning social security for seasonal workers and similar categories of worker (particularly temporary workers); this was adopted by the Council on 11 July 1963 ⁽⁴⁾. The new regulation amends and supplements Regulations Nos. 3 and 4 to ensure that the workers concerned and their families are entitled to all social security benefits. This was followed by a regulation adopted by the Council on 18 December 1963 maintaining the more favourable provisions of earlier agreements and administrative procedures which have proved satisfactory ⁽⁵⁾.

All these regulations came into force on 1 February 1964.

At the first meeting arranged by the Commission between the members of the Administrative Committee and representatives of European employers' and workers' associations, a number of points were raised in connection with Regulations Nos. 3 and 4.

The Commission is preparing another joint meeting to be held some time in 1964.

(1) See Sixth General Report, sec. 185.

(2) Regulation No. 3/64/CEE, official gazette of the European Communities, No. 5, 17 January 1964.

(3) Regulation No. 7/64/CEE, official gazette of the European Communities, No. 18, 1 February 1964.

(4) Regulation No. 73/63/CEE, official gazette of the European Communities, No. 112, 24 July 1963.

(5) Regulation No. 2/64/CEE, official gazette of the European Communities, No. 5, 17 January 1964.

All the amendments made to Regulations Nos. 3 and 4 over the last five years are to be consolidated.

EUROPEAN SOCIAL FUND

225. Reimbursements decided upon by the Commission in the course of 1963 with the approval of the Fund Committee stood at 7 561 477 units of account, distributed as follows among five countries (Luxembourg made its first application in the course of 1963 and has not yet received a grant):

TABLE 15

(in units of account)

Countries	For retraining	For resettlement	Total
Germany (FR)	1 428 995	304 270	1 733 265
Belgium	350 532	—	350 532
France	2 591 846	10 604	2 602 450
Italy	2 134 371	—	2 134 371
Netherlands	740 859	—	740 859
Total	7 246 603	314 874	7 561 477

The schemes carried out enabled 80 328 workers to find new jobs after retraining or settlement. The breakdown by countries is as follows:

TABLE 16

Countries	Workers retrained	Workers resettled	Total
Germany (FR)	12 465	6 063 Germans 35 740 Italians	54 268
Belgium	994	—	994
France	5 036	95	5 131
Italy	18 929	—	18 929
Netherlands	1 006	—	1 006
Total	38 430	41 898	80 328

Most of the retrained workers found new employment in industry (construction, metalworking), except those retrained in Germany, where a considerable proportion of the new jobs (more than 50%) were in the services sector. Only a very small proportion of workers retrained in Italy were re-employed locally; the others took jobs in the north of the country or in one of the other Community countries. Workers' resettlement schemes in Germany for which expenditure was refunded mainly concerned Italian immigrants.

Following these reimbursements the Fund's balance-sheet showed movements of 1 016 408 units of account from Germany, Belgium and Luxembourg to Italy (622 075 units of account), France (182 777 units of account) and the Netherlands (211 556 units of account).

New applications in the current year (an estimated 23.2 million units of account) show a large increase over last year (about 24%); which may be attributed to higher operational costs and the expansion of retraining schemes. Assistance from the Fund in the course of 1962 may well be one of the factors in this expansion.

The 1964 budget totals 23.2 million units of account, 14.6 million for retraining and 8.6 million for resettlement. To this should be added the 17.6 million units of account that the Commission proposed to the Council should be carried forward into 1964 to meet applications outstanding on 31 December 1963. During the current financial year, therefore, the Fund should have a total budget of about 41 million units of account.

226. In 1963 the European Social Fund was in its third year of actual operation. In the light of the experience gained, the Commission recommended certain changes.

On the Commission's proposal the Council issued Regulation No. 47/63, dated 31 May 1963 ⁽¹⁾, making a number of changes in Regulation No. 9 (which governs the Social Fund) in order to facilitate and speed up the work of the relevant government departments and the procedure for submitting and examining applications for reimbursement. These changes also make it possible to extend the scope of Regulation No. 9 to cover handicapped workers and

(¹) See official gazette of the European Communities, No. 86, 10 June 1963.

those who cannot be found new jobs within the specified period because of military service obligations.

On 14 October 1963 ⁽¹⁾ the Commission issued Regulation No. 113/63, laying down the procedure for examining applications for aid, and on 18 February 1964 ⁽²⁾. Regulation No. 12/64, laying down the conditions under which workers are to be regarded as underemployed within the meaning of Article 2 of Regulation No. 9.

Lastly, by decision dated 28 March 1963, the Commission drew up a second list of statutory bodies entitled to reimbursement from the Fund, bringing the total number to 62.

In accordance with the Action Programme for the Second Stage, the Commission has taken up the question of expanding the scope of the Social Fund. One of the objects of this review, which was called for by the European Parliament, is to bring some of the criteria for assistance from the Fund more into line with economic and social developments in the Community. The Committee of the Social Fund has set up a working party for this purpose.

EMPLOYMENT AND VOCATIONAL TRAINING

Employment policy

227. A certain amount of strain persisted on the labour market in 1963. Lack of balance, particularly as regards skilled workers, continues to raise serious problems: there were shortages of skilled labour in the Federal Republic of Germany, the Netherlands and Luxembourg, where the number of vacancies is far in excess of applications. In France the expected slight easing of the situation did not materialize, and there were appreciable labour shortages in Belgium also. In Italy manpower reserves have dwindled as economic expansion continued, and the north of the country in particular suffers from a lack of skilled workers.

In its annual report on labour market trends, the Commission, believing that the measures it had previously suggested were still valid, urged the Member States to apply them on a broader basis. It advocated the rapid elaboration, by

(1) See official gazette of the European Communities, No. 153, 24 October 1963.

(2) *ibid.*, No. 32, 22 February 1964.

agreement between the countries concerned, of additional training programmes in certain trades, particularly the building and allied trades.

The Commission recommends that the Member States, in co-operation with itself, embark upon or intensify joint courses of action to co-ordinate employment policies and medium- and long-term measures for training craftsmen and technicians.

The Council took note of this report during its session of 7 February 1964.

With a view to improving the skilled-labour situation, the Commission, after consulting both sides of industry, worked out with government experts an initial programme for collaboration on vocational guidance by the authorities in the Member States.

That the Member States' employment services are playing a greater part is unquestionable. The Commission is therefore drafting monographs on the work of these departments in order to gain as much information as possible from a study of the changes taking place with a view to establishing a programme for co-operation.

A study on underemployment in Belgium was discussed by its authors with representatives of the Commission, the Belgian Government and the trade associations concerned. The study will be published in the course of 1964. It represents the Commission's first effort to gather more detailed information on underemployment and on ways and means of remedying it.

Common vocational training policy

228. On 2 April 1963 the Council approved a Commission proposal made under Article 128 of the Treaty, laying down "general principles of a common policy on vocational training" ⁽¹⁾. On 18 December the Council issued the constitution and rules of the Advisory Committee ⁽²⁾ as required by the fourth of these principles.

Preparatory work has been begun on implementing some of the more urgent of the principles. The sixth requires the Commission to encourage direct

⁽¹⁾ See Sixth General Report, sec. 189, and official gazette of the European Communities, No. 63, 20 April 1963.

⁽²⁾ See official gazette of the European Communities, No. 190, 30 December 1963.

exchange of experience in the field of vocational training, and according to the seventh it should support any measures to improve and develop the training of teachers and instructors. Talks have been held with government experts to work out means of encouraging the exchange of information and experience among the instructors, to institute a programme of visits and seminars and to look into the possibilities of organizing training courses and further training for instructors on a European scale.

In applying the eighth principle (alignment of levels of training), the Commission decided to give priority to work connected with certain metalworking and building trades of importance to the Community in which there is frequent migration and which are suffering from labour shortages in the various countries. It is to be decided what knowledge and skills should be the minimum requirements—though further, traditional requirements may be added in each country—in the mutual recognition of diplomas or certificates awarded on the completion of training courses.

Among the special problems to which, according to the tenth principle, priority must be given, it is agriculture and regional policy which have received most attention. A draft action programme has been drawn up for a common policy on vocational training in agriculture ⁽¹⁾. This programme takes into account the present and future needs of the organized agricultural markets and scientific and technical progress. The policy proposed will help to realize optimum productivity and promote the speedier rise of living standards among the agricultural population. The programme will be submitted to the Advisory Committee.

The new proposals on the exchange of young workers submitted to the Council by the Commission ⁽²⁾ were endorsed by resolution of the European Parliament in November 1963 ⁽³⁾ but have not yet been agreed to by the Council.

PLANS TO HARMONIZE SOCIAL POLICIES

Wages and working conditions

229. The scope of the Commission's work on social harmonization was defined more clearly and extended in 1963/64, with the co-operation of governments

⁽¹⁾ See Chap. II, sec. 195.

⁽²⁾ See Sixth General Report, sec. 190.

⁽³⁾ See official gazette of the European Communities, No. 182, 12 December 1963.

and both sides of industry. Now that it has been established on what points the various countries agree and where they diverge, and now that information on recent developments in social policy in the Six is more accurate and more frequently distributed, the technical foundations for social harmonization have certainly been laid, but what is more these developments have stimulated among workers and management, the true architects of social harmony, the desire to achieve it.

The Commission has continued to hold meetings with representatives of workers' and employers' associations, sometimes with government delegates present.

The joint working party on labour relations held a number of meetings to discuss the law on collective bargaining and a number of important practical matters in labour relations. The most recent developments in the field of collective bargaining in the Member States were examined (greater independence in bargaining in the Netherlands, social planning in Belgium, innovations in bargaining in the Italian metalworking industry, longer paid holidays in France, the bill on collective agreements in Luxembourg, etc.).

A plan has been prepared by government experts in conjunction with workers' and employers' representatives for a centralized inventory of collective agreements and their statistical interpretation.

Surveys are in progress on working hours and agreements on this matter in six industries (motor manufacture, electrical engineering, rubber, man-made fibres, chemicals, textiles): Statistics on working hours in some Member States are not always comparable. A survey on Sunday work has also been undertaken.

Information on the level and structure of labour costs and workers' incomes, which is indispensable for a wages policy (point 86 of the Action Programme), has been considerably improved by further wage surveys made by the Statistical Office of the European Communities. Following the first survey covering fourteen industries in 1959 and a second for eight industries in 1960, the first series of common statistics on labour costs and workers' wages has been completed by a survey on another thirteen industries. These surveys, covering thirty-five branches of industries in all, have clarified the situation as regards the level composition of labour costs and wages in practically the whole industrial sector by applying uniform principles and definitions. This made it possible for the first time to make an international comparison of these factors, which are so important for a study of the economic and social situation. The three surveys are being repeated for the three-year period 1962-64.

The Commission examined and discussed the results of the first survey (for 1959) in the course of several meetings with workers' and employers' representatives. The Commission is following up its surveys by monographs on the economic situation, on the legal, contractual and real conditions of work, and in particular on wage structure, in three industries (cotton-spinning, rubber, ship-building and ship repairs). These supplementary studies, in which the relevant trade organizations are co-operating, are intended to discover the reasons for the sometimes remarkable divergences that the survey has revealed in the level and structure of labour costs.

Equal pay for men and women

230. The resolution of the Member States dated 30 December 1961 laid down that by 30 June 1963 any difference still existing between the pay of men and women workers should be reduced to no more than 10 %. The Commission, in close co-operation with the member Governments and representatives of workers' and employers' organizations, enquired into the extent to which Article 119 had been put into effect at that date and reported thereon to the Council. Progress has been made, but the deadline was not met in all sectors and in some countries the principle of equal pay only applies in jobs done by both men and women, and therefore affects only a limited number of women workers. The Commission issued a reminder to the Governments and both sides of industry that the absolute deadline laid down by the resolution of 30 December 1961 for the full introduction of equal pay was 31 December 1964.

The Commission's report also notes the series of studies and surveys on equal pay carried out in the EEC ⁽¹⁾, which was concluded in 1963 by studies in the three Benelux countries. Detailed analyses were also made of job-classification systems as applied to men and women workers. In addition, the Statistical Office is continuing the preparation of statistics on this matter.

The Commission has more and more been inviting experts from trade associations to contribute to its studies on wages and working conditions, moving in this way towards the constitution of joint committees for the major economic sectors or branches of industry (Action Programme, point 80). On 17 May 1963

(1) See Sixth General Report, sec. 194.

a Joint Advisory Committee on the social problems of farm-workers was set up ⁽¹⁾.

Protection of workers

231. A working party of government experts and workers' and employers' representatives has concluded a comparative survey of provisions for the protection of young people at work and has begun a similar study on the protection of mothers. In each of these fields recommendations will be made on a common approach to a harmonization of national provisions.

232. The Commission's work on industrial health and safety was intensified in response to a suggestion of the European Parliament. Furthermore, the stage reached in the liberalization of movements of goods and services was beginning to make it a matter of urgency to determine what obstacles to trade might result from the existence of divergent national regulations on industrial safety. Both purely social concerns and economic requirements make it imperative that work in this field be speeded up and intensified. Now that an Industrial Health and Safety Division has been set up in the Commission, the programme of work can be reviewed as desired by the European Parliament. Those concerned with this matter in the Member States are consulted on the choice of industry to be dealt with, long-term planning and efficient working methods. Like the ECSC Mines Safety Commission, a meeting of heads of industrial health and safety departments in the Member States has been called regularly since May 1963 (four times already), attended also by experts from the industrial safety offices and inspectorates. Safety regulations on all farm machinery, woodworking machinery, setting and grinding machines and the like are to be harmonized between 1964 and 1966. Work on electrical hand tools and electrical farm equipment is far advanced and basic rules can be expected by the end of 1964. On the other hand, provisions regarding electrical machinery on sites where there is a risk of explosion will take rather longer. General rules must be drawn up if possible in 1964 for the marking and packaging of poisonous, dangerous or noxious substances; the rules are to be completed over several years and will gradually cover the handling of these substances. These pro-

(1) See official gazette of the European Communities, No. 80, 19 May 1963.

visions are important for all industries, but especially for chemicals and agriculture sectors in which the Parliament had stressed the urgent need for studies. As regards lifting machines and conveyors, some of the initial draft provisions on cranes for construction work have been made. Provisions on lifts and hoists will be worked out in 1964/65. Simultaneous agreement in principle will have to be reached on components such as cables, hooks and chains, which will facilitate the subsequent study of other lifting equipment. In the building sector, comprehensive regulations for metal scaffolding will be outlined during the first half of 1964. In certain sectors (electrical engineering in particular), work is so far advanced that some basic provisions may be drawn up in the course of 1964.

The Commission intends to encourage the large-scale exchange of experience among the Member States in the field of propaganda for accident prevention. It also proposes to work out a recommendation inviting the Member States to encourage or even to some extent oblige firms to set up departments responsible solely for industrial safety.

On the Parliament's advice the Commission is now considering what would be the most appropriate form of legal instrument, bearing in mind the special requirements of the subject matter but also the powers of intervention conferred on the Community in this field by the Treaty.

In the sphere of industrial health, draft recommendations for the prevention of occupational diseases are being prepared, and two basic studies that may eventually lead to draft recommendations have just been begun—relating to industrial medical services and to medical supervision of workers exposed to special hazards ⁽¹⁾.

Housing policy, social services and family questions

233. From 16 to 19 December 1963 the Commission held a symposium on low-cost housing attended by some 130 representatives of the Member Governments, of workers' and employers' associations and of family movements. Delegates from the European Parliament, the Economic and Social Committee, ECSC, ILO and other international bodies also participated.

⁽¹⁾ See also sec. 236 (occupational diseases).

The working parties into which the symposium was divided compared methods of assessing housing requirements, analysed demand and ability to pay and studied qualifications for tenancy of low-cost housing.

Following exchanges of views and information on the statistical, economic and social aspects of these three subjects, conclusions were adopted by the working parties; what effect should be given to these conclusions is still being studied.

Among the questions raised, mention should be made of housing for migrant workers, slum clearance and the possible establishment of a standing advisory committee on low-cost housing.

The Commission has prepared a draft recommendation on housing for workers and their families moving from one Community country to another.

The Commission took note of the effect given by the Governments of the Member States to the recommendation it addressed to them on 1 August 1962 ⁽¹⁾ concerning social services for migrant workers and their families. The initial results may be said to be encouraging. The Commission has also introduced a second programme of scholarships enabling social workers to train abroad with welfare services responsible for migrant workers ⁽²⁾.

The Commission held discussions with government experts and with representatives of family and trade organizations to ascertain what progress had been made in family policy in the Member States (family allowances, tax relief, various forms of family assistance, etc.). It was invited to send representatives to the annual conference of Ministers responsible for matters of family welfare, which was held in 1963 by the six Member States, the United Kingdom, Austria and Switzerland, to study problems arising from the ageing of the population and measures to help old people.

Social security

234. Following the European Conference on Social Security in December 1962, the Commission submitted to the Governments of the Member States in

(1) See official gazette of the European Communities, No. 75, 16 August 1962, and Sixth General Report, sec. 186.

(2) The first programme was outlined in the Sixth General Report sec. 186.

July 1963 a draft scheme for the harmonization of social security systems laying down general guide-lines and a short-term programme.

A start has been made on giving effect to this proposal, revised in the light of member Governments' comments, and after consultations with management and labour: industrial-accident and occupational-disease benefits have been studied, ways and means of executing the Action Programme to promote a social policy in agriculture (which aims at parity with other sectors) have been investigated, and definitions have been worked out for a number of concepts in social security on which legislation in the six Member States should be harmonized, or even made uniform.

In accordance with the Commission's wishes, a number of important bills on social security have been transmitted to it by some of the Member States and have been forwarded to the others.

The Commission has brought up to date the various studies and publications in this sphere for the benefit of government experts and trade associations.

235. A report on supplementary social security schemes operating in various sectors of the economy is being drawn up, despite the scarcity of data. The report on schemes in the building industry is now complete. A similar study has been begun on special social security schemes of a compulsory nature, which vary a great deal in number and character from country to country. Lastly, the Commission has decided to investigate the economic effects of social security.

With a view to the co-ordination of social security schemes for self-employed workers, various comparative tables have been or are being prepared. These relate to craftsmen, tradesmen and industrialists, and members of the liberal professions. They will be officially distributed after being checked by the representatives of the Member States.

These tables serve as a basis for the co-ordination of social security systems applying to self-employed persons benefiting from freedom of establishment, in accordance with the principle laid down in the Sixth General Report ⁽¹⁾.

236. On 23 July 1962 the Commission sent to the Governments of the Member States a recommendation (already approved by the ECSC High Authority and

(1) See sec. 35.

the Euratom Commission) on the adoption of a European list of occupational diseases ⁽¹⁾.

After an interval of one year the Commission enquired of the Governments what action they had taken or were contemplating to give effect to the recommendation and examined the replies at a meeting with government experts. The representatives of the trade associations were then informed of the measures taken by the Government in each country.

Several Member States have already extended their lists of occupational diseases, and others are preparing to do so.

The Commission is also pleased to note that the combined system it advocated in the recommendation has been adopted in the German Federal Republic and that information is being exchanged on certain occupational diseases between various countries.

⁽¹⁾ See official gazette of the European Communities, No. 80, 31 August 1962, and Sixth General Report, sec. 198.

CHAPTER III

THE COMMUNITY AND THE DEVELOPING COUNTRIES

The associated States, countries and territories

ACTIVITIES UNDER THE TRANSITIONAL ASSOCIATION SYSTEM WITH THE AFRICAN STATES AND MADAGASCAR

Ratification of the Association Convention

237. By 31 March, 15 associated States (the Republics of Cameroon, Chad, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and the Central African Republic) and two Member States (France and Belgium) had completed the procedure for ratifying the Association Convention signed at Yaoundé on 20 July 1963 by depositing their instruments of ratification with the Secretariat of the Councils.

The Convention, known as the Yaoundé Convention, has also been communicated to the GATT Contracting Parties.

Transitional arrangements

238. When the Yaoundé Convention was initialled, on 19 December 1962, by the representatives of the associated States and of the Member States, transitional measures were jointly agreed on pending its coming into force. These arrangements were to be valid until 31 December 1963 ⁽¹⁾.

They concerned :

- a) The progressive abolition of customs duties and charges with equivalent effect;
- b) Import quotas in the associated States and in the Member States;

(1) See Annex I to the Association Convention.

c) Consultations under the Community's agricultural policy with a view to accommodating the interests of the associated States as regards products similar to and competitive with European products;

d) Maintenance of the right of establishment as instituted in pursuance of the Treaty at 31 December 1962;

e) An undertaking to introduce no measures incompatible with the new Convention.

In addition to the above arrangements the Council authorized the Commission to award 200 new scholarships and organize more training periods and short courses.

239. When the Convention was signed on 20 July 1963 an interim Committee was formed by agreement between the Community and the associated African States and Madagascar to bridge the gap until the institutions provided for in the Convention were set up. This Committee is presided over in turn by the Permanent Representative of the Member State in the chair at the Council and by a representative of the associated States. It met on 19 November 1963, 13 December 1963, 31 January 1964, and 20 March 1964.

The following matters were dealt with:

a) Preparation of draft rules of procedure for the Council of Association and the Association Committee (Articles 44 and 46 of the Convention);

b) Transition between the former system and the entry into force of the Convention: the transitional provisions of Annex I of the Yaoundé Convention expired on 31 December 1963. The Community proposed to the representatives of the associated States, who accepted that they be extended until the Convention came into force or at latest until 30 June 1964;

c) Contacts between the Community and African non-member States: the representatives of the associated African States and Madagascar were informed of the outcome of the exploratory talks between the Commission and a Nigerian delegation and of those with a joint delegation from Kenya, Uganda and Tanganyika, and of contacts with Morocco, Tunisia and Algeria;

d) Trade: the associated States were consulted on the suspension of duties envisaged by the Community in favour of India for certain products which are also of interest to them. At their request the Council decided that the duties

would not be entirely suspended but temporarily reduced. Furthermore the products in question originating in associated States will enter the Community duty-free during the period when duties are temporarily reduced. The AASM were also to be consulted on the current negotiations with Israel. On these two questions practical solutions were agreed which amply take into account the interests of the associated States.

240. The Commission periodically holds meetings with the representatives of the associated States to inform them of studies of particular interest to their countries or concerning development. It receives from them information or comments on matters of common concern.

Relations between the Commission and the representatives of the associated African States and Madagascar

241 By 1 January 1964 all the 18 associated States had established permanent delegations to the Community. Fifteen of these have their offices in Brussels, one in Bonn and two in Paris.

The presence of representatives of the AASM in Brussels facilitates the exchange of information and the Commission's work on association matters as well as co-ordination with the relevant government departments in these States.

The Commission's relations with these representatives have taken place through periodical information meetings and the above-mentioned meetings of the Interim Committee. But the execution of the association programme also entails day-to-day contacts with each representative.

Finally, the Commission is endeavouring to find ways and means of improving its co-operation on the spot in the AASM so as to make its action more effective and, more generally, to make the Community better known in Africa.

*THE RENEWAL OF THE ASSOCIATION SYSTEM WITH THE
OVERSEAS COUNTRIES AND TERRITORIES
AND THE FRENCH OVERSEAS DEPARTMENTS*

The Council decisions of 3 December 1963

242. The Commission had sent to the Council on 12 June 1963 a memorandum concerning the future association system with the overseas countries and territories and the French overseas departments.

The provisions finally agreed upon by the Council are almost identical with the proposals in the Commission's draft. In a general way they reproduce the provisions of the Convention, with the exception of those concerning institutions, since the Community institutions are competent to give effect to the decision.

The Council also took a special decision making applicable to the overseas departments the provisions on the right of establishment and of payments, in accordance with Article 227(2), second sub-paragraph, of the Treaty.

These decisions will take effect at the same time as the internal agreement on the financing and management of Community aids concluded in Yaoundé on 20 July 1963 and to be ratified by the Member States.

Association with the Netherlands Antilles

243. The Association Convention with the Netherlands Antilles signed 13 November 1962 (1) has not yet come into force, as only three countries (Belgium, the Netherlands and France) have so far deposited instruments of ratification. The procedure for ratification is going ahead satisfactorily in the others.

THE COMMUNITY AND NON-MEMBER COUNTRIES WITH ECONOMIC STRUCTURES AND PRODUCTION COMPARABLE TO THOSE OF THE ASSOCIATED STATES

Declaration of intention

244. When the Association Convention was signed in Yaoundé, the representatives of the Community States meeting in the Council declared their readiness to negotiate in a sympathetic spirit agreements with any non-member countries who so requested and whose economic structure and production were comparable to those of the associated States. Such agreements could take the following forms:

(1) See Sixth General Report, sec. 217.

- a) Accession to the Yaoundé Convention according to the procedure laid down in Article 58 thereof, or
- b) Association agreements with mutual rights and obligations, particularly in matters of trade, or
- c) Commercial agreements to facilitate and expand trade between the Community and these countries.

In making this declaration the Member States, having regard to the importance attaching to the development of intra-African co-operation and trade, wished to show their willingness to co-operate on a basis of complete equality and friendly relations in accordance with the principles of the United Nations Charter.

Relations with the Federal Republic of Nigeria

245. Following a memorandum to the Commission from the Government of Nigeria requesting the opening of negotiations with the Community for an agreement to preserve and strengthen existing relations, exploratory talks were held from 21 to 28 November 1963 between the Commission and a Nigerian delegation.

The Commission pointed out the advantages of the first formula mentioned in the declaration of intention (accession to the Convention), but the Nigerian delegation stated that Nigeria's special position did not permit it to envisage taking this course. The third formula (commercial agreement) could be of only limited scope, but the second (association agreement) would enable Nigeria, in the framework of a free trade area conforming with the obligations of GATT, to conclude an agreement of the same duration as in the case of the associated States and to enjoy similar trade advantages.

The Commission submitted a report on these exploratory talks to the Council, which put in hand a study of this question with a view to working out terms of reference for negotiations.

Relations with Tanganyika, Uganda and Kenya

246. The Governments of the three member States of the East African Common Services Organization, Tanganyika, Uganda and Kenya, sent a joint

request in which they also refer the above-mentioned declaration of intention.

Exploratory talks took place from 10 to 14 February 1964. The points raised at these talks pose similar problems to those involved in the Nigerian application.

The Commission drew up a report for the Council on the talks.

DEVELOPMENT OF TRADE

General

247. In 1963 trade between the Member States and the associated African States and Madagascar was governed by the transitional arrangements adopted on 19 December 1962 and extended until 30 June 1964.

Furthermore, by a decision of 31 May 1963 the Council authorized the Commission, in advance of the entry into force of the new association Convention, to begin a study of the programmes by the associated States in support of applications for production and diversification aids.

In pursuance of this decision the first dossiers have been examined and experts sent to those associated countries which requested help in working out their programme.

Two decisions regarding duties should be mentioned: On 4 February 1964 the Council decided to reduce to 9.6 % until 30 June 1964 the CCT duty on coffee not roasted or freed of caffeine, heading 09.01 A I a.

The representatives of the Member States' Governments also decided to suspend until 30 June 1964 the duty which the Six apply between themselves to coffee under the same heading. This suspension also applies to imports into the member countries of the above product when it originates in States or territories associated with the Community.

Customs disarmament

248. In the tariff field the transitional measures provide that abolition of customs duties and charges with equivalent effect shall continue in conformity with the system in force on 31 December 1962.

The Member States have applied the cuts in intra-Community duties which took place on 1 July 1963 to imports of products originating in the associated States. This brings to 60 % the reduction made by the Member States in favour of the associated States for products other than those mentioned in Annex II of the Treaty (non-agricultural products). The total reduction has reached 45 % for those agricultural products which are still subject to quotas and for certain tropical products (coffee, cocoa and coffee beans, spices). It is 40 % for the other products.

These reductions appreciably increase the preferences which the associated States enjoy.

On 1 July 1963 those of the associated African States including Madagascar which have a discriminatory tariff made a further cut of 10 % in favour of imports from the Community.

After this further reduction the tariff situation in the associated States with regard to imports from the Member States is as follows:

On 1 July 1962 Cameroon, Chad, the Congo (Brazzaville), the Central African Republic and Gabon, which make up the Equatorial Customs Union, established a discriminatory tariff and at the same time granted duty-free entry to imports from Community States.

Madagascar and Mali also grant duty-free entry to Community imports Madagascar reserves this treatment for the Six alone, whereas Mali also grants duty-free entry to imports from certain non-member countries.

The reduction of customs duties is 40 % in Upper Volta, Mauritania, Niger, Dahomey, Senegal and Ivory Coast.

Finally certain associated States which, before independence, were subject to international conventions forbidding them to practise a discriminatory import policy, i.e. the Congo (Leopoldville), Rwanda, Burundi, Somalia and Togo, continue to apply a non-discriminatory tariff system. Consequently they still apply the same tariff treatment to the Member States of EEC and to non-member countries.

Quota disarmament

249. The transitional provisions lay down that import quotas in the associated States for products originating in the Member States and vice versa would remain at the level fixed for 1962.

The Member States: despite the standstill arrangements France has continued to widen the quotas opened to the associated States outside the franc area for the following tropical products still subject to quota in France: bananas, pineapples, pepper, coffee, coconuts. These quotas are in fact open to both the Member and the associated States.

As regards imports of bananas from associated States other than Somalia, Italy has followed the recommendation made to it by the Commission to import a minimum tonnage of bananas from these States ⁽¹⁾.

The associated States: in general these have observed the standstill obligations. Several of them, however, went further in 1963 and increased the quotas open to the Member States by 20 % or more over 1962.

*The interests of the associated States as regards products similar
to and competitive with European products*

250. Pending the entry into force of the Convention and in pursuance of the transitional provisions according to which the Community will take into consideration the interests of the associated States as regards products similar to and competitive with European products ⁽²⁾, the Commission has proposed to the Council several measures which have been or will be enacted by Council decisions after consultation with the associated States:

- a) A Council regulation suspending until 30 June 1964 the levy system as regards imports of manioc flour and starch from the associated States pending the introduction of a permanent system for these products;
- b) A Council regulation reducing levies on rice imported from associated States and countries.

To this must be added—in the framework of the Council's agreement on a common policy for oils and fats—on the one hand the abolition of customs duties on oils, and on the other the grant of direct aid for exports of oleaginous products from the associated States, on the basis of the quantities imported by the Community, in the event of prices falling below a floor price to be determined.

⁽¹⁾ See Chap. I, sec. 25.

⁽²⁾ See above, sec. 238.

TABLE

Member States' trade with the AASM (excl. Congo|Leo.

Country	1958	1959	1960	1961	1962
	<i>(in \$'000)</i>				
a) Total trade					
France	1 009 560	793 897	860 199	944 537	968 841
Germany	61 375	61 097	89 644	96 704	94 889
Netherlands	41 750	39 574	43 727	50 179	47 070
Italy	37 970	41 497	54 902	66 057	70 308
B.L.E.U.	17 507	19 661	69 634	21 751	26 077
Totals	1 168 162	955 726	1 118 106	1 179 228	1 207 185
b) Imports					
France	545 220	421 569	425 745	450 963	478 712
Germany	36 122	39 262	61 234	55 409	61 317
Netherlands	25 024	26 162	30 206	30 938	29 024
Italy	20 725	23 368	36 347	40 976	46 208
B.L.E.U.	8 089	11 883	47 497	13 940	15 984
Totals	635 180	522 244	601 029	592 226	631 245
c) Exports					
France	464 340	372 328	434 454	493 574	490 129
Germany	25 253	21 835	28 410	41 295	33 572
Netherlands	16 726	13 412	13 521	19 241	18 046
Italy	17 245	18 129	18 555	25 081	24 100
B.L.E.U.	9 418	7 778	22 137	7 811	10 093
Totals	532 982	433 482	517 077	587 002	575 940

and Rwanda Burundi) from 1958 to 1963

1959/58	1960/58	1961/58	1962/58	1960/59	1961/59	1962/59	1962/60
<i>(in %)</i>							
- 21.4	- 14.8	- 6.5	- 4.0	+ 8.4	+ 19.0	+ 22.0	+ 12.6
- 0.5	+ 46.0	+ 57.6	+ 54.6	+ 46.7	+ 58.3	+ 55.3	+ 5.9
- 5.2	+ 4.7	+ 20.2	+ 12.7	+ 10.5	+ 26.8	+ 18.9	+ 7.6
+ 9.3	+ 44.6	+ 74.0	+ 85.2	+ 32.3	+ 59.2	+ 69.4	+ 28.0
+ 12.3	+ 297.7	+ 24.2	+ 49.0	+ 254.2	+ 10.6	+ 32.6	- 62.6
+ 18.2	- 4.3	+ 0.9	+ 3.3	+ 17.0	+ 23.4	+ 26.3	+ 8.0
- 22.7	- 22.0	- 17.3	- 12.2	+ 0.1	+ 7.0	+ 13.6	+ 12.4
+ 8.7	+ 69.5	+ 53.4	+ 69.7	+ 56.0	+ 41.1	+ 56.2	+ 0.1
+ 4.5	+ 20.7	+ 23.6	+ 16.0	+ 15.4	+ 18.2	+ 10.9	- 4.0
+ 12.8	+ 75.4	+ 97.7	+ 123.0	+ 55.5	+ 75.3	+ 97.7	+ 27.1
+ 46.9	+ 487.2	+ 72.3	+ 97.6	+ 299.7	+ 17.3	+ 34.5	- 66.4
- 17.8	- 5.4	- 6.8	- 0.6	+ 15.0	+ 13.4	+ 20.9	+ 5.0
- 19.0	- 6.4	+ 6.3	+ 5.6	+ 16.7	+ 32.6	+ 31.6	+ 12.8
- 13.5	+ 12.5	+ 63.5	+ 32.9	+ 30.1	+ 89.1	+ 53.8	+ 18.2
- 19.2	- 19.2	+ 15.0	+ 7.9	+ 0.8	+ 43.5	+ 34.5	+ 33.5
+ 5.1	+ 7.6	+ 45.4	+ 39.8	+ 2.3	+ 38.3	+ 32.9	+ 29.9
- 17.4	+ 135.0	- 17.1	+ 7.2	+ 184.6	+ 0.4	+ 29.8	- 54.4
- 18.7	- 3.0	+ 10.1	+ 8.0	+ 19.3	+ 35.4	+ 32.9	- 11.4

TABLE 17 (cont'd)

Member States' trade with the AASM (excl. Congo|Leo. and Rwanda Burundi) from 1958 to 1963

(in \$'000)

Country	8 months 1962			8 months 1963			12 months 1963		
	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total
	France	342 064	318 301	660 565	349 012	347 131	696 143	510 666	527 881	1 038 547
Germany	41 134	20 996	62 130	52 136	29 292	81 428	21 138	12 173	33 311
Netherlands	21 921	11 984	33 905	22 128	12 664	34 792	36 925	20 860	57 785
Italy	29 198	14 937	44 135	39 796	18 316	58 112	84 142	46 007	130 149
B.L.E.U.	10 035	5 551	15 586	11 657	7 875	19 532	64 065	31 130	95 195
Totals	444 352	371 969	816 321	474 729	415 278	890 007	716 936	638 051	1 354 987

TABLE 18

Imports from the associated overseas countries and territories (1)

Year 1959

	Food, beverages, tobacco	Energy products	Raw materials and semi- pro- ducts	Machinery, transport material	Other industrial products	Total	% of world total
	<i>(in \$ '000)</i>						
France incl. Algeria	86 001	8 267	6 265	111 860	237 714	450 107	46.0
Italy	5 737	5 501	638	5 103	15 117	32 096	3.3
Germany (FR)	1 572	747	562	24 778	26 352	54 011	5.5
Netherlands	9 012	1 546	563	4 477	12 000	27 398	2.8
B.L.E.U.	10 961	1 202	2 101	30 198	57 116	101 578	10.4
Overseas Depts. and other overseas countries excl. Algeria	7 238	275	2 658	1 365	4 577	16 113	1.6
Total EEC + associated countr.	120 521	17 338	12 787	177 781	352 876	681 303	69.6
UK	3 691	1 728	329	17 062	18 858	41 668	4.2
EFTA excl. UK	9 607	1 277	523	6 653	10 986	29 046	3.0
USA	10 165	7 157	1 725	36 088	15 014	70 149	7.2
Africa (non associated countries)	27 610	5 059	3 822	4 014	15 546	56 051	5.7
Commonwealth outside Africa	3 011	3 249	607	909	11 238	19 014	1.9
Latin America	908	8 397	2	31	118	9 456	1.0
East bloc countries							
Comecon	1 811	—	79	94	4 880	66 864	0.7
Other non-member countries	25 322	29 524	346	896	9 746	65 834	6.7
World total	202 646	73 729	20 220	243 528	439 262	979 385	100

(1) The figures do not include the following headings: arms and munitions; returned goods; special transactions and postal packages.

TABLE 18 (cont'd)

Imports from the associated overseas countries and territories ⁽¹⁾

Year 1960

	Food, beverages, tobacco	Energy products	Raw materials and semi- products	Machinery, transport material	Other industrial products	Total	% of world total
	(in \$'000)						
France incl. Algeria	83 502	10 155	6 346	118 333	260 888	479 224	52.8
Italy	4 755	638	993	5 002	13 751	25 139	2.8
Germany (FR)	1 267	898	544	22 063	21 214	45 986	5.0
Netherlands	8 059	805	754	3 270	8 621	21 509	2.4
B.L.E.U.	6 558	753	1 273	17 013	33 011	58 608	6.5
Overseas Depts. and other overseas countries excl. Algeria	7 339	255	2 462	1 552	6 912	18 520	2.0
Total EEC + associated countr.	111 480	13 504	12 372	167 233	344 397	648 986	71.5
UK	3 783	1 207	271	12 694	13 565	31 520	3.5
EFTA excl. UK	7 012	1 830	299	4 399	8 725	22 266	2.4
USA	5 998	4 375	3 242	30 724	12 362	56 701	6.3
Africa (non associated countries)	20 250	6 833	3 703	2 423	16 297	49 506	5.4
Commonwealth outside Africa	1 288	2 433	778	574	7 998	13 071	1.4
Latin America	988	10 246	41	15	132	11 422	1.3
East bloc countries Comecon	838	—	51	94	3 453	4 436	0.5
Other non-member countries	27 056	25 266	1 718	1 628	14 469	70 137	7.7
World total	178 693	65 694	22 476	219 784	421 398	908 045	100

(1) The figures do not include the following headings: arms and munitions; returned goods; special transactions and postal packages.

TABLE 18 (cont'd)

Imports from the associated overseas countries and territories (1)

Year 1961

	Food, beverages, tobacco	Energy products	Raw materials and semi- pro- ducts	Machinery, transport material	Other industrial products	Total	% of world total
	(in \$ '000)						
France incl. Algeria	95 114	9 592	8 309	141 534	299 109	553 658	51.3
Italy	6 623	739	1 112	5 856	13 412	27 742	2.6
Germany (FR)	4 409	816	1 481	22 692	19 953	49 351	4.6
Netherlands	10 249	1 370	1 462	2 291	10 516	25 888	2.4
B.L.E.U.	11 667	709	3 327	4 535	24 152	44 390	4.1
Overseas Depts. and other overseas countries excl. Algeria	11 078	313	4 002	3 388	9 803	28 584	2.6
Total EEC + associated countr.	139 140	13 539	19 693	180 296	376 945	729 613	67.6
UK	7 873	375	1 072	12 121	11 431	32 872	3.0
EFTA excl. UK	5 775	976	875	2 535	8 855	19 016	1.8
USA	8 482	4 418	3 053	36 070	11 609	63 632	5.9
Africa (non associated countries)	19 735	2 157	4 101	2 220	22 208	50 421	4.7
Commonwealth outside Africa	1 251	2 465	452	231	9 639	14 038	1.3
Latin America	2 367	11 438	306	5	227	14 343	1.3
East bloc countries Comecon	405	1	52	67	3 299	3 824	0.3
Other non-member countries	25 804	28 933	2 850	1 050	92 441	151 078	14.1
World total	210 832	64 301	32 454	234 595	536 654	1 078 836	100

(1) The figures do not include the following headings: arms and munitions; returned goods; special transactions and postal packages.

Trade between the Community and the associated States

251. In 1962 total trade (imports and exports) between the Community and the associated States (with the exception of Congo (Leopoldville), Rwanda and Burundi) was \$1 207 million or 8% more than in 1960 (the year in which most of the associated States became independent).

Community imports from the associated States totalled \$631 million, a 5% increase in relation to 1960.

Community exports to the associated States totalled \$576 million, an increase of 11.4%.

The statistics for the first eight months of 1963 show an increase of 9% in total trade in relation to the same period of 1962 (6.8% for imports and 11.6% for exports). For the whole year 1963 the proportions are roughly the same.

TABLE 19

*Development of the EEC's imports of the fourteen chief products
of the associated overseas countries and territories (in \$ '000)*

Products	1958	1959	1960	1961	1962 (1)
Bananas	51 207	27 721	36 786	40 228	44 710
Coffee	163 155	120 914	119 726	117 790	121 405
Shelled ground-nuts	101 372	76 817	65 864	75 157	80 302
Palm kernels	23 499	24 274	23 279	14 025	14 229
Copra	13 611	16 823	10 921	5 990	9 583
Ground-nut oil	45 086	43 706	43 572	43 110	40 792
Palm oil	31 602	29 990	30 564	26 700	26 484
Cocoa beans	76 152	65 815	61 523	57 978	60 713
Rubber	11 196	14 748	16 966	13 528	12 070
Tropical woods	71 463	72 536	95 469	83 783	92 342
Cotton	53 459	49 071	43 282	39 857	35 370
Oil-cakes (feeding-stuffs for livestock)	13 705	15 447	12 873	11 466	15 966
Unmanufactured tobacco	14 653	10 495	11 199	7 428	7 543
Raw hides and skins	10 394	13 048	14 494	14 901	10 869
Total for the 14 products	680 554	581 405	586 518	551 941	572 378
EEC's percentage of world imports	23.5	20.4	18.2	17.8	18.2

(1) Netherlands New Guinea ceased to be associated with the EEC on 18 August 1962.
Source: Data from Member States.

252. The trend of trade between EEC and the associated States is shown in the above tables. The first does not include Congo (Leopoldville), Rwanda or Burundi because of disturbances to trade in these three countries due to non-economic factors. Tables 18 and 19 show the trend of trade by country and by product for all the associated countries and territories.

*Trade between the Community and the Congo (Leopoldville)
Rwanda and Burundi*

253. Total trade declined by 23.7% (26% for imports and 15% for exports) in relation to the reference year 1960.

For the first eight months of 1963 the fall in total trade was still 14 % in relation to the same period of 1962.

*CO-OPERATION WITH THE ASSOCIATED STATES,
COUNTRIES AND TERRITORIES IN TRAINING AND STUDIES*

Scholarships programme (1)

254. This programme began in 1960 and has expanded very rapidly (713 scholarships awarded for the academic year 1963/64, as against 70 in the initial year 1960/61.

The scheme has enjoyed the constant support and interest of the European Parliament, where it has been the subject of resolutions and written questions to the Commission.

Increasing interest is also being shown by the responsible authorities in the associated States, as is evident from the number of candidatures submitted for the academic year 1963/64, which was double that of the previous year.

The large number of candidates (1 200) in the academic year 1963/64, and the need to renew a large proportion (about 50%) of the scholarships awarded

(1) A detailed report on this subject will be transmitted separately to the competent Committee of the Parliament.

in 1962/63 in order to meet the needs of the training programmes, have faced the Commission with a rather delicate problem because of the delay in ratifying the Association Convention. However, thanks to the appropriations made by the Council for an initial period of five years, plus those resulting from the transitional measures applied before the establishment of the new Fund, the Commission has been able to award scholarships (including renewals) to 713 students, as against 475 in the preceding year.

The scholarship holders are allocated to the various Member States with the help of specialist bodies in these States and with due regard to the need for balanced distribution.

The number of scholarship holders placed in the associated States themselves is well up (74 as against 32 in the previous year). It may be noted that the Community makes a contribution, by way of scholarships, to the development of the training centres for statisticians recently set up in Abidjan and Yaoundé, and other scholarships are tenable at training establishments at Dakar and Ouagadougou.

Finally, at the express request of several associated States and having surveyed the existing facilities, the Commission has awarded a small number of scholarships tenable at specialist establishments in a non-member country.

The number of scholarships awarded to women candidates also increased. Most of these are for training in more specifically feminine occupations: social and health services, domestic science, farm housekeeping, child care, etc. and they serve to enhance the role of African women.

In carrying out a comprehensive training programme the Commission gives its attention to the following points:

- a)* The refinement of methods for the selection of candidates (tests and competitive examinations);
- b)* The planning of programmes according to the most urgent needs of the countries concerned;
- c)* A survey of the training facilities available in the associated States and countries;
- d)* Further training by maintaining contacts with former scholarship holders and organizing refresher and complementary courses for them.

Programme of traineeships

255. The 1962/63 training year, during which 14 African and Madagascan civil servants, a Polynesian and a trainee from Surinam spent between two and nine months with the Commission, ended on 30 June 1963.

A system of regular consultations with the representatives of the associated countries has been instituted to discuss problems of the present and future organization of the traineeship scheme, with due regard to the adjustments made necessary by the new Convention. It was again decided to organize two five-month periods yearly (15 September to 15 February, 15 February to 15 July). The five-month period corresponds to the average time spent in the Commission services by African officials in recent years. A sound educational background will be insisted upon.

In conformity with these decisions the new training year began on 15 September 1963. Six trainees worked with the Commission until 15 February: one from Cameroon, a Madagascan, four Congolese, (Leopoldville). One trainee each from Congo (Leopoldville), Mali, Niger and Senegal, two from Cameroon and one from Somalia are at present working with the Commission.

In addition, the Commission recently offered a traineeship to an official from the Malagasy Parliament in the Secretariat of the European Parliament. Thus the training programme which the latter instituted in September 1962, and under which it had received eight nationals of the AASM in its services by 31 December 1963, is continuing.

Short training courses

256. The 1963 programme included 27 courses, and 12 information meetings were held at the request of national bodies. In this way 1 540 persons were given an introduction to association problems in 1963.

The "itinerant" approach confirmed the good results already obtained in 1962, when it was first adopted.

In response to the comments of the European Parliament a special effort has been made to increase the number of English-speaking participants and to accentuate the "symposium" aspect of these sessions by adding, whenever possible, the presentation of one or two papers followed by discussion on

problems of the general economy or development of the region in which the session was being held.

Association correspondence

257. In order to keep up regular relations with the former scholarship holders and trainees and with those who have participated in symposia or conferences, the Commission publishes an information bulletin (three numbers have appeared so far) which provides subject matter for a great deal of correspondence from the associated countries.

THE EUROPEAN DEVELOPMENT FUND (1)

258. As regards the European Development Fund the Commission has proceeded on the lines of the Parliament's resolution of 28 March 1963 and the Council decision of 1 and 2 April 1963 and has been concerned during the interim period preceding the entry into force of the new Association Convention:

- a) To study the programmes and investment projects which it invited the associated countries to continue to submit to it;
- b) To use the balance and reserves of the first Fund for financing priority projects of particular interest to the Governments of the associated States and territories;
- c) To use the extra amount of 2 million units of account appropriated by Council decision of 30/31 May 1963 from the resources of the first Fund to finance the final study of projects already submitted and the examination of others which the associated Governments have expressed the wish to submit under the second Fund;
- d) To use the transitional period to the best advantage in expediting the finalization of dossiers and practical details for the execution of schemes which it had previously approved at the preliminary draft stage;

(1) A detailed report on this subject is being drawn up and will be transmitted separately to the Parliament and to its relevant Committee.

e) To prepare the regulations and administrative instructions relating to financial and technical co-operation under the new Association Convention.

259. When the Implementing Convention expired at the end of 1962, the Commission had received from the associated countries and territories 799 projects requiring in the aggregate about 1 300 million units of account. It had decided to finance 316 of these projects totalling nearly 440 million units of account of provisional commitments. Taking into account surveys financed separately, related costs and provision for the increases over initial estimates which in practice occur, this represented a total of about 512 million units of account (88 % of resources).

In 1963, during the transitional period, 85 new projects representing a total requirement of about 100 million units of account were submitted. Examination of these is proceeding concurrently with that of projects submitted before 1 January 1963 on which it had not yet been possible to make a decision.

At 31 December 1963 the balance-sheet of the first European Development Fund in millions of units of account was as follows:

TABLE 20

Areas (1)	Allocation	Commitments and reserves for excess over estimates (31. 12. 63)	Balance (approximate)
I	30	27	3
II	506	506	—
III	10	5	5
IV	35	20	15
Total	581	558	23

(1) The classification by areas laid down in Annex B to the Implementing Convention now represents the following States and territories:

I: Congo (Leopoldville), Rwanda, Burundi;

II: Algeria, Cameroon, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Mali, Madagascar, Mauritania, Niger, Senegal, Togo, Upper Volta, Central African Republic, French overseas territories and departments;

III: Republic of Somalia;

IV: Surinam, Netherlands Antilles (when the Association Convention between this country and the Community is ratified).

Between the end of 1962 and the end of 1963 about 40 million units of account were allotted to new projects, thus in theory exhausting the allocation for Area II and leaving only an insignificant balance in Areas I and III. Area IV is the only one where large commitments are still possible.

A certain slowdown in commitments in 1963, caused in many cases by the rudimentary state of the dossiers, is also due to the fact noted by the Commission that in the associated countries as a whole it is impossible under present conditions to keep the execution of the projects financed in pace with the financing decisions taken. Only about 10% of the projects financed since 1959 are completed, while contracts still have to be concluded, tenders invited or financing agreements signed in respect of 48% of them.

This state of affairs shows the difficulties which the associated countries and territories are experiencing in carrying out at a sustained pace the investments financed on their behalf.

260. In view of this situation the Commission, which is concerned both with the real interests of the beneficiaries and satisfactory management of the resources of the first Fund, considerably expanded in 1963 its surveying activities and more generally its action in the field of technical co-operation. Thus between 1 January and 31 December 1963 it financed 108 study missions for the finalization of projects and 37 missions to direct or supervise work. Its policy in this matter has always been first to limit objectives to the real needs of concrete projects submitted to it and secondly to encourage the associated countries to draw up development plans, as desired by the Parliament. Thus, in 1963, it organized at the request of the Government of Congo (Leopoldville) an expert mission to study the economic rehabilitation of that country. The experts' report was particularly appreciated by the Congolese authorities. Another mission went to the Central African Republic and several regional development surveys were carried out.

261. Despite all these arrangements various problems still arise:

Interpreting the Implementing Convention in the light of the present situation of the AASM, the Commission has gradually been able to do more in the way of technical co-operation for the benefit of these States. The instrument which this Convention, which is in fact based on the principle of purely financial intervention, provided for the Commission very soon appeared inadequate

to cope with the multiple problems involved in the investment policy called for by the Treaty.

The new Association Convention will give the Commission the means to solve these problems. Nevertheless, it must be emphasized that technical assistance from the Commission can resolve the difficulties only temporarily and that ever closer collaboration must be instituted between the associated States and the Commission.

State of current projects

262. On 31 December 1963, the situation was briefly as follows: of a total of 357 projects financed, 37 were completed; for 138 all funds were committed (all contracts awarded); for 89 the funds were partially committed; 30 were at the tendering stage and 13 had still to be covered by a financing agreement. 724 contracts had been awarded and 76 estimates approved for a total of 212 million units of account. Disbursements totalled about 138 million units of account (or nearly 29% of the total provisional commitments).

Difficulties met with and measures taken

263. In executing projects the Commission is still meeting with two kinds of difficulty:

a) The first arises from the long delays resulting from the difficulties met with by the associated States in drawing up the preparatory documents for calls for tenders after the decision to finance, and from the practical problems which the Commission faces because of shortage of staff;

b) The second lies in the distribution of contracts for surveys, public works and supplies;

On point a) the following improvements are indispensable:

i) Development of technical co-operation prior to investments particularly by making available to the associated Governments consultants capable of drawing up dossiers of projects as far as the specification stage. This help will be necessary until such time as the local technical administrations have been able to profit from the training facilities at present provided;

ii) Strengthening of the specialized Commission services, whose personnel is very much smaller than in comparable multilateral aid organizations, at a time when the concurrence of the first and second Funds and of the new economic tasks under the Yaoundé Convention is confronting the Commission with problems which already overstrain its material and physical resources .

The Commission, which has to ensure strict implementation of the provisions of the Rome Treaty and in the case in point Article 132, has paid unceasing attention to the problem of the free play of competition in the matter of survey, works and supply contracts.

With the approval of the associated States concerned it was able in 1963 to establish a fairly satisfactory balance of nationalities among the consultants to whom survey contracts were awarded. At 31 December, 30% of the credits allocated for surveys had gone to German consultants, 30% to French, 17% to Italian, 16% to Dutch and 7% to Belgian.

On the other hand the situation appears less satisfactory as regards the participation of European firms in tenders and the distribution of contracts.

It appears from a study drawn up on 31 December 1963 that among tenders received for public works contracts in the associated countries and territories, 79% were from firms on the spot (33% from firms having the nationality of the country where they are established and 46% that of the former metropolitan country). The remaining 21% came from firms with their head office in one of the six Member States (of which 12% were in the previous metropolitan country and 7% in other European countries; 2% were European consortia).

As regards the works contracts actually concluded, 90% went to firms already set up on the spot (44% to local firms, 42% to firms with the nationality of the former metropolitan country and 4% to consortia of local firms and of European firms established in the country). The remaining 10% went to firms with their head office either in the former metropolitan country (4%) or in the other Member States (3%) or to European consortia (3%).

For supply contracts, which totalled about 12 million units of account, the distribution according to the origin of the goods imported was as follows:

Germany	22.6%	Netherlands	4.7%
Belgium	3.7%	Associated countries	9.5%
France	51.7%	Miscellaneous	0.3%
Italy	7.5%		

The Commission sees that the rule of maximum publicity before any calls for tenders are issued is strictly observed. It sees that specifications are sent to the Information Offices of the European Economic Community in the capitals of the Member States; it organizes in Brussels information meetings for firms on specially important projects and regularly informs the Union of Industries of the European Economic Community (UNIECE) of the probable dates when tenders will be called for and estimates examined.

The problem of language is often raised and is doubtless important, but it does not seem to be an absolutely decisive factor in the participation of firms. To facilitate this participation the Commission has studied the possibility of standardizing the general clauses in specifications and of having them translated into the Community languages at the Fund's expense.

The Commission has also endeavoured—with the associated States retaining responsibility for the work programmes—to apply a policy of regionalization to large-scale projects, to ensure that they are adequately publicized and to co-ordinate the various forms of aid needed to finance them. It has also tried whenever possible to avoid any splitting up of work which could deprive the contracts of their main attraction, which is the size of the amounts involved. But the Commission cannot be dogmatic in this matter. The interests of the AASM themselves, which determine the EDF's action, often require the financing of small or medium operations and consequently of contracts which do not interest large concerns. On the other hand, in some cases the dividing of contracts into lots, although not debarring large concerns, which can tender for several lots or for all gives their change to medium or small local firms whose operations obviously have a local economic and social importance which cannot be ignored.

The points most frequently raised by non-resident firms are transfer of foreign currency, taxation, and exchange guarantees. As regards the first, provisions are now inserted in the dossiers of calls for tender and in contracts to guarantee that non-residents shall obtain from the local authorities without discrimination the foreign currency necessary to carry out the projects.

As to exchange risks the grievances of non-resident firms have led the Commission to agree that sums which are not essential for settlements in local currency can in certain cases be paid to them in the currency of their country of residence at a guaranteed exchange rate.

Finally, in order to settle taxation problems, the Commission has requested all the associated States whose fiscal systems still include discriminatory duties to abolish these in advance of the entry into force of the new Association Convention. At the same time it asked each associated State to publish periodical documentation on the fiscal provisions applying to works and supply contracts.

These measures constitute a real encouragement for non-resident firms. However, the latter must have a genuine desire to share in the contracts of the European Development Fund and when they do so must not exaggerate the risks involved.

Nature of investments

264. At 31 December 1963 the operations of the European Development Fund were distributed as follows:

Economic infrastructure	45%	Rural water supply	4%
Development of production	18%	Urban improvement	3%
Teaching and vocational training	16%	General studies and research	5%
Health and hygiene	9%		

According to the definition in the Implementing Convention the breakdown between activities of an economic nature and those in the social field is 64% for the first and 36% for the second (this distinction will no longer be made in the new Convention).

The Community's share in overall aid

265. On a suggestion of the Parliament the Commission attempted in 1963 to define the scope of Community aid as compared with the total aid received by the associated States and territories. This work is still going on but is meeting with various difficulties caused by the scarcity of information on the aid supplied by the Soviet bloc countries, differing and non-comparable data in investment budgets, etc.

In its replies to written questions from members of the Parliament, the Commission has explained that the policy of contacts which it advocates is yielding increasingly favourable results.

First the Commission concluded working agreements with the Member States which offer the associated States extensive aid on a bilateral basis. This was a completely new departure. Information is regularly exchanged on the projects financed and executed and on those it is proposed to finance. Technical discussions are also held periodically between the competent officials, so that there is now a definite policy of operational co-ordination of development aid between the Member States and the Commission.

Moreover, with certain non-member States, particularly the USA, the co-ordination which had already been growing up for several years developed further in 1963. Two large-scale projects financed jointly with the USA (extension of the trans-Cameroon railway and campaign against cattle plague) have reached the practical stage, necessitating talks on matters of detail involved in the very diversity of the regulations to be applied. This has led to co-operation on the most favourable ground—the ground of concrete facts.

Finally, with the large international organizations—the United Nations Technical Assistance Board or Special Fund, IBRD, FAO, ILO, UNESCO, WHO and UNICEF—the Commission continued in 1963 to apply the information exchange agreements concluded in some cases as long ago as the end of 1961.

The second European Development Fund

266. The possibilities of the second Fund have already been discussed so often, particularly in reports by the competent parliamentary Committee, that there seems no need to return to the subject except to emphasize the scope and flexibility of the Fund. But it is not enough to have a good tool available. The conditions must be present for its optimum use. In 1964 the budget of the European Development Fund provided for a staff of only 82 in all: 31 administrative, 25 executive and 26 clerical. This team which has been little increased in number since 1959, can examine annually about 100 projects, the execution of which then imposes on it ever more complex tasks.

Originally the work consisted mainly in examining investment projects, but the team has now to cope with ever more time-consuming tasks of supervising the schemes as well as the administration of several hundred contracts for surveys or the direction of work in the field.

As regards the second Fund, the diversification of Community aid, the increase in its total volume and the creation of the new association institutions

are already confronting the Commission with a management problem which is all the more serious since over 300 projects from the first Fund are still in process of execution.

A comparison of the personnel in the service of the Fund with that of other national or international bodies distributing or administering aid shows a striking disparity. On 13 March 1964, therefore, the Commission submitted to the Council a supplementary budget providing for 30 additional posts.

FINANCING OF SURVEYS

267. In 1963 the total cost of the studies or surveys of various kinds contracted for was slightly below that of 1962, which was almost double the 1961 figure.

The balance-sheet for the five years up to 31 December 1963 shows that the number of surveys for which contracts were concluded was 200 and the amount involved nearly 14 million units of account. Nearly half this money went to investment surveys.

The financing of technical co-operation activities by the European Development Fund is likely to increase the number of surveys both for investments and for general technical co-operation. Protocol No. 5 of the Association Convention in fact stipulates that studies shall be made on the prospects of development and diversification in the associated States, standard building plans drawn up and market surveys carried out.

In 1963/64 the Commission, in an endeavour to solve the problem of outlets for commodities, made a systematic study of certain consumer markets in the EEC. A survey of the coffee, cocoa and banana markets in the Community countries aroused very lively interest and made it possible to establish projections of consumption levels in 1970. This study lent point to the progressive elimination of internal consumer taxes.

Similar considerations led the Commission to put in hand a study of future outlets in the member countries for tropical oleaginous products.

In collaboration with the Malagasy Government a pilot study is being undertaken on the economic and social repercussions of a European Development Fund investment scheme (the Andapa basin).

General action to foster development

268. The Commission is continuing the quest for co-ordinated action by the Community and the Member States to foster development by stepping up trade and stabilizing commodity prices at a remunerative level, as well as by co-ordinating technical and financial aid. With due regard to the views of the associated African States and Madagascar and of numerous developing countries, the Commission has frequently emphasized in GATT, the United Nations and OECD the need to solve the special problems which these countries face in speeding up the development of their economies.

During the period under review the Commission devoted special attention to preparations for the World Conference on Trade and Development, working out constructive proposals for the Community to submit to this Conference. These proposals were referred to the Council on 9 December 1963. Certain courses of action were suggested, some of which would need to be undertaken in conjunction with other advanced countries while others could be envisaged by the Community alone.

As regards the first, the Commission proposed an organization of commodity markets (measures to increase and reorientate demand, higher import prices), measures to offset short-term fluctuations in export earnings and higher prices for coffee and cocoa thanks to a countervailing levy.

As to measures which could be envisaged by the EEC alone, the Commission suggested the gradual abolition of excise duties on tea, coffee, cocoa and, for manufactured goods, the maximum liberalization possible under the import system of each Member State. The Community will put forward these suggestions at the World Conference on Trade and Development.

The Community is aware that the question of general action to promote development is closely linked with that of world trade and feels that more heed should be paid to the needs of the developing countries in the pattern and organization of international trade. If the aim is to enable these countries to bring their industrial products, whose prices are not yet competitive, on to international markets, it is not sufficient merely to liberalize trade. Liberalization pure and simple is even likely to make it harder for the developing countries to enter these markets. The Commission believes that the Community should declare its readiness to participate with the other industrialized countries in concluding international commodity agreements. Furthermore, the

Community could temporarily offer preferences for the finished or semi-finished products of the developing countries. Such preferences would be selective and degressive, corresponding to the aim in development. The Community has moreover expressed its intention of waiving strict application of the principle of reciprocity in the trade negotiations where the developing countries are concerned. The Commission feels that these intentions, incorporated in the Brasseur Plan, would be acceptable to a large number of industrialized countries and would be a first response to the hopes of the developing countries as regards outlets for their finished products.

In presenting its proposals the Commission has taken full account of the discussions in the European Parliament and in particular of the resolution of 16 September 1963 in which the Parliament, after studying the Yaoundé Convention, urged the Community to make a greater effort to regularize and stabilize commodity prices.

The preparatory work for the World Conference in Geneva has continued not only in the Community institutions but also in OECD, where a special working party for study and co-ordination has been set up within the Trade Committee.

THE WORLD CONFERENCE ON TRADE AND DEVELOPMENT

269. The Community is represented at the World Conference by the Council and the Commission in the capacity of observers with a right to speak but not to vote. The Commission hopes to get the Community to adopt a constructive approach in the five Conference committees which will deal with:

- a)* International problems relating to commodities;
- b)* Trade in manufactured and semi-finished goods;
- c)* Improvement of the developing countries' invisible trade and financing to permit expansion of international trade;
- d)* Methods and machinery for applying measures for the expansion of international trade;
- e)* The expansion of international trade and its importance for economic development, and the repercussions of regional economic groupings.

Speaking on behalf of the Community at the opening of the Conference on 24 March, M. Brasseur, Belgian Minister of External Trade and current President of the Council, emphasized the Community's responsibilities vis-à-vis the developing countries as a whole. He recalled the importance of what has already been accomplished, particularly in the GATT framework, and stated that the Community was ready to associate itself with further efforts in this direction. After recalling that the Community had increased its imports from the developing countries at a much higher rate than the other countries (by nearly 2 000 million dollars between 1957 and 1963; these imports represented 4.55% of the Community's gross product in 1961). M. Brasseur pointed out that the Community was favourable in principle to stabilization of the prices of primary products at a level sufficiently remunerative for the producing countries. However, such stabilization must avoid over-production, which would make the support illusory. As regards semi-finished or manufactured articles, M. Brasseur stated that it would perhaps be necessary to make the most-favoured-nation clause more flexible for the benefit of the less advanced countries. The Community was convinced, finally, that regional co-operation between the developing countries based on sound economic principles could make an effective contribution to the development of these countries by setting on foot a diversification and rationalization of production. But the prerequisite for effective action in this field was that co-operation should continue to be multilateral.

The Commission representative emphasized that the Community understood which it had welcomed the calling of a Conference at world level on the problems of development aid.

The Commission representative emphasized that the Community understood this Conference as a dialogue between the developing countries and those which are more advanced on the road of economic progress and expressed the opinion that the Conference would have failed in one of its main objects if it were to be limited to an inventory of needs and a catalogue of complaints.

Recognizing that the problems tackled by the Conference were of considerable political moment and fraught with very great technical difficulties, the Commission representative stressed how important it was to convince the advanced countries, first of the need and urgency of a greater effort, and then of the effectiveness of the means it was proposed to use. But he feared that the Conference would not be able to work out world-wide solutions to the various

problems in a few weeks. In his opinion a gradual and more realistic approach would have the advantage of yielding more immediate material results. He recalled that the Community had suggested in the framework of the Kennedy round the conclusion of product-by-product world agreements to raise and stabilize commodity prices.

He also expressed the Commission's support for the Brasseur Plan of preferences to the developing countries for their semi-finished and manufactured goods.

At the same time the Commission recalled the efforts already made and the undertakings entered into by the Community in favour of the associated States in the regional framework. This association could be considered an effective way of organizing development aid and it by no means prevented the EEC from taking the problems of other developing countries into consideration.

270. At its session of 18 to 25 March 1964 the European Parliament debated a report by M. Pedini and adopted a resolution urging that steps should be taken, in the spirit of the Treaty and in a regional framework, for a progressive integration of the markets of the States which had recently gained independence. The Parliament hoped that the Conference on Trade and Development would encourage efforts in this direction and suggested that the Community's approach at the Conference might be as follows:

a) Commodities:

To encourage the organization of world markets for the maximum number of commodities, and the stabilization of world agricultural markets;

Gradually abolish excise duties on certain tropical products, such as tea, coffee, cocoa, etc. (20% reduction per annum over five years);

b) Finished and semi-finished products:

Undertake progressively to remove quantitative restrictions;

Introduce tariff preferences in favour of the developing countries in the framework of regional economic groupings;

c) Commercial techniques:

Promote, through technical assistance, a better organization of trade in commodities and certain manufactured products.

M. Pedini's report stressed the need for the Community as such to take a positive attitude and be conscious of its responsibilities at the Conference, and the extreme importance for the Member States of co-ordinating their positions on the questions to be dealt with.

*EXPANSION OF THE DEVELOPING COUNTRIES'
TRADE IN THE GATT FRAMEWORK*

271. Two concepts dominated the Ministers' discussions of the problem at the GATT session of May 1963. The first postulated complete liberalism in trade in products which account for a large share of the exports of these countries, and was reflected in an eight-point action programme submitted by several developing countries. The second concept, put forward by the Community and the associated African States and Madagascar, was that there should be a prior organization of the markets in the products in question so as to permit the gradual adjustment of the less-developed countries to the exigencies and difficulties of free international competition and thus to promote their sound economic development.

The conclusions of the ministerial meeting on 21 May 1963 maintain the divergence between these two concepts, but the basic objectives remain the same and are recognized by all parties. Most of the industrialized countries have accepted the Action Programme but not without formulating important reservations and rejecting its mandatory character. The Ministers from the EEC and the associated States stated that, "while they recognized that some of the points contained in the programme could be regarded as objectives to which, to the fullest extent possible, concrete policies should be adapted... in their view more positive measures were required to achieve the marked and rapid increase in the export earnings of the developing countries as a whole, which was the fundamental objective" (1). Accordingly, these Ministers urged:

a) That international action should, in particular, be directed to a deliberate effort to organize international trade in products of interest to the less-developed countries. Such an effort would have to take into account economic inequalities between the less-developed countries themselves and the fact that certain less-developed countries cannot at present, without a transitional phase,

(1) This remark concerns the first seven points of the programme.

face competition from the countries which have already achieved a certain degree of development or from the long-industrialized countries without suffering damage;

b) That an effort should therefore be made to ensure increasing exports at remunerative, equitable and stable prices for the less-developed countries producing primary products.

In this respect any desirable arrangement made at the world level could be inspired by arrangements already tried out on a regional, bilateral or even national level. As regards processed and semi-processed products, a study should be made to determine the selective measures, specially conceived to meet the needs of developing countries, which could assure these countries the necessary markets for the products in question. In this connection various relaxations of present rules regarding non-discrimination might be considered.

This declaration largely corresponds with the Commission's Action Programme.

The Ministers also took unanimous decisions as regards the eighth and final point of the Action Programme, which invited the Contracting Parties to envisage any other measures likely to promote the trade of the less-developed countries. They agreed, in particular, that when working out their economic and commercial policies the industrialized countries should take full account of the need to facilitate the efforts of the less-developed countries to strengthen their export capacity and diversify their economies, that effective joint action is indispensable to mitigate and eliminate excessive fluctuations of the developing countries' export earnings and that a suitable legal and institutional framework should be established to enable GATT to discharge its responsibilities in the matter of expanding the developing countries' trade.

The conclusions of 21 May 1963 now constitute the GATT charter and the basis of its work on development policy. This work has been intensified and diversified to take account of the multiple aspects of the Ministers' conclusions. In addition to Committee III, which is continuing its activities—especially the study of the developing countries' national development plans and various practical measures to expand their trade—several new bodies have been set up, in particular the Action Committee to implement the Programme of Action, the Working Party on Preferences and the Legal and Institutional Committee.

The opinions of the Six are now expressed as Community opinions and their substance is in line with the declaration of the Ministers of the Community

and of the associated States which appear in the conclusions of the ministerial meeting.

In recent months the Community has drawn the attention of the GATT Action Committee to the various measures it has taken to promote exports from the developing countries. These include reductions and suspensions of duties under the customs tariff on many tropical products and on some other products of special interest to the less-developed countries ⁽¹⁾.

In conformity with the Ministers' directives the Working Party on Preferences has made a preliminary examination of the possibility of the advanced countries granting preferences for certain products from the developing countries and of mutual preferences between these countries. The Community has agreed in principle to such preferential arrangements. The Working Party is continuing its studies to resolve the divergences of opinion which have appeared as to the conditions and procedures which should govern them.

In order to enable GATT to discharge its responsibilities more effectively in the matter of the developing countries' trade, the Legal and Institutional Committee has begun its work on revising the General Agreement so that this legal instrument shall be better adapted to the problems arising in these countries' trade. Within this Committee the Community favours a reform of GATT in conformity with the general position taken up by its Ministers.

*COMMUNITY PARTICIPATION IN INTERNATIONAL ACTIVITIES
ON DEVELOPMENT PROBLEMS AND COMMODITY TRADE QUESTIONS*

272. As regards tropical products mention must be made of the provisional entry into force on 1 July 1963 of the long-term International Coffee Agreement. The International Coffee Council held its first session in August 1963 and an extraordinary session in November 1963. The Commission was represented by observers. The International Agreement came into force definitely on 1 January 1964.

The Commission also took part in the Conference in Geneva from 26 September to 24 October 1963 to negotiate an international cocoa agreement. The

(1) See Chap. I, sec. 9.

Conference was unable to reconcile the proposals of the producing and consuming countries.

Co-ordination of technical assistance

273. *The Technical Assistance Group for the developing countries:* This Group, which was set up by the Council on 19 October 1960 ⁽¹⁾, held two meetings in 1963. Two questions of special interest were discussed: *a)* the recruiting of medical personnel for the general hospital at Mogadiscio (Somalia) built with the assistance of the European Development Fund (the Group recommended co-ordinated action by the member countries and the Commission); on the basis of the Group's studies the Council approved the Commission's proposal on this problem on 25 March; and *b)* problems relating to the revival of the Congo (Leopoldville) National Institute of Agricultural Science. A general rehabilitation plan will be examined shortly.

Co-operation with OECD

274. The Commission has taken an active part in the work of the Development Aid Committee under the new programme laid down in 1962 ⁽²⁾. As previously, the annual review of aid (which included a survey and detailed discussion of the Community's activities) afforded an opportunity to improve and harmonize the financial aid granted by the members of the Development Aid Committee to the developing countries ⁽³⁾.

Special attention was given to an examination of the conditions on which this aid is granted. The Committee recognized the need to take account of the problems posed by the developing countries' accumulated debts and recommended an easing of the terms. The developing countries were also urged to programme their investments effectively in order to ensure the best use of the aid received.

(1) See Fourth General Report, sec. 179.

(2) See Sixth General Report, Chap. IV, sec. 235.

(3) For the co-ordination of credit insurance, particularly co-operation with the Inter-American Development Bank, see Chap. IV, sec. 300.

The problems of tied aids and of a multilateral guarantee system for private investments in the developing countries were again studied.

275. The Development Aid Committee's Working Party on technical co-operation held several meetings in 1963. Among matters discussed were programmes of training periods, training in non-member countries, the co-ordination of technical co-operation activities in the recipient countries, the use of volunteers, and private technical assistance.

The Working Party decided that for 1964 the annual review of technical co-operation aid will be part of the Development Aid Committee's examination of financial aid. The Commission is at present drawing up the section of its memorandum which deals with technical aid.

Co-ordination of development aid

276. The Commission has continued to co-operate actively with the Development Aid Committee. Notes recording each financial operation financed by the European Development Fund or from the Community budget have been sent to the Committee each month.

In addition to the annual examination of aid this Committee is planning co-ordination meetings between its members on aid problems facing certain countries and further study of certain aspect of aid policy, a multilateral system of guarantees for private investment against political risks, etc.

Working Party on Development Aid

277. As the Commission has already stated in its Action Programme and General Report ⁽¹⁾ there is an urgent need to establish a co-ordinated and, indeed, a common policy of aid to all developing countries. The proposals which EEC will make in the United Nations Conference on Trade and Development and the Kennedy round negotiations in GATT call for a coherent concept and a common EEC approach in this field, as do the talks which EEC is holding or likely to initiate in the near future with certain developing countries and

⁽¹⁾ See Sixth General Report, sec. 231.

which are aimed at contractual arrangements to govern mutual economic relations.

With this object in view the Commission, on 17 July 1963, established a Development Aid Working Party. In its first interim report this Working Party first made general survey of measures taken and positions adopted so far by the EEC which are or have been such as to affect the problems of the developing countries directly or indirectly. This survey will also make it possible to amplify the Commission's proposals drawn up with a view to the World Conference on Trade and Development and for the GATT negotiations.

EXTERNAL RELATIONS

Association of Greece with the Community

278. The EEC-Greece Council of Association proceeded with the implementation of the Agreement signed in Athens on 9 July 1961 and brought into force on 1 November 1962. At its six sessions in Brussels since May 1963—two at ministerial level—a certain number of decisions have been taken, consultations held between Greece and the Community and the institutional framework of the Association completed.

Among the most important decisions may be mentioned:

i) The fixing of the time-table for reductions in customs duties on dried grapes: 70% (accompanied by the second alignment on the common external tariff) on 1 October 1963, 80% on 1 January 1965 and 90% on 1 January 1966, and the remaining duties abolished by 1 November 1968 at the latest. It will be remembered that a first reduction of duties on dried grapes (50% of the rates in force on 1 January 1957) and the first approximation of Member States' tariffs to the common customs tariff took place immediately upon the entry into force of the Agreement (1 November 1962);

ii) The fixing by the Federal Republic of Germany, France and Italy in favour of Greece of the fractions of the increase corresponding to the widening of the wine quotas opened by these three countries to the other Member States; the fixing of the customs duty applicable on the one hand to Samos wine by the Federal German Republic and, on the other, to wines for which a quota has been opened by France and Italy at a level corresponding to the arithmetical average of the customs duty chargeable on imports from the other Member States and of the duty applied to non-member States.

iii) The fixing at 55% of the percentage of the CET duties to be taken into consideration after in 1 July 1963 in determining the rate of the levy applicable to goods in processing traffic in conformity with Article 8(1) of the Agreement;

- iv) The liberalization by Greece of certain products the list of which has been notified to the Commission and consolidated vis-à-vis the Member States in pursuance of Article 23(3) of the Agreement;
- v) The granting by Greece of a global quota of 450 000 tons of bauxite for 1963 in conformity with Article 28 of the Agreement;
- vi) A further 10% cut in intra-Community duties on tobacco with effect from 1 July 1964, bringing the total reduction to 60% of the duties in force in 1957. There will be another 10% cut as soon as agreement has been reached between the Community and Greece on a common tobacco policy; the gap between the duties applied by the Member States to non-member States and the common customs tariff will be reduced by 15% on 31 December 1964 and a further reduction by the same percentage is scheduled for 31 December 1965;
- vii) Temporary reduction for 1964 of the CET duties to 3.5% for rosins and 3% for turpentine. This replaces the tariff quotas which the Council of Association has authorized for 1963 on the basis of Protocol No. 10 to the Athens Agreement.

In pursuance of Article 64 of the Agreement, Greece was consulted at its request on the current negotiations for an Association Agreement with Turkey. There was also consultation on the trade agreement negotiations with Iran and Israel.

The institutional framework of the association was completed by a decision of 30 May 1963 setting up a Customs Co-operation Committee, under the direction of the Association Committee, charged to ensure the necessary administrative co-operation for the correct and uniform application of the customs provisions of the Agreement and of the Convention signed on the basis of Article 9. The Committee meets under the chairmanship of an official of the Commission.

To facilitate the necessary contacts and co-operation between the European Parliament and the Greek Parliament, the Council of Association has taken steps to set up a Parliamentary Association Committee, as was called for by the European Parliament in its resolution of 19 October 1962. The Committee held its first meeting in Brussels on 6 and 7 June 1963 under the chairmanship of M. Duvieusart.

As regards finance, a first series of projects was referred to the European Investment Bank, which approved the partial financing to an amount of \$23 million of five projects, four of them for roads and one in the field of energy. In accordance with Protocol No. 19 to the Agreement these loans were granted at reduced interest by decision of the duly qualified representatives of the Member States in conformity with the procedure laid down by the Council.

Greece has requested co-operation in the information sphere, in particular the establishment by the Community of a press and information office in Athens. Although the setting up of such an office cannot be considered for 1964, the question of co-operation in this field is being examined.

The Community took part in the Salonika International Fair (1), and co-operation has begun between the Statistical Office of the European Communities and the Greek statistical services.

Although it has not yet always been easy to find immediately, and in all fields, the most suitable solutions conforming with the interest of all the Member States and also of Greece, most of the difficulties have been overcome thanks to a spirit of mutual understanding and co-operation.

It is in this spirit that the Council of Association intends in the coming months to examine the many questions, both technical and of principle, involved in the implementation of the Agreement, particularly the highly important matter of harmonizing the agricultural policies of the Community and of Greece:

Association of Turkey with the Community

279. The Association Agreement between Turkey and the European Economic Community was signed in Ankara on 12 September 1963, by the Turkish Minister of Foreign Affairs on the one hand and the current President of the Council and the Foreign Ministers of the Member States on the other. It is now before the Parliaments of the six Community countries for ratification in conformity with their respective constitutional practices. It was also referred to the European Parliament for its opinion immediately after signature.

(1) See sec. 385 and sec. 387.

At its session of 25-28 November the European Parliament expressed regret that it had once more been consulted in this way and asked that in future its opinion be requested before such agreements are signed, by a procedure similar to that followed by the national Parliaments, i.e. through its competent Committees.

The Parliament expressed its approval of the Agreement.

It was on 31 July 1959 that the Turkish Government applied for association with the EEC. The Commission was first instructed to hold exploratory talks, and then authorized by the Council, on 11 May 1960, to open negotiations. However, these were held up by events in Turkey in 1960. After a close examination in 1961 of Turkey's economic situation, the negotiations were resumed in June 1962 and continued until June 1963.

For Turkey the association was of "vital interest" both on the economic plane—40% of its exports go to the Community and 30% of its imports come from there—and politically, because of its geographical situation and its traditional links with Europe.

The Community for its part was interested in associating a country situated on the confines of Europe, and the widening of the Common Market can have economic and political advantages for all those sharing in it. But the content of the Association Agreement, concluded under Article 238 of the Rome Treaty, has to take account of Turkey's need to speed up industrialization, modernize agriculture and improve infrastructures before planning any mutual reduction of customs duties leading to a customs union—the ultimate form of relationship between Turkey and the Community.

It is therefore planned to attain the objectives of the Agreement by stages.

The first stage, or "preparatory phase", will enable Turkey to continue its economic recovery and to reach a sufficiently sound position to undertake the obligations involved in the gradual establishment of a customs union. During this phase the Community will provide Turkey with commercial and financial aid. Annual tariff quotas will be opened by the Member States for 12 500 tons of tobacco, 30 000 tons of dried grapes, 13 000 tons of dried figs and 17 000 tons of hazel-nuts.

For the quotas of tobacco and dried grapes, the Member States will apply to Turkey—as moreover to Greece—the intra-Community duties (for dried figs

and hazel-nuts the duty will be at an intermediary level between the intra-Community rates and the CCT duty).

After a period of two years from the entry into force of the Agreement, the Council of Association will be able to increase the tariff quotas and, after three years, take measures to promote the marketing of other products in the Community.

The Community will finance investment projects comprised in the Turkish development plan up to a ceiling of 175 million units of account over five years. This will be done through the European Investment Bank.

During the preparatory phase the institutional machinery of the association will be installed. A Council of Association, a joint body to administer the Agreements, will begin to function as soon as the latter comes into force. It will be composed of members of the Turkish Government on the one hand, and of the Council, the EEC Commission and the Governments of the Member States on the other. Each side will have one vote. This Council will have powers of decision in cases provided for in the Agreement and will also be able to make recommendations.

During this initial phase the Council of Association will be competent to resolve any dispute or difficulty concerning the association or to refer such disputes or difficulties to an existing juridical authority, and it will be the forum for periodical discussions on how the association is working.

The second stage of the association, the "transitional phase", will see the gradual establishment of the customs union between Turkey and the Community. Details of this stage have not yet been planned for they will depend on the situation when the move is made from one phase to the next. However, a framework has already been settled as regards trade and other economic arrangements.

In the field of trade the principles of the customs union and its timing have been laid down on the basis of Article XXIV of GATT. It will cover all trade and will entail the adoption by Turkey of the common customs tariff. Save for a few exceptions it is to be fully established in twelve years. For agricultural products a special system taking into account the Community agricultural policy is provided for.

In other economic fields Turkey will bring its policy into line with that of the Community, particularly as regards the free movement of persons, transport

policy, rules of competition and economic policy. Special arrangements will be made to co-ordinate the commercial policy of the parties vis-à-vis non-member countries.

The institutional framework will also be wider than in the preparatory phase. The Council of Association will take decisions to arrange for joint action by the Contracting Parties in cases where the Agreement has not provided appropriate machinery. It will also have power to initiate procedure for settling disputes, possibly by arbitration. It will establish contacts between the Economic and Social Committee and other Community organs on the one hand and the corresponding Turkish bodies on the other.

Detailed arrangements for the transitional phase will be decided by the Council of Association, in principle five years after the Agreement comes into force or, if this time-limit cannot be adhered to, after a maximum extension of four years. These arrangements will be made by a further protocol which, when ratified, will supersede the provisional protocol and the financial protocol which are annexed to the Agreement and set out the system for the preparatory phase.

The last stage or the definitive phase of the Association will be based on a customs union completed during the preceding stage in pursuance of the additional protocol and will include a growing co-ordination of the respective economies.

Turkey deposited its instruments of ratification with the Secretariat of the Council on 5 March 1964 and France had done so on 19 February 1964.

CONTACTS WITH THE UNITED KINGDOM IN THE COUNCIL OF WESTERN EUROPEAN UNION

280. Following the Commission report to the European Parliament on the state of the negotiations with the United Kingdom, which were suspended on 29 January 1963, the Parliament, on 29 March 1963, adopted a resolution urging that negotiations be resumed as early as possible with the countries which has applied for membership of the Community ⁽¹⁾.

At the Council session of 8 May 1963 the representative of Federal Germany said that the interruption of the negotiations with the United Kingdom should

⁽¹⁾ See Sixth General Report, end of sec. 251.

not be allowed to obscure the importance of the problem of the Community's relation with that country, a problem which, moreover, was part of a wider context embracing the preparations for the Kennedy round and the elaboration of a common agricultural policy.

At its session of 30 and 31 May the Council resumed the study of procedure for the exchange of views and information with the United Kingdom begun on 8 May.

On 10 July 1963, after a system of quarterly contacts had in principle been accepted, agreement was reached on the Council's proposal to the British Government that these exchanges of views be held in the Council of Ministers of Western European Union. The object would be to study, in addition to political questions, the economic situation of Europe, and the EEC Commission would be invited to take part when economic problems were on the agenda.

The Council was at one in thinking that the aim of the discussions in Western European Union should be to see, as far as possible, that the Community and Great Britain took no steps likely to have adverse effects on their relations and thus to leave open the possibility of later accession by Great Britain.

On 26 July the British Government announced its assent to the Community's proposal. The first meeting of the "Seven" in the Council of Ministers of Western European Union took place at The Hague on 25 and 26 October 1963. The first day was given over to political questions and the second, when several members of the Commission attended, was devoted to the study of economic problems: tariff negotiations in GATT, the World Conference on Trade and Development, relations between the United Kingdom and EEC, EFTA activities and agricultural problems. The question of economic co-operation between the Community and the United Kingdom was examined. M. Luns, the Netherlands Foreign Minister, who presided over the meeting, declared that the atmosphere of the meeting had been most gratifying.

281. The Council of Western European Union again met in London on 23 and 24 January 1964. As at the previous meeting the Commission was represented and the same subjects were discussed, with greater emphasis on preparations for the World Conference on Trade and Development.

Furthermore, the Commission urged the Member States to see that no question within the Community's sphere of competence should be dealt with in the Council of Western European Union without the Commission being represented.

282. The WEU Assembly met from 2 to 5 December 1963. It passed a recommendation urging a revival of co-operation in Western European Union, advocating that the harmonization of the points of view of the European Economic Community and the United Kingdom be continued with a view to tariff negotiations and that a permanent watch kept on the trend of the two parties' economic policies with a view to proposing to them ways and means of narrowing the existing divergence, particularly in the agricultural field, and to keeping the United Kingdom and the European Economic Community informed of the trend of each other's commercial policies, particularly in relation to the Treaty of Stockholm, the Commonwealth and the association agreements with the Community.

OTHER EUROPEAN COUNTRIES

Ireland

283. In October 1963 the Irish Government asked for regular contacts with the Commission at ministerial level. This request was favourably received and a first meeting took place on 25 November 1963. It dealt mainly with problems relating to the expansion of the Irish economy and with exports of Irish farm products to the Community. A second meeting was held at expert level on 13 March 1964, when the discussions were mainly on the application of the beef and dairly produce regulations and on the question of exports of Irish mutton to the Community.

Contacts with the Commission will be continued both at ministerial and expert level.

Denmark

284. The Danish Government proposed that contacts be established at ministerial level to discuss both general questions and concrete problems arising between Denmark and the Community. The Commission give its assent on 29 July 1963 and the first meeting was held on 8 October 1963. Certain aspects of European integration were discussed, notably preparations for the Kennedy round and the World Conference on Trade and Development, prob-

lems of agriculture and fisheries and participation of Denmark in studies for the institution of a European patent.

A second meeting took place on 6 December 1963 and a third on 28 February 1964. The same subjects were discussed and with them the regulations on beef and dairy produce and their implementation. The business had been prepared by meetings of experts.

Austria

285. On a second approach by the Austrian Government following up its application for association with the Community, the Council; at its session of 2 April 1963, instructed the Commission to report to it on possible solutions to the problem of relations between Austria and the EEC.

In order to complete this report a Commission delegation conferred with the Austrian mission to the Community. Exploratory talks, at which the Austrian mission outlined their Government's ideas on the content of a possible association agreement were held in Brussels in three stages: in July, November and December 1963. The Commission has studied the conclusions to be drawn from these talks and will incorporate them in its report to the Council.

Spain

286. On 14 February 1964 the Spanish Government wrote to the President of the Council renewing its request for talks to settle its future relations with the Community. The reply to this letter is being prepared.

THE COMMUNITY AND THE EUROPEAN ORGANIZATIONS

The Council of Europe

287. The Community has followed the work of the Consultative Assembly of the Council of Europe, the results of which as regards EEC were contained, in particular, in a recommendation passed by the Assembly on 24 September 1963 (1).

(1) See sec. 319.

The Assembly recommends that practical means be sought to extend to the member countries of the Council of Europe certain of the benefits resulting from the application of the Rome Treaty as regards the free movement of workers, the right of establishment, freedom to supply services, capital movements and transport.

With regard to the establishment of a political union the Consultative Assembly considered it essential that in any such union the existing EEC bodies should be kept in existence.

The Commission has followed the work of the Council for Cultural Co-operation, particularly on higher education and research, general and technical education and out-of-school education. It has also lent its help, in the expert committees, to the working out of a European consular convention, a convention on arbitration and a convention concerning foreign money liabilities.

At its meeting of 14-17 January 1964 the Consultative Assembly, which has appointed Mr. Smithers as Secretary-General in succession to M. Benvenuti, discussed the Kennedy round, expressed its satisfaction at the success of the agricultural negotiations of 23 December and heard a review of the Community's activities in 1963 presented by M. Spaak, Belgian Deputy Prime Minister and Minister of Foreign Affairs.

Organization for Economic Co-operation and Development

288. The Council of Ministers of the Organization for Economic Co-operation and Development held its annual session on 19 and 20 November 1963 under the chairmanship of M. Halvard Lange, Norwegian Foreign Minister.

At this session, at which the Commission was represented, the Ministers studied the outlook for economic growth in the twenty member countries of OECD and their economic relations with the rest of the world against the background of the two great conferences to be held in 1964 in Geneva: the World Conference on Trade and Development and the GATT Conference.

As regards the World Conference, the Ministers decided to set up within the Trade Committee an ad hoc working party for the positions to be adopted by the member countries on the question of trade with the less-developed countries (1).

(1) See end of sec. 268.

The Kennedy round of trade negotiations

THE MINISTERIAL MEETING

289. At the ministerial meeting in Geneva from 16 to 21 May 1963 under the auspices of GATT it was decided to open, on 4 May 1964, trade negotiations based on most-favoured-nation treatment and the principle of reciprocity. The ministerial resolution provided that the negotiations should cover all classes of product, industrial and non-industrial, including agricultural and primary products and should deal not only with tariffs but also with non-tariff barriers.

Never before had such a comprehensive effort been made to lower trade barriers. So far only the industrial sector had really benefited by the tariff disarmament agreed on at the five multilateral conferences which have been landmarks in the history of GATT since 1947. The agricultural sector, which is generally subject to very specific protective policies had to a great extent remained outside the negotiations, and it was thus increasingly difficult to attain reciprocity for countries which are mainly exporters of farm products. Furthermore the inadequacy of the rules on non-tariff barriers left open to the Governments innumerable possibilities of attenuating or even cancelling out the effects of tariff concessions.

The Ministers were aware of this situation and of the way in which it was obstructing GATT in the achievement of its basic objectives. In formulating their resolution their aim was to ensure that the next conference would be the most complete and balanced exercise possible in liberalizing international trade.

As regards the tariff negotiations proper, the main feature of the discussions at ministerial level was a clash of divergent ideas on the basic formula for reducing duties. The United States were in favour of equal percentage linear cuts as envisaged by the Trade Expansion Act. This linear formula was applied in part by the Community itself during the last multilateral negotiations, but in view of the lessons learned both on this occasion and on the general plane of internal customs disarmament, and as the intention was to make very substantial reductions in duties, the Community felt that pure and simple linear reduction would dangerously aggravate difference in the tariff structures of the chief negotiating partners and would not offer the Community satisfactory reciprocity. Faced with this problem of "disparities", the Community first

proposed a formula of tariff cuts also based on the linear principle but simultaneously reducing the disparities between the duties applying to the same product (the "objective rates" formula). This was rejected by the United States at the ministerial session of May 1963 as incompatible with the Trade Expansion Act and with the American conception of the principle of equality of concessions exchanged.

The resolution adopted by the Ministers on 23 May 1963 represented a compromise in a difficult negotiation, which was largely arrived at thanks to a conciliatory policy on the part of the Community. The Community agreed that the general rule should be equal linear reduction but it also obtained agreement that the problem of disparities should be a major theme of the negotiations and an assurance that they would be dealt with by rules of automatic and general application which would have the same value as the general rule of equal linear reduction.

290. At its session of 24 to 28 June 1963 the European Parliament adopted on a report by M. Kriedemann, a resolution approving the results of the GATT Conference of Ministers in Geneva. The Parliament hoped that the mandate to be conferred on the Commission would give it the necessary latitude. It emphasized that, since these negotiations went beyond the framework of tariff or even commercial policy and extended to economic policy, the Commission would not be fitted to negotiate if, in the fields for which a common policy is called for by the Treaty of Rome, the Community did not give a sufficiently broad definition of this policy and if, in those fields for which the Treaty does not call for a common policy, the Member States did not sufficiently harmonize their national policies.

PROGRESS AT 31 MARCH 1964

291. The Trade Negotiations Committee set up to give effect to the Minister's resolution has in its turn created other bodies needed to assist in this task. Tariff problems are dealt with by the Sub-committee on the Tariff Negotiating Plan; agricultural problems by the Committee on Agriculture and by the Special Groups for products which are to be the subject of world arrangements (cereals, meat, dairy produce). The problem of non-tariff barriers is in the hands of a Sub-committee. Finally, a special Sub-committee is dealing with the problem involved in the participation of the less-developed countries

in the negotiations. The Community is represented as such in all these committees and sub-committees under the single designation of "European Economic Community". The Commission representative negotiates on behalf of the Community in close co-ordination with the Member States in the framework of the Foreign Trade Committee set up under Article 111.

The Sub-committee on the Tariff Negotiating Plan has held numerous meetings since the ministerial session. It has dealt mainly with two points:

- a) The depth for the cuts in duties and rules governing exceptions;
- b) Criteria for determining significant disparities in tariff levels and special rules for reductions in these cases.

As regards the depth of the cuts according to the general rule of equal linear reductions, the Sub-committee took as a working hypothesis a reduction of 50%. The Trade Negotiations Committee confirmed that this was a sound basis.

The Community has agreed to this hypothesis and has repeatedly shown its readiness to co-operate in making it the general rule, on condition, however, that the negotiations on other points ensure reciprocity.

As regards the rules on exceptions it has been recognized that the provisions of the Ministers' resolution in themselves constitute a sufficient rule, i.e. that the exceptions will be kept to a bare minimum and subject to confrontation and justification.

The problem of disparities has necessitated lengthy discussions and is not yet settled. However, progress to date justifies the expectation that a sufficient measure of agreement will be reached on the essentials in time for the trade negotiations to open on 4 May 1964. The key problem is to identify those disparities which are "significant in trade terms". The Community considers that as soon as a disparity above a certain minimum assessed in arithmetical terms is shown to exist it is significant in trade terms. Its partners, on the other hand—particularly the United States—define the word "significant" in relation to the situation and value of trade flows, whence the argument that cases of disparity identified on the basis of an arithmetical formula should then be appraised and selected as "significant" or "not significant" in the light of further criteria established in trade terms.

The problem has been made still more complex because the only method likely to be adopted to remedy disparities may affect the export interests of non-member countries. Thus the 50% taken as a working assumption for the tariff cuts according to the general rule coincides with the limits placed by the Trade Expansion Act on the negotiating rights of the United States, so that the disparities can only be removed if the low duties are cut by less than the high duties.

The Community recognizes this problem and regrets this consequence, for which it cannot be held responsible. Wishing to accommodate the other negotiating parties as far as possible, it has offered the non-member countries chiefly concerned the opportunity for consultations on this point to work out arrangements acceptable to both sides. It also agreed to reduce the number of disparities arithmetically identified by applying two qualitative criteria, and in addition to consulting with the non-member countries to discuss with the high-duty countries the exclusion in some cases of products imported in large quantities from low-duty countries.

These new Community proposals submitted in January and the counter-proposals later submitted by the US delegation are still being carefully examined and the prevailing impression, despite the difficulties still involved, is that a solution agreeable to all parties may gradually be reached.

The task of the Committee on Agriculture is to define the rules which will govern, and the methods to be employed in, the creation of acceptable conditions of access to world markets for agricultural products. The decision taken in December by the EEC Council, following the Commission's proposals for agricultural negotiations, enabled the Community representatives to get to the heart of the discussions right from the February meeting of the Committee by submitting a proposal for an entirely new method of negotiation in the agricultural field.

This method is based on a global concept of this negotiation as the Commission defined it at the GATT ministerial meeting, that is to say it brings in all the elements of agricultural policies which have a determining effect on trade in farm products. The object of this method, which is defined as support-level binding, is to guarantee farmers in the Member States a fair return while ensuring stable world prices at a reasonable level, and by its very operation to create acceptable conditions of access to import markets. At this stage the Committee on Agriculture took note of the Community proposal and proceeded

to examine the method proposed from a purely technical and empirical angle, in order to evaluate its effects and judge how far it could be applied to the various products.

The Committee on Agriculture has also set up special groups for the products already mentioned in the Ministers' resolution as likely to be the subject of world agreements. At present this means cereals, meat and dairy produce.

The Cereals Group has entered on a decisive phase of its work. The Community has laid its general negotiating plan before this specialist Group and set out its implications for cereals. It is based on the same principles as the Community's general proposal for the whole agricultural negotiations and postulates the same system. However, the reserve of some non-member countries is essentially due to the fact that the negotiating plan proposed does not in their opinion give adequate assurance as regards access to imports. The Community's partners in this Group, i.e. the large grain-exporting countries and the United Kingdom as a large importer, have already accepted certain principles of this plan and recognized the need to undertake certain obligations as to their national policies in the cereals sector. The Commission's representative has underlined the considerable progress which this represents in itself. The results of the Cereals Group's work will be of decisive importance for the work on the other groups of products which is still at a purely exploratory stage.

The task of the Sub-committee of Non-Tariff Barriers is to determine the rules to govern and the methods to be employed in dealing with non-tariff barriers in order to ensure that the value of the cuts in duties shall not be impaired or nullified by such barriers. The Governments have been invited to make known the measures on which they would like to negotiate. Some suggestions have been made as to the general principles on which negotiations could be conducted on this point. Opinions diverge on this matter but the question has not yet been fully discussed.

The task of the Sub-committee on the Participation of Less-Developed Countries is to decide in what manner these countries will take part in the negotiations. It has been unanimously agreed that full reciprocity will not be expected of them. The Commission representative has urged that the less-developed countries should make every effort within their power to ensure the highest success of the negotiations. It was recognized, however, that this Sub-com-

mittee could do no useful work until the basic rules for the negotiations had been laid down ⁽¹⁾.

At its session of 20-24 January 1964 the European Parliament debated an interim report of its External Trade Committee on the state of preparations for the negotiations. It again emphasized the need to give precise and concerted instructions to the Community's representatives during the preparatory negotiations, for, without such instructions, the Community would also find itself in a difficult situation at the World Conference on Trade and Development ⁽²⁾.

RENEGOTIATIONS UNDER ARTICLE XXVIII OF THE GENERAL AGREEMENT

292. In 1963 the Community undertook compensation renegotiations with certain countries concerning the withdrawal or modification of tariff concessions which Community exports enjoyed. The Commission began renegotiations with the United States concerning the revision of the American tariff nomenclature, which affects many concessions granted the Community. The initial discussions on this subject resolved some of the difficulties and certain problems were cleared up in such a way that the Community was able to agree to the implementation of the new American tariff on 31 August 1963, before the completion of all the procedures under the General Agreement. The negotiations for a final agreement are continuing.

Furthermore, after the Council had fixed the CET duties on manufactured tobaccos, the Commission initiated talks with certain non-member countries with a view to replacing the concessions previously granted by the Member States for these products by others under the common external tariff. Renegotiations are continuing on this matter and also on the contemplated withdrawal of certain concessions by Australia and New Zealand.

⁽¹⁾ For the Community's contribution to the economic expansion of the developing countries in the GATT framework and its participation in the World Conference on Trade and Development, see Chap. III, sec. 269. Although these questions concern the Community's external relations it has been thought preferable to deal with them from the angle of the Community's general development aid.

⁽²⁾ At its session of 13-15 April 1964, the Council extended the mandate already given to the Commission on 23 December 1963 so that it can continue the negotiations.

The Common Commercial Policy

THE COMMUNITY'S TRADE AGREEMENT WITH IRAN

293. On 14 October 1963 a trade agreement between the Community and the Government of Iran was signed in Brussels. This was the first agreement of a purely commercial nature with a non-member country.

The Iranian Mission to the EEC requested the opening of negotiations in a memorandum of 24 March 1962. In September 1962, after unofficial contacts, the Council authorized the Commission to begin exploratory talks. On 2 April 1963 it instructed a delegation under a Commission chairman to open negotiations with an Iranian delegation. These negotiations were concluded in July 1963 and the final text of the trade agreement was approved by the Council of Ministers on 24 September 1963 and initialled the following day.

The content of the agreement

The agreement provides for temporary reductions in the common external tariff and for a tariff quota, which is also non-discriminatory. Both categories of measures concern export products of special importance for Iran.

1. Carpets, carpeting and rugs knotted (58.01A). The CCT duty remains at 32%; the maximum charge per sq. metre, which is at present \$5, is temporarily reduced to \$ 4.50;
2. Dried grapes (08.04 B). The present 8% duty is temporarily reduced to 7.2%;
3. Dried apricots (08.12 A). The present 8% duty is temporarily reduced to 7%;
4. Caviar (16.04 A). The present 30% duty is temporarily reduced to 24% for a tariff sub-heading referring to sturgeon's eggs.

The Community will also open a non-discriminatory annual quota for raisins equal to 15% of such imports from all non-member and non-associated countries (duty temporarily reduced to 2%).

The agreement provides for the setting up of a Joint Committee of representatives of the Community and of the Iranian Government. This Committee will

watch over the implementation of the agreement, observe the trend of trade between the Community and Iran and make any appropriate suggestions to the competent authorities for improving this trade.

The agreement, which came into force on 1 December 1963, has been concluded for three years. It may be extended for a period of one year, renewable by common consent.

UNIFICATION OF COMMERCIAL POLICY

294. On 3 March 1964 the Commission submitted to the Council a number of proposals with a view to unifying commercial policy. These are part of a programme of work for 1964 covering all the decisions necessary to ensure systematic unification of commercial policy by the end of the transitional period.

The Commission considers that the unification of commercial policy, the urgency of which the Parliament has stressed on several occasions, and more particularly in a resolution of 25 March 1964, cannot be further postponed and that certain decisions must be taken forthwith in order to prepare the move from the transitional period to full application of the Treaty.

The 1964 programme of work provides that in each field covered by the common commercial policy in the Action Programme approved by the Council on 25 September 1962 the Commission will make proposals to the Council aimed at fixing the stages for gradual unification and creating the instruments and procedures for implementing the future unified commercial policy ⁽¹⁾.

In the programme the Commission states its intention to submit proposals to the Council on the following matters:

- i) The establishment of a common liberalization list and of a future Community policy in this field;

⁽¹⁾ At its session of 13-15 April 1964 the Council, after approving the main lines of the Commission's programme, agreed to make as soon as possible a study of the proposals submitted to it and requested the Commission to press forward the preparation of any other proposals which might appear necessary.

ii) A regulation on the Community administration of quotas (quantitative restrictions on imports and exports) which would limit the number of cases in which the safeguard clause in Article 115 is applied;

iii) An initial proposal concerning aids to and promotion of exports to establish a procedure for the gradual implementation of Article 112 of the Treaty;

iv) A Council regulation on the harmonization of export restrictions;

v) A first proposal on methods for the gradual transformation of bilateral agreements into Community agreements.

Earlier, in November 1963, the Commission had transmitted a proposal to the Council for the gradual unification of measures in defence of trade ⁽¹⁾. The Commission also took up the question of the Community's bilateral relations with two important regions: Japan and the state-trading countries.

As regards Japan, the Commission submitted a first proposal to the Council in June 1963 ⁽²⁾. This was followed on 3 March 1964 by a further communication.

A proposal for the progressive unification of bilateral commercial policy vis-à-vis the state-trading countries (Peoples' Democracies) was transmitted to the Council on 3 March ⁽³⁾.

The Commission also submitted to the Council on 3 March 1964 proposals to improve consultation procedure and a first amendment to Regulation 3/63 ⁽⁴⁾.

Priority studies on commercial policy

295. The Commission believes that certain decisions must be taken as a matter of priority in three sectors covered by the unification programme:

⁽¹⁾ See sec. 297 below.

⁽²⁾ See below sec. 295.

⁽³⁾ See below sec. 296.

⁽⁴⁾ Council Regulation No. 3/63 of 24 January 1963 concerning commercial relations with the state-trading countries as regards the products coming under Council Regulations 19, 20, 21 and 22. See official gazette of the European Communities, No. 14, 29 January 1963.

Relations with Japan

The foundations of a common commercial policy vis-à-vis Japan should be laid in good time so that it will be possible to extend the tariff reductions expected from the Kennedy round to trade with that country without endangering certain sectors of the Community's economy.

In June 1963 the Commission submitted to the Council a draft decision on procedure for joint action and uniform commercial policy with respect to Japan. The proposal is that the Community should hold exploratory talks with Japan with a view to the conclusion of a trade agreement offering certain mutual benefits in particular the following:

- a) A liberalization policy ensuring for both Japan and the Community the same advantages as the other GATT Contracting Parties;
- b) Application of the safeguard clause under Council decision of 14 November 1962 for the benefit of the whole Community and of Japan;
- c) The fixing of a list of certain sensitive products and of the quantitative restrictions concerning them.

The conditions would thus be created for a liberalization of industrial imports at GATT level and the application of internal safeguard clauses in EEC would also be limited.

On 3 March 1964 the Commission followed up this proposal by a further communication, which takes account of the most recent developments in this field.

Relations with state-trading countries

296. The Commission considers that a start should be made on the gradual unification of Member States' commercial policies with respect to these countries. Any immediate transition to a common commercial policy vis-à-vis the East bloc countries would give rise to difficulties.

The Commission therefore submitted to the Council on 3 March 1964 a proposal for improving the consultation procedure laid down by Council decision of 9 October 1961 ⁽¹⁾, which is more especially used for negotiations

⁽¹⁾ See Fifth General Report, sec. 202.

between the Member States and the state-trading countries. The object is to adapt the consultation procedure to the new circumstances so as to facilitate the gradual co-ordination of existing national trade agreements and their subsequent conversion into Community agreements. It includes a draft Council decision concerning the conduct and content of consultations and their conclusion, together with a procedure for referring to the Council any objections to an agreement.

However, the Commission cannot stop at the procedural aspects of commercial policy, however important they may be. With the third stage approaching, it is desirous that joint solutions be sought to basic commercial policy problems. On 3 March 1964 it sent the Council a proposal on the speedier introduction of a commercial policy vis-à-vis the state-trading countries. This proposal includes a draft Council resolution laying down a time-table for unifying by stages the Member States' commercial policies vis-à-vis the state-trading countries by the end of the transitional period.

In the first stage the rules for Community management of the import system would be drawn up in conformity with the Action Programme of 25 September 1962. The products concerned would be classed under the following three heads: *a)* products which are strictly subject to quota, *b)* products liberalized and *c)* other products whose import will be subject to special procedures to be laid down. In the second stage the national systems would be gradually adapted to the rules and lists established at Community level. Finally, at a third stage, the Community import and export systems would be applied in their entirety.

By these co-ordination measures it should be possible to conclude long-term agreements with the state-trading countries. Such agreements at present expire in principle on 31 December 1965. The Commission's proposal includes a draft Council decision extending this final date to 31 December 1967.

The Commission has expressed the wish that when the above proposal is discussed in the Council the main lines of the future common commercial policy with respect to state-trading countries should be specified, thus providing a general framework for the search for concrete solutions to the problems posed by the harmonization studies.

Measures in defence of trade

297. The Action Programme in matters of common commercial policy adopted by the Council on 25 September 1962 provides that, on a proposal of

the Commission and with effect from a date to be fixed by the Council, Community measures would be introduced in the event of dumping or subsidized exports by non-member countries.

The Commission considered such measures particularly opportune on the eve of the multilateral negotiations in GATT, since the reduction of duties which may result from these negotiations involves the risk of the markets of the member countries becoming much more sensitive to imports from non-member countries on abnormal terms. With a view to introducing machinery which would prevent any arbitrary action by a non-member country in its trade with the Community, the Commission therefore submitted to the Council, in November 1963, a proposal laying down common principles and a Community procedure for the protection of EEC trade against abnormal practices on the part of non-member countries.

Under this procedure there would be mandatory consultations when requested by a Member State or the Commission to investigate the nature and the effects of the practices in question, evaluate the geographical extent of these effects and study appropriate measures and approaches to the countries concerned.

These measures would normally be decided on by the Council on proposals from the Commission. In urgent cases, however, and in certain circumstances, the Commission may itself decide on the action to be taken, with the possibility of recourse to the Council nevertheless always open.

Liberalization policy

298. In 1963 the Member States made further progress in liberalizing imports from non-member countries.

With regard to the OECD countries the Member States endeavoured, in view of the very high level of liberalization achieved, to eliminate the few remaining discriminations. As already planned ⁽¹⁾, the Commission sent recommendations to the Member States on this matter and submitted proposals to the Council. Although the latter has not yet made a decision on these proposals, it can be considered that in the Member States there is now an almost uniform system of

⁽¹⁾ See Sixth General Report, sec. 264.

liberalization of trade between the former OEEC countries and the dollar area.

Further progress was also made in 1963 on liberalization vis-à-vis the other non-member countries whose external trade is conducted on GATT principles.

In this matter it may be recalled that some Member States have long since extended to many of the non-member countries in question the liberalization which they apply to OECD countries.

Furthermore, as regards Japan ⁽¹⁾ new liberalization measures were taken by France and Italy in 1963 and early 1964. Liberalization measures in trade with Japan have reduced discrimination between the dollar area countries and Japan to about 73 tariff headings in the case of France and to 89 for Italy. As regards the Benelux countries discrimination between the GATT list and the list applying to Japan affects 43 headings. The Federal German Republic applies the same list with respect to almost all the GATT countries including Japan. Thus there is no discrimination against this country. The Community is studying means of adopting a common liberalization list vis-à-vis Japan once the problem of certain imports from that country has been resolved.

EXPORT POLICY

Export aids

299. In this field the main purpose of the Council decision of 25 September 1962 ⁽²⁾ was to draw up an inventory of systems of export aids. In fact this work has already begun and practically all the systems have been noted in the inventory of state aids established by the Commission's appropriate department.

Apart from credit insurance measures which, from the economic point of view, are the most important aid measures in favour of exports ⁽³⁾, the Commission studied the systems of subsidies and of export promotion. These were examined from the angle of intra-Community trade. In fact it appeared preferable first to settle the problems relating to intra-Community trade before studying aids

⁽¹⁾ See also sec. 295 above.

⁽²⁾ See Sixth General Report, sec. 263.

⁽³⁾ See below, sec. 300.

as they affect competition on the markets of non-member countries. This second phase of the studies did not therefore begin until early 1964.

The Commission has also reviewed aids to agricultural products which are not yet included in a market organization and to others for which the question is pending and which still have to be examined from the point of view of exports to non-member countries (1).

In 1963 further export aid measures, covering in particular such agricultural products as fruit and vegetables, were introduced by certain Member States. In their relations with the developing countries, certain Member States also attached special importance to the economic co-operation agreements concerning the grant of financial credits. Where such credits are linked with deliveries of goods, or where they have the same effect without specifically mentioning such conditions, they represent a new departure in the bilateral relations of the industrialized countries with certain non-member countries compared with the way trade agreements are usually applied. As such measures are not without effect on trade, and are likely to widen existing divergences between the export systems of the Member States, the Commission has drawn the attention of the latter to these drawbacks, and is studying the possibility of introducing a Community procedure to mitigate them.

Co-ordination of credit insurance policies

300. The Co-ordinating Group for credit insurance, guarantees and financial credits has made a detailed study of the results of its consultations. It is known that under the present procedure the Member State consult each other whenever one of them, or a body coming under its authority, is planning to guarantee for a period exceeding five years supplier or financial credits tied to deliveries of goods from the State in question.

In the course of 1963 consultations proceeded satisfactorily. They helped to establish permanent contacts between credit insurers in the EEC and between the responsible government departments, and afforded opportunities for the joint study of the problems arising. The discussions turned on concrete cases,

(1) See Chap. II, sec. 185.

but also on certain questions of principle and resulted in the adoption of common attitudes and even of certain rules.

Nevertheless, it became evident that a more efficacious and comprehensive consultation procedure was desirable to improve the co-ordination of Member States' policies on export credit guarantees. The Group therefore submitted a report to the Council at the end of the year suggesting that such procedure should be tightened up and extended to certain types of operations which hitherto escaped it. The Council has already adopted some of these suggestions.

The Co-ordination Group has also continued its study on the harmonization of the terms of credit insurance. The experts' studies on the subject have made substantial progress, and it will be possible to draft a common European insurance policy early in 1964.

After a detailed analysis of procedures and techniques in the field of export financing, the Group dealt more specially with problems relating to the mobilization in the Six of bills representing medium and long-term credits for exports.

Certain substantial results have been obtained as regards financial co-operation by the EEC Member States with the Inter-American Development Bank. Practical methods have been worked out for the study of certain projects in Latin America and the possible joint participation of Member States. This experiment with the Inter-American Development Bank may serve as a precedent for the joint execution of other projects in non-member countries.

Finally the Commission has helped to set up within OECD a group on export credit guarantees and has taken an active part in its work.

Standardization of export restrictions

301. As planned ⁽¹⁾ the Member States and the Commission resumed, before the end of 1963, their study of the restrictions on exports to non-member countries on which the Commission had made recommendations.

During the year Community restrictions on exports of uncut diamonds and of wood were abolished. On the other hand a harmonized Community system

(1) See Sixth General Report, sec. 266.

for raw skins, hemp seeds and non-ferrous metal waste will continue to exist in 1964.

At a more general level, the Commission, with the co-operation of the Member States, has undertaken a study with a view to proposals for the complete standardization of Member States' export systems vis-à-vis non-member countries.

The Community and the World

PERMANENT DELEGATIONS TO THE COMMUNITY

302. The number of countries having official relations with the Community is 59 (including the associated States). These countries are as follows, in alphabetical order:

Argentina, Australia, Austria, Brazil, Burundi, Cameroon, Canada, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo (Brazaville), Congo (Leopoldville), Costa Rica, Dahomey, Denmark, the Dominican Republic, Ecuador, Gabon, Greece, Haiti, India, Iran, Ireland, Iceland, Israel, Ivory Coast, Japan, Lebanon, Madagascar, Mali, Morocco, Mauritania, Mexico, Niger, Nigeria, Norway, New Zealand, Pakistan, Peru, Portugal, Rwanda, Senegal, Somalia, Spain, Sweden, Switzerland, Thailand, Togo, Tunisia, Turkey, South Africa, South Korea, the United States, the United Kingdom, Uruguay, Upper Volta, Venezuela.

The heads of mission of four other countries—Trinidad and Tobago, Guatemala, El Salvador and Algeria—have received their *agrément* and will shortly present their letters of credence to the President of the Commission.

The Community has also given its consent to the opening of diplomatic relations with Jamaica.

NEGOTIATIONS WITH ISRAEL

303. The negotiations with the State of Israel have continued ⁽¹⁾ under the terms of reference given by the Council of Ministers, on 24/25 September 1962

(1) See Sixth General Report, sec. 273.

and 1/2 April 1963, to the Community delegation negotiating for a commercial agreement.

A second phase of the negotiations took place between 5 and 13 June 1963 and concluded with the submission by the Israeli authorities of a number of proposals concerning products whose export to the EEC is particularly important for the Israeli economy. These fresh proposals posed new problems of a technical nature and the Israeli experts were themselves obliged to discuss them in detail with the relevant government departments of the Member States and with Commission officials. This indispensable exchange of information lasted until mid-October 1963.

On the basis of this information the Member States and the Commission made a thorough study of the question during a number of meetings of the joint EEC delegation handling the negotiations with Israel.

In December 1962 the Commission sent a report to the Council containing proposals which it thought would enable the negotiations with Israel to be brought to a rapid conclusion.

At its sitting of 22 January 1964 the European Parliament pointed to the "long-drawn-out negotiations between the Community and Israel" and urged the Commission, the Council and the Governments of the Member States to give careful study to the proposals in the Commission's report. The Parliament hoped that an initial agreement satisfactory to the two parties would be shortly concluded and requested the Council to give the Commission new terms of reference to negotiate based on the proposals in the report.

On 9 and 10 March 1964 the Council, on a proposal from the Commission, drew up new terms of reference for the Community delegation which made it possible to pursue the negotiations ⁽¹⁾.

TALKS WITH LEBANON

304. The talks between the Commission and the Lebanese Mission following the Lebanese memorandum of 20 October 1962 ⁽²⁾ have shown that an agree-

⁽¹⁾ These were resumed on 8 April 1964 and led on 27 April to an agreement between the two delegations of all questions of substance.

⁽²⁾ See Sixth General Report, sec. 273.

ment to meet the wishes of Lebanon would be very difficult in the matter of tariffs. In view of the impossibility for the EEC to grant tariff reductions for a single country, and because tariff reductions "erga omnes" would not have been of any real use for Lebanon's foreign trade, the Lebanese authorities submitted a new memorandum to the Commission on 12 December 1963, and a complementary memorandum in February 1964. In these documents the Lebanon requested the opening of negotiations for an economic agreement covering numerous fields of relations with the EEC without however aiming at tariff reductions.

The Council agreed to the negotiations and, at its session of 13-15 April 1964 laid down terms of reference for the Community delegation.

RELATIONS WITH NORTH AFRICAN COUNTRIES

Tunisia

305. By letter of 8 October 1963 the Government of the Tunisian Republic requested the Community to open exploratory talks on the future of economic relations between Tunisia and EEC.

The Council instructed the Commission to hold these talks. On 12 December 1963 and 22 January 1964 the first two meetings were held between a Commission and a Tunisian delegation. The latter suggested that a free trade area be taken as a working hypothesis.

There will be further meetings in the near future, after which the Commission will report to the Council.

Morocco

306. On 14 December 1963 the Moroccan Government sent the Community a letter requesting the opening of exploratory talks to study the bases of future economic relations between Morocco and the Community.

The Commission was instructed by the Council to open the talks and, on 30 and 31 January 1964, held an initial meeting with a Moroccan delegation.

Like the Tunisian delegation before it, the Moroccan delegation, headed by M. Guedira, Minister of Foreign Affairs, expressed the opinion that the agreement should cover all economic relations between Morocco and the EEC and that the working hypothesis might be the establishment of a free trade area. Both sides are studying the question from this angle and there will be a further meeting as soon as possible, after which the Commission will report to the Council.

Algeria

307. In June 1963 the Community reviewed the trading situation of Algeria and concluded that this country should continue provisionally to enjoy the benefits of Article 227 of the Rome Treaty, as requested by President Ben Bella in his letter of 24 December 1962. It was, however, understood that this was to be strictly a temporary arrangement and that the Algerian Government was to be asked to say what position it was proposing finally to adopt in regard to the EEC.

On 1 July 1963 an Algerian delegation visited Brussels and handed to the EEC a letter dated 27 June stating the Algerian Government's intention:

- a) to introduce a three-column customs tariff, consisting of a rate for French goods, a higher rate for goods from other EEC countries and a common higher rate for goods from the rest of the world;
- b) to open talks with the EEC in the autumn with a view to replacing this system, regarded as provisional, by new arrangements for commercial and economic relations between Algeria and the Community.

The Community approached the Algerian authorities on a number of occasions to fix a date for the beginning of these talks.

On 1 November 1963 the Algerian Government put its new customs tariff into effect and by letter of 18 December informed the Community of its desire to discuss the future of relations between Algeria and the EEC, suggesting that talks at expert level might be held in Brussels.

The Council asked the Commission to conduct these talks. An initial meeting was held on 25 and 26 February 1964. Other meetings will be held, after which the Commission will report to the Council.

RELATIONS WITH THE UNITED STATES: POULTRY IMPORTS

308. The Community's commercial relations with the United States of America are normally governed by the General Agreement. However, in 1963, a dispute arose between the EEC and the United States over the question of imports of American poultry.

When the common agricultural policy came into effect American exports of poultry to the Community declined sharply in relation to the abnormally high level to which they had been raised in anticipation of the Community regulation.

Invoking an agreement concluded with the Community in 1962 ⁽¹⁾, the United States Government proposed negotiations on American poultry exports on the basis of the negotiating rights which the United States held in 1960 vis-à-vis the Member States—in the case in point the Federal Republic of Germany. Acting on directives issued by the Council for the negotiations, the Commission proposed to the United States that certain components of the levy on poultry imports be bound in such a way as to reduce the incidence of this charge.

The United States Government having rejected this offer and notified its intention of withdrawing tariff concessions affecting a volume of trade which the Community considered unacceptable, it was agreed to refer to GATT for an advisory opinion concerning the value, in trade terms, represented by the United States' negotiating rights under the bilateral agreement. The United States submitted its estimate, amounting to \$46 million, to the ad hoc advisory panel. The Community's estimate was \$16 million. The advisory panel put the amount at \$26 million, which was accepted by the United States and the Community. On 7 January 1964 the United States suspended tariff concessions towards the Community on a volume of trade corresponding to this amount ⁽²⁾.

It should be pointed out with reference to this dispute that in 1963 exports of American poultry to Federal Germany, which is traditionally the largest Community buyer of these products, amounted to about \$21 million, a figure not far

(1) See Fifth General Report, sec. 207.

(2) The various stages of the EEC/United States negotiations on this matter are described in Chap. V, "The Council".

short of that adopted by the GATT advisory panel as representing the United States negotiating rights vis-à-vis this Member State.

RELATIONS WITH LATIN AMERICA

309. The Community's formal relations with Latin-American countries were extended by the establishment in Brussels of the diplomatic mission accredited by the Republic of Haiti, while the Community gave its *agrément* to the heads of the new missions of El Salvador, Ecuador and Guatemala.

The Commission was represented by observers at the meetings of the Economic Commission for Latin America at Mar del Plata in Argentina in May 1963, and of the Inter-American Economic and Social Council at Sao Paulo in November 1963.

In conformity with its Action Programme ⁽¹⁾, and at the request of Argentina and Uruguay, the Commission, in May and June 1963, held information meetings with experts from these countries on the various aspects of the common agricultural policy. On 29 November a further meeting, which included experts from other non-member countries producing meat in addition to Argentina and Uruguay, provided an occasion for discussions of the special problem of the beef and veal regulation. The Commission has also received memoranda from several Latin-American countries on various points of Community policy.

But the most important innovation in the Community's relations with Latin America has been periodical meetings between the Latin-American diplomatic missions and the Commission, which began in July 1963. The initial aim of these meetings, which the Council approved in May 1963 when examining the Commission's proposed plan of action with regard to Latin America, is to supply the heads of the Latin-American missions with precise and authoritative information on aspects of Community activity of special interest to them. Five meetings have been held, at which the heads of missions heard general reviews of commercial policy, African association, agricultural policy, financial policy and technical assistance and submitted their comments on these matters. After a report on these discussions has been sent to the Council further meetings will be held for a detailed study of concrete problems in response to the unanimous wish of the Latin-American ambassadors.

(1) See Sixth General Report, sec. 272.

RELATIONS WITH INDIA

310. Desirous of pursuing its co-operation with the developing countries and to facilitate access to the Community market for their products, the Council suspended or temporarily reduced from 1 January 1964 to 31 December 1965 certain CCT duties which specially affect the exports of these countries, notably India ⁽¹⁾.

The changes were extended under the same conditions to the corresponding duties of the national tariffs (except as regards castor oil other than crude, heading 15.07 B I. a) 2).

These measures, on which provisional agreement was reached in the accession negotiations with the United Kingdom, concerned:

- a) Tea, maté and tropical woods (decision of 18 June 1963);
- b) A number of miscellaneous products, including cashew nuts, shellac and various spices (decision of 3 December 1963).

In all, these concessions affect a volume of trade worth \$ 221 million (1962), of which \$ 20 million from India. This last figure may be compared to \$165 million for total EEC imports from India.

THE COMMUNITY'S RELATIONS WITH THE STATE-TRADING COUNTRIES

311. The state-trading countries seem from the commercial standpoint to be showing an increasing interest in the Community. They are endeavouring to conclude bilateral trade agreements with certain Member States under which they would obtain identical treatment in the tariff field to that which the Member States accord each other.

At its session of 23-24 September 1963, the Council approved the terms of a memorandum proposed by the Commission concerning possible tariff concessions to the USSR. This memorandum was handed to the Deputy Minister of External Trade of the USSR by the diplomatic representative in Moscow of the Netherlands, which was the chairman country in the Council at the time.

⁽¹⁾ See Chap. I, "Modification and suspension of duties in the common customs tariff", end of sec. 9.

The memorandum stated that the Council and Commission of the Community rejected as lacking any legal basis the requests made by the USSR to certain Member States for Community customs treatment, but that the Community would nevertheless be prepared to introduce tariff measures to promote imports of certain products for which the USSR is its main supplier if the Soviet Government were prepared to consider the present applications as finally disposed of. The products in question are vodka, caviar and tinned crab.

At the time of writing the Soviet Government had not yet replied.

RELATIONS WITH THE UN AND ITS SPECIALIZED AGENCIES

312. Relations between the Community and the United Nations are continually broadening, although they have no formal basis. The execution of the Treaty of Rome has continued to be a matter of prime concern for various United Nations bodies. In particular, the gradual working out of the common agricultural policy and the renewal of the Association Convention with the African States and Madagascar have given rise to certain misgivings and criticisms.

The Community was represented at the meetings of the Economic and Social Council (ECOSOC) and of the Commission on International Commodity Trade (CICT). It took part in the preparations for the World Conference on Trade and Development, which opened on 23 March 1964 in Geneva (1). The Community was also represented at the sessions of the United Nations Regional Economic Commissions and of their subsidiary committees for the development of trade.

The Economic Commission for Europe has made a study of the problems of trade between the free market economy countries and the state-trading countries. This will be part of the documentation provided for the Conference on Trade and Development.

The new Association Convention with the African countries and Madagascar has been a central topic of debate in the Economic Commission for Africa. The associated States have stressed the importance they attach to this Convention for their development and also the open nature of its provisions.

(1) See Chap. III, sec. 269.

The Commission took part in the plenary sessions of the Economic Commission for Africa at Leopoldville in February-March 1963 and at Addis Ababa in February-March 1964. The Commission has also proposed to the Council that steps be taken to obtain for the Community official status with the Economic Commission for Africa. The Economic Commissions for Latin America and for Asia and the Far East have studied the repercussions of Community measures on traditional trade flows.

In conformity with the 1958 liaison and co-operation agreement between the Community and the International Labour Office (ILO), and the agreement concluded in 1962 between the Commission and the United Nations Food and Agriculture Organization (FAO), the Community has been regularly represented at meetings arranged by these organizations. A meeting of the standing EEC-ILO Liaison Committee was held in January 1964.

Although the liaison agreement with UNESCO is still in the preparatory stage, the Community was invited to send representatives to meetings of this organization and has been associated with some of its functional activities.

WORK OF COMMUNITY INSTITUTIONS AND ORGANS

THE MERGER OF THE EXECUTIVES

313. The plan to merge the Executives goes back some time. In 1959 the idea of uniting in a single institution the High Authority of ECSC and the two Commissions of the Communities established by the Treaty of Rome had been put forward in the plan for a European *relance* submitted by the Belgian Minister of Foreign Affairs, M. Pierre Wigny. In 1960 the three Executives made a statement on this subject to the European Parliament, which approved a first report submitted by M. Maurice Faure on behalf of the Political Committee ⁽¹⁾. In 1961 the Netherlands Government took the initiative of submitting a draft Convention in conformity with the Treaty clauses providing for revision. In pursuance of these provisions, the European Parliament and the two Commissions were consulted on this draft; the Parliament's opinion was incorporated in M. Maurice Faure's second report, adopted in October 1961. However, the merger of the Executives was not proceeded with because of divergences between the Member States on the scope of this reform.

The idea of the merger was studied again as part of the "synchronized programme of work" which the Councils examined in April 1963 and later, an agreement in principle was reached in the Council at its session of 23-24 September 1963. This was done by reconciling the views of the Member States along the lines constantly advocated by the Commission, i.e., the merger of the Executives, as an institutional regrouping, should take place as the first step on the road to an amalgamation of the Communities or of the Treaties, eliminating unwarranted divergences between the provisions of the three Treaties.

The Council's agreement in principle took the form of the following decision: "The Councils agreed to invite the Member States to express their opinion as soon as possible on the merger of the EEC and Euratom Commissions and the

⁽¹⁾ See Fourth General Report on the activities of the Community, sec. 224 and the end of the Introduction.

High Authority of the ECSC on the one hand, and of the EEC and Euratom Councils and of the special ECSC Council of Ministers on the other. This merger should take place with a view to the possible fusion of the three Communities.

“Consequently, they will at the same time pronounce on the merger of the above-mentioned institutions and on the time-limits to be envisaged for a fusion of the three Communities.

“In order to be able to take their decision with full knowledge of the facts and in accordance with the procedures laid down by the three Treaties, they instruct the Permanent Representatives to submit to them, before the end of 1963, proposals based on studies covering all aspects and problems of the merger of the above-mentioned institutions. In particular these proposals will take into consideration the Netherlands Government’s draft of 27 June 1961. They will also deal with the problems of the geographical location of the Community institutions and organs.

“At the same time preliminary studies on the fusion of the Communities will be put in hand”.

It was understood that representatives of the Commissions and of the High Authority would be fully associated with the Permanent Representatives’ studies.

In conformity with the terms of reference assigned to them by this decision the Permanent Representatives worked out proposals, which they submitted to the Council at the end of 1963. These dealt with all aspects of a merger of the Executives and included a communication on the location of the institutions. They were accompanied by preliminary proposals on the strengthening of the role and powers of the European Parliament. The Council considered the Permanent Representatives’ proposals at its session of 24-25 February 1964, but was unable to reach decisions on all of them; it will therefore resume their consideration at coming sessions.

In addition to the merger of the three Councils, which is more in the nature of a formal measure, the Permanent Representatives propose merging the High Authority and the two Commissions, unifying their administrations. This also postulates unification of the budgets and service regulations and also the procedures for establishing these.

As regards the successor institution to the High Authority and the two Commissions, it is known that one of the chief difficulties to be resolved is that

of the number of its members. The Commission put its views on this matter to the European Parliament during the debate on the Political Committee's second report. Like the Parliament in its resolution (1), the Commission suggested that the number of members be kept to nine.

The Commission too has constantly advocated widening the powers of the European Parliament and hopes that the proposals to this end, which will be studied in the course of discussions on the merger, will lead to progress.

As regards the location of the institutions the Commission hopes that the Governments of the Member States will at an early date agree on a suitable solution so that it will be possible, once the decision has been taken, to put the merger of the Executives into effect without delay, if possible by 1 January 1965.

THE EUROPEAN PARLIAMENT

314. Between 25 March 1963 and 31 March 1964 the European Parliament held eight ordinary sessions and an extraordinary session on agricultural problems. The tenth joint meeting with the Consultative Assembly of the Council of Europe was held on 17 and 18 September 1963, and the colloquium between the institutions of the three European Communities on 26 and 28 November 1963. The Euro-African Parliamentary meeting under the chairmanship of M. Lamine-Gueye, which worked out the details of parliamentary co-operation under the Association Convention took place on 20 and 21 June 1963.

The Parliament was consulted by the Council on numerous drafts concerning the various fields of implementation of the Rome Treaty. These included in particular the draft agricultural regulations, the renewal of the Association Convention with the African States and Madagascar, the common transport policy, economic policy and monetary policy and the approximation of legislation in various fields.

The Parliament also discussed other questions, particularly tariff problems from the angle of the GATT negotiations, regional policy, social policy and the Community's external relations.

(1) On 20 October 1961 after M. Maurice Faure's report.

Agricultural questions were prominent on the Parliament's agenda. More than half the written questions and a large number of resolutions were concerned with them.

On several occasions the Parliament stressed the urgency of planning and executing a common energy policy.

The number of opinions and resolutions adopted (76) and the number of written questions (136), which is higher than last year, bear witness, though only partly, to the Parliament's activity. There was an increase in the number of questions examined by the parliamentary Committees and, as a conclusion to their work, of studies and of contacts with the Executive.

The Parliament is playing a growing part in the Community's progress, and the desire it has expressed several times for greater powers is no more than the reflection of an awareness of its increasing participation in the implementation of the Treaty of Rome. One resolution set forth the Parliament's wishes in this field and another, on problems of cultural co-operation, reflected its concern that the work of European unification should be carried forward not only in the fields covered by the Treaty but also in other spheres, such as research, education and general culture.

The following pages give a chronological summary of the parliamentary work recorded in the preceding chapters and a list of formal opinions and resolutions.

Session of 25-29 March 1963 (1)

315. The parliamentary year opened with the re-election of M. Gaetano Martino as President of the European Parliament. Mme Strobel and MM. Blaise, Duvieusart, Fohrmann, Furler, Rubinacci, Van Rullen and Vendroux were re-elected Vice Presidents by acclamation.

The debates and resolutions chiefly concerned the Community's economic situation in 1962 and the outlook for 1963, the state of negotiations with the United Kingdom, the common commercial policy, the association with the African States and Madagascar, the social situation in the Community in 1961 and the EEC's supplementary budget.

(1) See Sixth General Report, sec. 290 and official gazette of the European Communities, No. 61, 19 April 1963.

Session of 13-14 May 1963 (1)

316. Discussions were held and resolutions adopted on the following questions:

- a) The European Social Charter (rapporteur M. Troclet, Belgium, Socialist);
- b) A proposed directive on transitional measures concerning self-employment in wholesale trade and in occupations serving trade and industry (rapporteur M. Illerhaus, Germany, Christian Democrat, replaced by M. van Dijk, Netherlands, Liberal);
- c) A proposed directive on the harmonization of laws and regulations governing pharmaceutical products (rapporteur M. Tomasini, France, Independent);
- d) The accounts of the European Parliament of the preceding year (rapporteur M. Vals, France, Socialist), (see sec. 396);
- e) The renewal of the Association Convention. This resolution, standing in the names of fifteen members, headed by M. Margulies (Germany, Liberal), stressed the need of avoiding any delay and the urgency of bringing the transitional measures into force on 1 July 1963.

Session of 24-28 June 1963 (2)

317. The Parliament opened its session by paying a tribute to the memory of Pope John XXIII and by a message to his successor, Paul VI.

The Parliament heard M. Eugene Schaus, current President of the Councils, on their activities during the previous six months, and M. Walter Hallstein, President of the Commission, who introduced the Sixth General Report on the activities of the Community.

Two debates were held, one on the competence and powers of the European Parliament and the other on problems of cultural co-operation between the Community countries.

(1) See official gazette of the European Communities, No. 84, 4 June 1963.

(2) *ibid.*, No. 106, 12 July 1963.

In the first of these debates President Hallstein said that the Commission wished to see the Parliament's powers widened and regarded this a means of strengthening the democratic structure of the Community institutions, with the election of the Parliament by universal suffrage playing an important part. Until the Treaties could be amended to this effect, relations between the Parliament and the other institutions should be so arranged in practice as to enhance the Parliament's role and authority. In this respect the Commission expressed its agreement with the general lines of the report submitted on behalf of the Political Committee by M. Hans Furler (Germany, Christian Democrat). The three political groups were unanimous that the Parliament's present right to be consulted should become a right to give or withhold approval and emphasized that election of the Parliament by direct universal suffrage could provide a new political impetus.

The resolution adopted proposes that the Parliament should have a say in the appointment of the Executives, that the Council should state its reasons when it acts contrary to the Parliament's opinion, and that when the Parliament has adopted an opinion by a two-thirds majority the Council should not be able to act contrary to it except by unanimous vote. The Parliament also wishes to be consulted on association agreements after their initialling and that in future all the EEC's international agreements should be submitted to it for approval. Finally, the Parliament asked that a detailed explanatory memorandum on the political aspects be attached to the draft budget and that it be invested with powers of decision over the budget once the Community has its own resources.

The debate on cultural co-operation began with the presentation of a report by M. De Block (Belgian, Socialist) on behalf of the Research and Cultural Affairs Committee, and afforded an opportunity to review the problems arising in the field of teaching and culture. The object of the action contemplated is to give a European slant to teaching and to make European problems a first concern of the teaching body. The resolution adopted by the Parliament has a threefold aim: co-operation between the Executives, studies at Community level, cultural collaboration between the Member States.

The Parliament is anxious that the European University project should materialize, the more so as the declaration on cultural policy adopted on 18 July 1961 in Bonn by the Conference of heads of State or Government stresses the role which the Parliament can and must play in this field. The Parliament wished to see European schools opened in all the main European cities and a central European library established.

At this session the Parliament also adopted the following resolutions:

- a) A resolution on the estimates of receipts and expenditure of the Parliament for the 1964 financial year (rapporteur M. Weinkamm, Germany, Christian Democrat);
- b) A resolution on the need for suitable accommodation for the Parliament and its Secretariat-General (rapporteur M. Weinkamm, Germany, Christian Democrat);
- c) A resolution on the stage reached at 30 June 1962 in the implementation of Article 119 (equal pay for men and women workers) (rapporteur M. Schouweenaar-Fransson, Netherlands, Liberal).
- d) A resolution embodying the Parliament's opinion on the proposed directive for the approximation of legislation on preserving agents used in foodstuffs (rapporteur Mme Strobel, Germany, Socialist), (see sec. 187);
- e) A resolution on relations between EEC and Latin America (rapporteur M. Edoardo Martino, Italy, Christian Democrat);
- f) A resolution on the tariff negotiations in GATT (rapporteur M. Kriedemann, Germany, Socialist);
- g) A resolution setting out the Parliament's opinion on the draft regulation amending Article 1 of Council Regulation No. 24 (date of establishment of the vineyard) (rapporteur M. Loustau, France, Socialist).

Session of 16 September 1963 (1)

318. Tributes were paid to the memory of M. Robert Schuman, Honorary President of the Parliament, by M. Gaetano Martino, by M. Luns on behalf of the Councils, by M. De Groote, member of the Euratom Commission, for the three Executives, and by M. Poher on behalf of the political party to which M. Schuman had belonged.

The main business was to study the Association Convention with the African States and Madagascar and two resolutions were adopted on this subject:

(1) See official gazette of the European Communities, No. 139, 28 September 1963.

a) A resolution on the Association Convention and its annexes (rapporteurs M. Thorn, Luxembourg, Christian Democrat, M. Hahn, Germany, Christian Democrat and M. van der Goes van Naters, Netherlands, Socialist);

b) A resolution on internal agreements concerning this Convention (rapporteur M. Hahn, Germany, Christian Democrat).

In these resolutions the Parliament declared inadequate the arrangements to stabilize prices of tropical products and stressed the need for the early entry into force of the Convention.

*Tenth joint meeting of the European Parliament
and the Consultative Assembly of the Council of Europe*

319. The tenth joint meeting of these two bodies was held on 17 and 18 September 1963 with M. Pflimlin, President of the Consultative Assembly, presiding.

The meeting discussed the report of M. Biesheuvel (Netherlands, Christian Democrat) presented by M. Furler, on the Parliament's activities and problems of the relations between the EEC and the United States, particularly in the context of the forthcoming tariff negotiations in GATT.

The Parliament heard an exposé by the President of the Commission on the various aspects of a partnership between Europe and the United States and the conditions for co-operation between these two economic units. The Trade Expansion Act reflected the United States' concern to meet the new situation created by the existence of the Community. Europe's answer to the American offer could only be in the affirmative. The Community must see in it an incentive to strengthen the internal cohesion of the EEC with due regard both to the interdependence of the free world and the economic interests of Europe.

In the debate, speakers referred to the danger of a lasting rift between the two European economic blocs, the possibility of establishing links between EEC and EFTA and, finally, the political union of Europe. Although it was generally recognized that the prerequisite for effective partnership was a rebuilt Europe, opinions differed as to ways and means. The two main themes of the debate were on the one hand the need to pursue and intensify at all levels the unification of the Six in order to maintain the force of attraction of the communities, and on the other the anxiety expressed in certain quarters that the Europe of the Six

might be too narrow a base for European unification. Winding up, M. Martino, President of the Parliament, said that an Economic Community which went no further than the stage at present reached would sooner or later wither away or collapse.

Session of 14-18 October (1)

320. As is customary each year, the Parliament held a debate on the Sixth General Report on the activities of the Community. Presenting his report, M. Kreyssig (Germany, Socialist), expressed some of the reasons for the Parliament's satisfaction and also for its anxieties. He regretted in particular that the Council was becoming more and more a sounding-board for national interests and might be a danger to the forward march of Europe.

The Parliament noted with satisfaction that the breakdown of negotiations with Great Britain had not prevented the Community from progressing in the customs and economic sectors and in the fields of free movement of workers, harmonization of legislation and relations with the associated countries. The matters causing concern to the Parliament were the protracted discussion of the draft agricultural regulations and the rising price trend, with its threat of inflation. The views expressed by the three political groups showed that they shared the same anxieties as regards the institutional situation, the Community's internal cohesion, its open-attitude to the outside world and the political build-up.

In conclusion to the debate the Parliament adopted an important resolution stressing the need for progress in the Community's internal consolidation and concurring with the ideas expressed in the introduction to the Sixth General Report. The resolution then set out a number of suggestions which have been mentioned in the preceding chapters of the present Report.

Other debates and resolutions

a) Debate and passing of a resolution on energy policy (rapporteur M. Lee-mans, Belgium, Christian Democrat) (see sec 153);

(1) See official gazette of the European Communities, No. 157, 30 October 1963.

b) A resolution on a directive concerning the harmonization of legislation on turnover taxes (rapporteur M. Deringer, Germany, Christian Democrat) (see sec. 89) and a resolution setting out the Parliament's opinion on a proposed regulation amending Regulation No. 17 (rapporteur M. Armengaud, France, Liberal) (see sec. 61);

c) A resolution on the association with Greece (rapporteur M. Vals, France, Socialist);

d) A resolution setting out the Parliament's opinion on the proposed directive on permitted weights and dimensions of commercial vehicles (rapporteur M. De Gryse, Belgium, Christian Democrat) (see sec. 209);

e) Three resolutions in the agricultural field setting out the Parliament's opinion on conditions for the grant of aid by the European Agricultural Guidance and Guarantee Fund (rapporteur M. Vredeling, Netherlands, Socialist), on the financial regulations for the Fund (rapporteur M. Aigner, Germany, Christian Democrat) and on the draft regulation establishing an information service on farm accounts in EEC (rapporteur M. Dupont, Belgium, Christian Democrat) (see sec. 194);

f) Three resolutions concerning the Parliament's budget for 1964, the unification of the Statute of Service of officials of the three Communities (rapporteur M. Vals, France, Socialist) and the opinion of the Councils on the estimates for the European Parliament in the preliminary draft budgets of Euratom and EEC for 1964 (rapporteur M. Weinkamm, Germany, Christian Democrat).

Session of 25-28 November 1963 ⁽¹⁾

321. The session opened with tributes to the memory of President Kennedy, paid by M. Martino, M. De Block on behalf of the Councils, M. Hallstein for the EEC Commission, M. Medi for Euratom and M. Del Bo on behalf of the High Authority of ECSC.

⁽¹⁾ See official gazette of the European Communities, No. 182, 12 December 1963.

The Parliament adopted the following resolutions:

- a) A resolution on the establishment of a common level of cereal prices (rapporteur M. Boscary-Monservin, France, Liberal) (see sec. 182);
- b) Three resolutions expressing the opinion of the European Parliament on freedom of establishment and freedom to supply services (self-employed persons in manufacturing activities coming under ISIC major groups 23-40 and 11-19 — industrial and artisan activities, mining and quarrying (see sec. 52);
- c) A resolution on the agreement creating an association between the EEC and Turkey (rapporteurs M. Dehousse, Belgium, Socialist and M. Kapteyn, Netherlands, Socialist) (see sec. 279);
- d) A resolution on the draft of an initial common programme to promote the exchange of young workers (rapporteur M. Troclet, Belgium Socialist);
- e) A resolution on the social aspects of the common energy policy (rapporteur M. Nederhorst, Netherlands, Socialist);
- f) A resolution on students' vacation work (rapporteur M. Herr, Luxembourg, Christian Democrat);
- g) Resolution on the operational budgets of EEC and Euratom (rapporteur M. Weinkamm, Germany, Christian Democrat) (see sec. 396).

The Parliament also heard a statement by M. Del Bo, the new President of the High Authority of ECSC, and debated coal and steel problems and energy policy.

Joint meeting between the institutions

322. The annual joint meeting between the European Parliament, the Council and the Executives of the Communities was held in Strasbourg on 26 and 28 November 1963 ⁽¹⁾. The subject chosen was Community policy and world development problems.

M. De Block opened the discussion on behalf of the Councils by setting out the problems and indicating the main lines which the Community would have to follow. He first emphasized that the Community was doing more

⁽¹⁾ See official gazette of the European Communities, No. 182, 12 December 1963.

to promote the harmonious development of world trade than any other major economic unit. With regard to the Geneva tariff negotiations, he said that the Community would spare no effort to ensure their successful outcome. Turning to the question of agricultural products, M. De Block emphasized that the expansion of world trade in this sector must bring with it greater prosperity for the farming population and a better social balance in the various countries. As regards trade with the developing countries, the EEC shared in every international effort to stabilize raw material prices and diversity production. In conclusion he said that the establishment of the Common Market had provoked stronger pressure from the non-member countries for an early solution to international trade problems.

The ensuing discussion brought into relief economic interdependence in the present-day world. The old concept of protection had been discarded. Infant industries could now be protected only by close co-operation between countries — multilateralism in the sphere of trade.

Speaking for the Christian Democrat Group, M. Blaisse, expressed the hope that the common commercial policy would be set on foot sooner than was provided for in the Treaty.

For the Socialist Group, M. Vredeling said that in the coming GATT negotiations the Community would have to resist the temptation to isolate itself in certain ways.

On behalf of the Liberal Group, M. Pleven pointed to the darker side of the picture, in particular the decline in the rate of expansion of imports from the developing countries.

The Presidents of the Executives took the floor to put forward the views of their respective Communities.

After noting how far the Community still was from a merger of national commercial policies, M. Hallstein, President of the EEC Commission stressed the need to attenuate the existing disproportion between the political and economic importance of the Community in the world and its inadequate means of action vis-à-vis outside countries. The Community's internal balance would only be ensured if common commercial policy progressed at the same pace as the customs union and was implemented simultaneously in the agricultural and industrial sectors. M. Hallstein then spoke of the Community's obligations

with respect to GATT, its responsibilities towards the developing countries and the need for an Atlantic partnership.

After M. Luns had replied to members' questions, M. Martino, President of the Parliament, concluded the meeting by an appeal to the Governments to show more determination to attain political unity.

Session of 7 and 8 January 1964 (extraordinary session) (1)

323. This session dealt with agricultural problems, in particular the Commission's proposal concerning a common level of cereal prices, and the regulations adopted on 21 December 1963. After a debate, the Parliament adopted a resolution (2) expressing its opinion on the proposed regulation to amend Regulation No. 19, the draft regulation fixing cereal prices for the marketing year 1964/65, the proposal concerning compensatory measures and Community plans to improve the living standards of the agricultural population and, finally, amendments to Regulations Nos. 20, 21 and 22 with regard to intra-Community refunds. The Parliament's opinions constitute an approval of the Commission's proposals on the approximation of cereal prices, the corner-stone of the common agricultural policy on the eve of the tariff negotiations in GATT. The Parliament further adopted a resolution on a draft regulation waiving the provisions of Article 5 of Regulation No. 25 (financing of the common agricultural policy).

Session of 20-24 January 1964 (3)

324. The Parliament adopted the following resolutions:

a) Resolution setting out the opinion of the European Parliament on the EEC Commission's recommendation to the Council concerning a medium-term Community economic policy (rapporteur M. Dichgans, Germany, Christian Democrat) (see sec. 138);

(1) See official gazette of the European Communities, No. 7, 21 January 1964.

(2) *ibid.*, No. 7, 21 January 1964 and Chapter II, sec. 182.

(3) *ibid.*, No. 24, 8 February 1964.

- b) Resolution expressing the opinion of the European Parliament on the EEC Commission's memorandum to the Council on monetary and financial co-operation in the Community (rapporteur M. Vals, France, Socialist) (see sec. 135);
- c) Resolution on regional policy in the EEC (rapporteur M. Birkelbach, Germany, Socialist) (see sec. 141);
- d) Resolution on the energy policy proposals submitted in the memorandum of 25 June 1962 (rapporteurs M. Leemans, Belgium, Christian Democrat, and M. Posthumus, Netherlands, Socialist) (see sec. 154);
- e) Resolution on the sixth survey of the social situation in the Community (1962) (rapporteur M. Nederhorst, Netherlands, Socialist);
- f) Resolution on the results of the study mission carried out in the Community countries on the special problems of the free movement of workers (rapporteur M. Storch, Germany, Christian Democrat);
- g) Resolution expressing the European Parliament's opinion on the EEC Commission's proposal to the Council on the organization of a survey of infrastructure costs in road, rail and inland waterway transport (rapporteur M. Posthumus, Netherlands, Socialist) (see sec. 205);
- h) Resolution on a European roads policy (rapporteur M. Drouot L'Hermine, France, Independent) (see sec. 219);
- i) Resolution expressing the opinion of the European Parliament on the draft EEC Council decision on the association of overseas countries and territories with the Community (rapporteur M. Metzger, Germany, Socialist);
- j) Resolution on the fact-finding mission to the Netherlands Antilles, Surinam, French Guiana, Martinique and Guadeloupe (rapporteur M. Charpentier, France, Christian Democrat);
- k) Resolution on relations between the European Economic Community and Israel (rapporteur M. Blaisse, Netherlands, Christian Democrat) (see sec. 303).

Preparations for the Parliamentary Assembly of the association

325. On 21 and 22 February 1964 a preparatory conference for the Parliamentary Assembly of the association of the African States and Madagascar was held in Messina. This conference adopted the main implementing provisions

of the Yaoundé Convention as regards the Parliamentary Assembly of the association. It was decided that the first session of this Assembly would take place in Dakar in November 1964.

Session of 20-25 March 1964 (1)

326. Re-election of officers

M. Duvieusart (Belgium, Christian Democrat) was elected President of the European Parliament by 57 votes to 55 for M. Kapteyn (Netherlands, Socialist). M. Battaglia, M. Brunhes, M. Fohrmann, M. Furler, M. Kapteyn, M. Kreyszig, M. Rubinacci and M. Vendroux were appointed Vice-Presidents by acclamation.

Debates and resolutions

a) A debate on the economic situation of the EEC in 1963 and the outlook for 1964 (*rapporteur* M. Berthoin, France, Liberal). The Commission representative said that the Community's economic stability could only be restored by co-ordinated and synchronized Community action, which must aim at the early stabilization of prices and production costs and a recovery in the balance of payments of the Member States which had a deficit.

The resolution adopted follows the general principles of the programme recommended by the EEC Commission and proposes that the Council of Ministers consider the possibility of granting the EEC Commission wider powers to harmonize the conjunctural policies of the Member States so that a common plan to co-ordinate the Community's economic and financial policies can be worked out.

b) Debate on the activities of the Councils. After a statement by M. Fayat, current President of the Council of Ministers, the Parliament discussed the widening of its powers, the merger of the Executives and the location of the Community institutions. It was unanimous in recognizing the need to establish a single Commission, to give the European Parliament control over the Community budgets and to empower it to ratify treaties concluded by the Community in the place of the national Parliaments;

(1) See official gazette of the European Communities, No. 60, 14 April 1964.

- c)* Debate and resolution on the means of action of the Mines Safety Commission (rapporteur M. Bergmann, Germany, Socialist). The European Parliament proposes that the competence of this Commission be extended to iron mines;
- d)* Resolution on the closing of the accounts of the European Parliament for the financial year 1963 (rapporteur M. Vals, France, Socialist);
- e)* Discussion of a report by M. Weinkamm, (Germany, Christian Democrat) on the draft supplementary EEC budget for 1964 and resolution approving this budget;
- f)* Debate on the Community's Action Programme to promote a social policy in agriculture (rapporteur M. van der Ploeg, Netherlands, Christian Democrat) and adoption of a resolution stressing the importance of structure policy and regional development policy for social policy in agriculture and particularly for employment policy;
- g)* Debate and resolution on the Commission's proposal to the Council for a regulation amending Regulations 19, 20, 21, 22 and 23 by the insertion of a reference to the objectives to be attained (rapporteur Mme Strobel, Germany, Socialist);
- b)* Debate and resolution on the arrangements applicable to rice from the associated African States and Madagascar and the overseas countries and territories (rapporteur M. Lardinois, France, Christian Democrat) (see sec. 179);
- i)* Debate (rapporteur M. Kapteyn, Netherlands, Socialist) on the commercial agreement concluded on 14 October 1963 between the EEC and Iran and resolution emphasizing the need to work out a Community approach to trade policy vis-à-vis non-member countries (see sec. 294);
- j)* Debate and resolution on the United Nations Conference on Trade and Development (rapporteur M. Pedini, Italy, Christian Democrat). The Parliament wishes the EEC Commission to act behalf of the Community at the Geneva Conference (see sec. 270);
- k)* Debate and resolution on the prospects for nuclear energy in the Community (rapporteur M. Batistini, Italy, Christian Democrat).

THE COUNCIL

327. Between 1 April 1963 and 31 March 1964 the Council held 25 sessions presided over successively by the Luxembourg member (until 30 June 1963)

the Netherlands member (from 1 July to 31 December 1963) and the Belgian member (since 1 July 1964). Eleven sessions were devoted to agricultural questions, one to transport and one to social questions.

After the lull in its activities following the adjournment of the negotiations with Great Britain, the Council made a fresh start, on a changed course, following M. Schröder's declaration on behalf of the Federal Government at the session of 1 and 2 April 1963. M. Schröder proposed that the Council should adopt a programme for 1963 aimed at advancing the work in a "synchronized" manner so that the various undertakings of the Community might benefit every Member State.

This programme of work, submitted with the express purpose of helping the Community out of the critical situation in which it found itself, was based on the principle of parallel advance on different fronts, particularly external relations (consultation with Great Britain, geographical extension of the Community—Austria, Turkey—association with the African States and Madagascar) and institutions (merging of the Executives, strengthening of the role of the European Parliament).

Finally, M. Schröder's programme emphasized the need for more realistic time-limits in building up the common agricultural policy.

The members of the Council welcomed this *relance* and instructed the Committee of Permanent Representatives to work out expeditiously, in close co-operation with the Commission a practical programme of work setting out the Community's objectives for 1963.

At the session of 8 May 1963 it was agreed that the main points in the programme should be to decide upon a Community attitude in the Kennedy round, and to elaborate the common agricultural policy (rice, beef and dairy produce regulations and implementing regulations for the European Agricultural Guidance and Guarantee Fund). Together with these two questions, which were inherently linked because of the inclusion of agricultural products in the Kennedy round, the programme of work included institutional matters and the introduction of satisfactory procedures for contacts with Great Britain.

Until the end of July the Council devoted its efforts to elaborating this programme. The resumption of Community work in the Council in connection with the discussion of the Action Programme led to the settlement of a certain number of problems covered by the draft even before the programme was

approved (conclusion of the second Association Convention with the African States and Madagascar and of the Ankara Agreement; agreement to open exploratory talks with Austria). With the resumption of work in September, the Council dealt with the technical and political preparation of the various elements of the programme and entered on the phase of overall decisions at its 119th "Marathon" session from 17 to 23 December 1963. Between January and 1 April 1964 the Council finalized the agricultural decisions and the implementing provisions thereof. The Ministers of Foreign Affairs also studied problems relating to the merger of the Executives, while the Council and the Commission held a broad exchange of views on the Community's work for 1964, without however envisaging any precise time-table.

At the close of the period covered by this General Report, the results of the Council's work are in no way inferior to those of earlier years, and the Commission has several times expressed its conviction that this progress of the Community as such justifies the resumption of the Community approach so judiciously used in the past and which ensures solid progress.

100th session of the Council (1-2 April 1963)

328. After hearing M. Schröder on a draft programme of work for the Community in 1963 the Council held an initial exchange of views on this question.

Tariff questions

The representatives of the member Governments meeting in the Council confirmed their intention of effecting on 1 July 1963, in respect of products other than those listed in Annex II of the Treaty, the second approximation of national duties to the common external tariff at the same time the reduction of customs duties in intra-Community trade would reach 60%. The Council agreed that the second approximation to the CCT should be made on the basis of the initial tariff provisionally reduced by 20% until 31 December 1965, it being understood that the reduction of duties agreed in the Dillon negotiations would be absorbed in this operation. This decision, which makes general the provisional reductions or suspensions agreed on in the Dillon round in anticipation of the Kennedy round, reflected the Community's confidence in the outcome of the latter. This stage was passed two years in ad-

vance of the time-table which the Community had originally set itself (see sec. 2).

Negotiations with the associated African States and Madagascar

The Council adopted a declaration of intention by which the Member States stated their readiness to open negotiations with non-member States in Africa which so requested and whose economic structure and production were comparable with those of the associated African States and Madagascar with the object either of accession to the Convention with the AASM or the conclusion of an ad hoc association agreement or a trade agreement (see secs. 244 and 245).

The representatives of Member States' Governments meeting in the Council further declared their readiness to suspend at a later date the duties on tea and tropical woods, as agreed with the United Kingdom.

At the close of these discussions all obstacles to the conclusion of the new convention had been overcome.

At the same time the Council examined the interim measures, valid until 31 December 1963, which authorized the Commission to draw upon the European Development Fund to award 200 extra scholarships and to double the number of training periods (see secs. 254 and 255). The Council declared its readiness to examine with the associated States any necessary transitional measures (see secs. 238 and 239).

Association of Turkey

The Council heard a statement by Minister Zijkstra on the successful outcome of the meeting of the Ministers of Finance to discuss financial assistance to Turkey. It decided to propose to the Turkish Government that negotiations on the general framework of the agreement be continued (see sec. 279).

Iran and Israel

The Council gave the Commission a mandate to resume negotiations with these two countries (see secs. 293 and 303).

Social questions

The Council approved, in the Community languages, the regulation on the social security of frontier workers and a regulation supplementing Regulations

Nos 3 and 4 (family allowances for detached workers). It also took a decision establishing the general principles of a vocational training policy (see sec. 225).

Agricultural questions

The Council examined a number of agricultural questions. It adopted a regulation supplementing Regulation No. 19 on cereals and asked the Commission to submit before the end of the year a report on forestry problems (see sec. 168). It decided to refer to the Parliament and the Economic and Social Committee the proposal for a directive concerning permitted preserving agents in foodstuffs (see sec. 187).

101st session (8-10 May 1963)

Programme of work

329. The Council drew up a preliminary programme of work and time-table for 1963. Regulations on the common organization of the market in dairy produce, beef and rice were to be issued before 31 December 1963, and the position to be taken up by the Community at the GATT negotiations was to be decided by that date. Decisions would be taken before a specified date on certain agricultural matters (approximation of cereal prices and fixing of prices for the 1964/65 marketing year) and the working of regulations already in force would be closely examined.

GATT

The Council issued directives on a common position (in accordance with Article 40 of the Treaty of Rome) to be adopted at the ministerial meeting to be held at GATT from 16 to 21 May 1963.

The Council decided that the tariff negotiations at GATT should be based on an automatic across-the-board reduction, and that the aim was to lessen tariff disparities and then reduce their number, bearing in mind that at the present stage it was difficult to assess the implications of any particular system of negotiation recommended. The Council agreed, furthermore, that the negotiations should also deal with agricultural products (see sec. 289).

Monetary Committee

M. Van Lennep, Chairman of the Monetary Committee, in presenting the fifth annual report of that Committee, said that co-ordination of monetary policy within the Community had been assisted in 1962 by a satisfactory development of the economic situation.

The Council decided to transmit the report to the European Parliament and to publish it in the official gazette of the European Communities (see sec. 376).

102nd session (20-21 May 1963)

Agriculture

330. This session was devoted entirely to agricultural matters; discussion mainly centred on the proposals for a regulation on pigmeat. As to the implementation of Regulation No. 22 (poultrymeat), the Council agreed to take a final decision at its session of 30-31 May on the terms of a gentleman's agreement it had drafted in a spirit of compromise.

103rd session (30-31 May 1963)

External relations

331. *Latin America:* As a first step in organizing contacts between the Community and the Latin-America countries, it was decided that the Commission should begin arranging meetings, the results of which would be considered later (see sec. 309).

Iran: The Council gave the joint delegation conducting negotiations with Iran instructions to continue the talks with a view to the conclusion of a trade agreement (see sec. 293).

Turkey: The Council took note of the results of the latest phase of the negotiations and took certain decisions as regards the outstanding commercial and financial problems (see sec. 279).

Austria: The Council heard a report from the Commission on its study on the subject of association (see sec. 285).

The associated African States and Madagascar: The Council approved further transitional measures to bridge the gap until the entry into force of the Association Convention and adopted a resolution on the subject (see secs. 237 and 238).

Social matters

Freedom of establishment and supply of services: The Council approved a directive removing all prohibitions on or other obstacles to payments for services where payment restrictions are the only limiting factor on their supply.

European Social Fund: Regulation No. 9 concerning the ESF was amended (see sec. 226).

Agriculture

The Council resumed its discussion of the Commission's proposals regarding prices and the extension of the common organization of the pigmeat market.

104th session (14 June 1963)

Transport

332. The Council heard a statement by the Commission on proposals for a directive and decisions concerning a survey of infrastructure costs, the harmonization of provisions affecting competition and the establishment of rate-bracket system. The Council referred the proposals, in accordance with Article 75 of the Treaty, to the Economic and Social Committee and the European Parliament (see secs. 221 and 199-204).

105th session (18 June 1963)

EEC-US negotiations at GATT

333. Following a request by the United States to the EEC for the opening of negotiations at GATT on certain cereals and poultry, the Council issued directives to the Commission. The latter was to report to the Council on the negotiations with a view to deciding the attitude to be adopted in future.

106th session (18-21 June 1963)

Agriculture

334. *Poultry*: The Council approved a regulation revising the sluice-gate price for slaughtered hens and chickens (see sec. 171).

Pigmeat: (cuts of pork and pork preserves): The Council reached agreement in principle on the application of the levy system to sausages and the like and other pork preserves. It also imposed a levy by way of exception to Regulations Nos. 20, 21 and 22 in respect of the reduction of the levy, which will not take effect until 1 August (see sec. 169).

Cereals: The representatives of the Governments of the Member States, meeting in the Council, adopted a resolution to harmonize cereal threshold prices. They maintained in force the regulation on bran and another on the system of levies applicable to manioc flour and starch (see sec. 168).

Starches: The Council approved the regulation on the criteria for fixing refunds to starch producers. It also adopted the regulation extending and modifying certain provisions on refunds to starch producers.

107th session (10-11 July 1963)

Programme of work

335. *Relations with the United Kingdom*: The Council decided to propose to the British Government that quarterly contacts be arranged through WEU in order to allow the seven member countries to survey the political and economic situation in Europe. These contacts will be at ministerial level and the Commission will be represented when economic matters are discussed see sec. 280).

External relations

Turkey: The Council decided that the Association Agreement between the Community and Turkey and the annexes thereto should be signed in Ankara as requested by the Turkish Government. The date suggested was 14 September 1963 (see sec. 279).

The associated African States and Madagascar: The Council agreed that the Association Convention should be signed on 20 July 1963 at Yaoundé. It

empowered M. Luns, the current President, and M. Hallstein, President of the Commission, to sign on behalf of the Community.

Negotiations between the Community and the United States on poultry: Following a communication from the Commission, the Council took note of the results of the first phase of the negotiations between the Community and the United States delegation in Geneva on 25 and 26 June 1963. The Council also decided to examine, at its session of 29-30 July 1963, the results of work done in the meantime by the Commission's departments with a view to issuing directives to the Commission for further negotiations (see sec. 308).

108th session (15-18 July 1963)

Agriculture

336. Financing of the common agricultural policy: The Council discussed the financing of the common agricultural policy as proposed by the Commission (European Guidance and Guarantee Fund and European Fund for the Improvement of Agricultural Structures). Since questions of prices and structures were closely linked, it held that the financing system must have unity of purpose and asked the Commission to submit proposals to merge the two Funds in one (see secs. 183-184).

Harmonization of agricultural policies: The Council continued its examination of proposed regulations for the progressive establishment of a common organization for the markets in beef, dairy produce and rice.

Conversion products, pigmeat and poultrymeat: In pursuance of its former decisions on the approximation of cereal prices, the Council adopted three regulations reducing from 1 August 1963 onwards intra-Community levies and external levies in the pigmeat and poultrymeat sectors (see secs. 169 to 171).

Wine market: The Council had decided to have a register of vineyards in the member countries drawn up by 30 June 1963 at the latest with a view to setting up progressively a common organization of the wine market. In view of the complexity of the work involved, the Council decided to extend the deadline to 31 December 1964.

The Council also took measures to widen the wine quotas opened by France, Italy and the Federal Republic of Germany (see sec. 174).

Programme of work

337. The Council examined the draft programme of work on outstanding agricultural matters and on institutional questions.

Agricultural matters: The Council decided to postpone until its session of November 1963 its final decision on the time-table for examining draft financial regulations in the agricultural sphere.

Institutions: The Council requested the Permanent Representatives to examine problems relating to the European Parliament and to prepare by 31 December 1963 a report setting out concrete proposals which could be submitted by the member Governments.

No decision, however, was taken on the merger of the Community institutions.

EEC-United States negotiations at GATT

The Council instructed the Commission to resume contact with the United States delegation in order to explore the possibilities of agreement on the poultry question, and to report to the Council session in September 1963 (see sec. 308).

External relations

Negotiations with the United Kingdom: The Council decided to conclude a tariff arrangement with the United Kingdom for the simultaneous suspension of duties on tea, maté and tropical woods.

Association Agreement with Turkey: The Council empowered its President to sign on behalf of the Community an Association Agreement between the Community and Turkey (see sec. 279).

Association with Greece: Under the Association Agreement the Council decided to apply from 1 October 1963 a system advantageous to imports of wines and dried grapes from Greece (see sec. 278).

Relations with the associated African States and Madagascar

The Council decided to make an advance of 5.5 million units of account from the EDF to the Congo (Leopoldville) for extraordinary expenditure.

External relations

338. *Iran*: The Council approved the draft trade agreement between the Community and Iran, which was to be initialled on 25 September 1963. It also approved provisions of an internal nature necessary for the implementation of the Agreement (see sec. 293).

USSR (tariff concessions): The Council approved the terms of a note to the USSR rejecting its requests but stating that the Community would be prepared to take tariff measures to promote imports of certain products for which the USSR was the Community's main supplier (see sec. 311).

Agriculture

Cocoa, chocolate: The Council decided to refer to the European Parliament and the Economic and Social Committee the Commission's proposal on the approximation of legislation on cocoa and chocolate in the Member States.

Negotiations between the Community and the United States on poultry :

The Council issued directives to the Commission for the negotiations with the United States on poultry, proposing a reduction of import charges on poultry (see sec. 308).

Multilateral trade negotiations at GATT

The Council heard a statement by the Commission on the work in hand at Geneva and on the preparations for the forthcoming trade negotiations.

Fisheries Conference proposed by the British Government

Noting that the Member States had agreed to the date suggested for the opening of this conference, the Council discussed the agenda proposed by the British Government (see sec. 190).

Conjunctural policy

After taking note of the Economic Policy Committee's report on the provisional economic budget for 1964, the Council decided to draw the attention of the

Member States to the measures recommended and to transmit the report to the Economic and Social Committee and the European Parliament.

Tariffs

The Council decided to reduce the CCT duties on cobaltamins gamma picoline and molasses until the end of 1963.

Monetary and financial co-operation and medium-term economic policy

The Council decided at its own discretion to consult the Economic and Social Committee and the European Parliament on the Commission's communications relating to monetary and financial co-operation and medium-term economic policy in the Community (see secs. 130 and 138).

Freedom to supply services

The Council approved a first directive on the film industry (see sec. 49).

Programme of work and time-table for 1963

The Committee finally established its programme of work and time-table for 1963, adopting a resolution in principle on the merger of the Executives of the three Communities and deciding to put down for study the problems involved.

111th session (23-25 September 1963)

Agriculture

339. The Council adopted the regulation fixing levies applicable from 1 October to 31 December 1963 to imports from non-member countries of products governed by the pigmeat regulation. It also adopted a regulation reducing the levies on certain pigmeat products imported from non-member countries between 1 and 31 October 1963. The Council also extended the system of sluice-gate prices and levies applicable to hatching eggs (see secs. 169 and 171).

EEC-Turkey Association

340. The representatives of the member Governments meeting in the Council approved the instructions to the European Investment Bank concerning aid to Turkey and decided to transmit them to the Bank (see sec. 279).

Commercial relations with India

The Council agreed in principle to grant unilaterally to India, by virtue of Article 28 of the Treaty, a number of customs concessions to assist Indian exports to the Community (see sec. 310).

Negotiations with the United States Government on poultry

The Council issued further directives to the Commission to enable the latter to resume talks with the United States and agree the conditions under which the two parties might seek an advisory opinion from GATT (see sec. 308).

Implementation of the agricultural regulations

The Council heard statements by German State Secretaries Lahr and Hüttebräuker on the working of the agricultural regulations already in force, distortions of competition, and factors to be kept in mind in preparing for the Kennedy round. The Council also adopted a directive on harmonization of legislation in the Member States concerning permitted preserving agents in foods.

Budget

The Council approved the draft operational budgets of the EEC and EAEC for 1964 (see sec. 396).

Information policy

The Council decided to set up Community information offices in Geneva and New York (see sec. 384).

113th session (21-24 October 1963)

Agriculture

341. The Council continued its discussions on dairy produce, beef and veal, and rice. It also examined a number of Commission proposals on the working of the market organizations already set up.

114th session (4-5 November 1963)

Regulation no. 17

342. The Council adopted a regulation amending Article 7 of Regulation No. 17 (first regulation pursuant to Articles 85 and 86 of the Treaty).

Associated African States and Madagascar

The Council concluded on behalf of the Community the Association Convention signed at Yaoundé, which will take effect when the instruments of ratification of the Member States and of at least 15 associated States have been deposited.

European Development Fund

The Council gave its consent, under certain conditions, for the experimental arrangement by which firms from non-member countries may tender for Fund projects to be continued until 31 December 1963.

Agriculture

The Council heard a statement by the Commission concerning a number of proposals to establish a common level of cereal prices for the 1964/65 marketing year.

Approximation of legislation

The Council approved a directive on the approximation of legislation concerning permitted preserving agents in food (see sec. 188).

Privileges and immunities of Community officials

The Councils adopted a draft regulation specifying the categories of officials and other staff to whom Articles 11, 12 (second paragraph) and 13 of the Protocols on Privileges and Immunities are applicable.

115th session (12-14 November 1963)

Agriculture

343. Implementation of the agricultural regulations: The Council heard a report by the Commission on the implementation of the common agricultural policy and on support measures in agriculture.

Cereals. The Council approved the regulations on the system applicable to imports of flour and starch of manioc and other roots and tubers. It also approved the regulation amending the criteria for fixing threshold prices for certain categories of flour, groats and semolina and the regulation on levies applicable to imports between 1 and 31 December 1963 of pigmeat into France, Italy, Luxembourg and the Netherlands.

Common customs tariff: The Council suspended until 31 March 1964 the CCT duty on solid beet and cane sugar under tariff heading 17.01.

116th session (25-26 November 1963)

Agriculture

344. Implementation of regulations: The Council studied the Commission's reports on the implementation of the common agricultural policy regulations and on support measures in agriculture. The reports centred on the regulations concerning cereals, conversion products (pigmeat, eggs, poultrymeat), fruit and vegetables.

The Council decided to amend Regulation No. 123 (reducing the amount of levies on imports from non-member countries of pigmeat and certain cuts of pork).

The Council, furthermore, authorized Belgium, Italy, Luxembourg and the Netherlands to suspend their duties on imports of molasses under heading 17.03 B 4.

Relations with India

345. The Council approved a decision to suspend certain CCT duties applicable to imports from India (see sec. 310).

Relations with Lebanon

The Council took steps to co-ordinate action by the Member States in connection with technical aid to Lebanon (see sec. 304).

Associated overseas countries and territories

The Council approved the text of provisions concerning the association of overseas countries and territories which are to supersede the Implementing Convention annexed to the Treaty. It decided at its own discretion to refer the provisions to the Parliament. The Council approved three further decisions (application of freedom of establishment to overseas departments, duties on imports of certain tropical products, temporary reduction of certain CCT duties) (see sec. 238).

Proposal to open negotiations

The Council took note of the proposal for negotiations put forward by Uganda, Kenya and Tanganyika and raised no objection to the Commission's intention of opening exploratory talks (see sec. 246).

United States exports of poultry meat to the Community

The Council took note of and accepted the opinion expressed by the GATT panel putting at \$26 million the value, as at 1 December 1960, of the unbinding of the concession previously granted by the Federal Republic of Germany.

The Council instructed the Commission to explore with the United States delegation ways and means for a final settlement.

Tariff matters

The Council approved changes in a number of CCT duties (cod-liver oil, wool yarn, wood flour, sheets and plates of iron or steel) and the granting or

increase of tariff quotas for certain products(salt, ferro-silicon, ferro-manganese, etc.).

Free movement of workers

The Council approved the rules of procedure for the Advisory Committee set up under Regulation No. 15 relating to first steps for the achievement of free movement of workers. It also amended Regulations Nos. 3 and 4 concerning social security for migrant workers (see sec. 34).

Agriculture

The Council examined proposals for a regulation on the granting of aid from the European Agricultural Guidance and Guarantee Fund (see sec. 183).

118th session (9-12 December 1963)

Agriculture

346. The Council resumed the consideration of proposed regulations on the beef, rice and dairy sectors. It adopted a regulation on provisions concerning hatching eggs and a certain category of poultry.

119th session (16-23 December 1963)

Agriculture

347. *Agricultural regulations (package deal)*: The Council adopted the regulations on common organization of the markets for dairy produce, rice and beef; it also decided to introduce by 1 November 1964 a Community policy for fats and oils (see secs 175-177 and 181).

Further it adopted a regulation fixing the levies on imports of pigs and certain pigmeat products from non-member countries from 1 January to 31 March 1964.

Directives: The Council adopted a directive on health matters concerning fresh meat and another on certain matters of veterinary supervision relating to live cattle and pigs.

EAGGF: The Council adopted a regulation on aid from the European Agricultural Guidance and Guarantee Fund and financial regulations governing that Fund (see secs 183 and 184).

Multilateral negotiations in GATT: The Council issued certain directives to the tariff negotiations on industrial and agricultural products.

Association Agreement with Turkey

The Council formally concluded the Association Agreement and decided to propose to the Turkish Government that an Interim Committee be set up to make preparations for its entry into force (see sec. 279).

Morocco

The Council took note of the proposal to hold exploratory talks submitted by Morocco and raised no objection to the Commission's intention to comply (see sec. 306).

Associated African States and Madagascar

The Council approved the transitional provisions to be applied to trade from 1 January 1964 until entry into force of the new Convention on 30 June 1964 at the latest (see sec. 238).

120th session (6 January 1964)

Special session

348. This session was held at the joint request of Federal Germany and Italy in pursuance of Article 10 of Regulation No. 23. The Council examined the Commission's decisions authorizing the Federal Republic of Germany and France to apply safeguard measures until 12 January 1964 to imports of certain varieties of apples from Italy.

Federal Germany withdrew its application to the Council and undertook not to renew the measures beyond 12 January 1964, except in the event of serious market disturbances; Italy likewise accepted the Commission's decision and undertook to avoid provoking serious disturbances on the markets of the Member States by heavy exports of apples (see sec. 173).

Agriculture

349. The Council decided to refer to the European Parliament and the Economic and Social Committee proposals for directives on health requirements for trade in meat products and fresh poultrymeat. It also decided to refer to the European Parliament three proposed regulations (amending Regulation No. 23, applying quality standards to fruit and vegetables, and amending Council Regulations Nos. 19-23 by adding a reference to objectives).

Tariffs

The Council decided to reduce to 9.6 % until 30 June 1964 the CCT duty on coffee under heading 09.01 A I a. The representatives of the member Governments suspended until the same date internal duties on the same products. The Council temporarily reduced the CCT duties on certain fish and crustaceans under headings 03.01 and 03.03.

Export credit insurance

The Council examined the second report of the Group for the co-ordination of policy on export credit insurance, guarantees and financial credits (see sec. 300).

Israel

The Council again discussed Community relations with Israel. It decided to make certain offers with a view to the conclusion of a commercial agreement (see sec. 303).

Nigeria

The Council took note of a memorandum from the Commission on the exploratory talks and a *note verbale* from the Nigerian Government requesting that negotiations be opened with a view to an association agreement with mutual rights and obligations (see sec. 245).

Community tasks for 1964

M. Schmücker stated his Government's views on the Community's main tasks for 1964.

122nd session (6-7 February 1964)

Social affairs

350. *Free movement of workers:* The Council approved a new regulation and directive which are to supersede Regulation No. 15 and its accompanying directive. The Council also appointed the members and alternates, for the period 6 February 1964 to 5 February 1965, of the Advisory Committee set up in accordance with Regulation No. 15 (see secs 36 and 37).

Manpower

The Council took note of the Commission's report on manpower problems in the Community in 1963 (see sec. 227).

Equal pay

The Council heard the Commission's progress report on the application of Article 119. It covers the period 30 June 1962 to 30 June 1963 (see sec. 230).

123rd session (12 February 1964)

Special session on agriculture

351. The Council held a special session at the request of Federal Germany. This country had referred to the Council the Commission's decision of 6 February 1964 obliging Federal Germany to rescind safe-guard measures taken on 4 February 1964 in respect of egg imports.

Having regard to the view of the other Member States' delegations the German Government withdrew its request that the Council review the Commission's decision (see sec. 172).

124th session (24-25 February 1964)

Discussion on the Community's major tasks for 1964

352. The Council held a broad exchange of views on the statement made by the German delegation relating to the main Community tasks for 1964. The

Council recalled the need for the harmonious development of the integration process, which was the basic theme of the statement. The Commission announced that it would draw up a report on this subject every six months.

Freedom of establishment and freedom to supply services

The Council issued various directives in pursuance of the General Programmes to remove restrictions on freedom of establishment and freedom to supply services. Two of these directives are of a general nature. They concern conditions relating to travel and residence of nationals of Member States within the Community. The others deal with particular sectors and mainly provide for transitional measures to liberalize employment in wholesale trade and occupations serving commerce and industry (see secs. 47 and 55).

Relations with Israel

Progress was made in drawing up a mandate for the negotiations.

Relations with Greece

The Council discussed duties on tobacco which were to be considered at the next meeting of the Association Council specially summoned at the request of Greece to deal with this matter (see sec. 278).

125th session (2-3 March 1964)

Agriculture

Cereal prices for the 1964/65 marketing year

353. The Council held a full discussion on the problems involved in establishing common cereal prices for the 1964/65 marketing year as proposed by the Commission.

Beef and veal

The Council adopted in principle a proposed regulation fixing lower and upper limits of guide prices for beef and veal for the marketing year beginning 1 April 1964 (see sec. 177).

Pigmeat

The Council adopted a proposed regulation fixing the levies applicable between 1 April and 30 June 1964 to imports of pigmeat and pigmeat products from non-member countries (see sec. 169).

Poultrymeat

The Council examined transitional measures to be taken regarding refunds on exports of slaughtered poultry. The Member States expressed their firm determination to do their utmost to see that sluice-gate prices were observed.

126th session (9-10 March 1964)

Multilateral trade negotiations in GATT

354. The Council noted information received from the Commission and stressed the desirability of maintaining 4 May 1964 as the opening date of the Kennedy round.

Preparation of the UN Conference on Trade and Development

The Council discussed the position to be adopted by the Community and the co-ordination of Member States' attitudes at this Conference.

Relations with Lebanon

The Council outlined a mandate for negotiations with Lebanon, concerning both the commercial aspects of the draft agreement and technical aid from the Member States (see sec. 304).

Relations with Israel

The Council approved the mandate for continuing negotiations with Israel (see sec. 303).

Relations with the associated African States and Madagascar; technical assistance regarding the general hospital at Mogadishu

The Council approved a programme of technical assistance proposed by the Commission regarding the new hospital at Mogadishu.

Expenditure for medical staff will be financed for a maximum of three years from the first European Development Fund.

127th session (23-24 March 1964)

Agriculture

Cereal prices for the 1964/65 marketing year

355. The Council held a full discussion following the statement of principle in which the Federal German delegation declared that it could not accept any lowering of cereal prices for the next two marketing years. It was agreed that the matter should be considered further at the session of 14-15 April, to be attended by all the Ministers concerned.

Milk

The Council found a compromise solution to the problem of milk target prices for the 1964/65 marketing year. In view of the special interests of Italian agriculture, it was decided to maintain the upper limit of the bracket at a high level. But, on account of the position of the other Member States, it was agreed that the upper and lower limits should not constitute a decisive factor in fixing the future common target price.

Rice.

The Council adopted a regulation fixing the upper and lower limits of the target prices for rice in the producing Member States and the threshold price for rice and broken rice in the non-producing Member States, to take effect from 1 July 1964.

Pigmeat

The Council extended Council Regulation No. 85/63/CEE relating to cuts of pork and pigmeat preparations and preserves. It also amended certain items in the list of pigmeat products.

Community institutions

356. The Council mainly examined matters relating to the merger of the Executives and the strengthening of the European Parliament's powers.

THE COMMISSION

Resignation of M. Caron

357. On 9 May 1963 M. Caron, Vice-President of the Commission, tendered his resignation to the six Governments as member and Vice-President of the Commission. In his letter, M. Caron informed the six Governments and the Commission that he had been elected to the Italian Senate and was to take office on 15 May 1963. For this reason he was unable to continue in office as member of the Commission, in accordance with Article 159, (third paragraph) of the Treaty, until the appointment of a successor.

Consequently, the Commission took note that from 15 May 1963 M. Caron would cease to be a member and Vice-President of the Commission.

Reappointment of the President and Vice-President of the Commission

358. Meeting on 10 January 1964, the representatives of the Member States' Governments decided, in accordance with the provisions of the EEC Treaty and after consulting the Commission, to reappoint M. Walter Hallstein, President, and M. Sicco L. Mansholt and M. Robert Marjolin, Vice-Presidents of the EEC Commission.

Internal organization of the Commission

359. Following the departure of M. Caron, the Commission appointed M. Levi Sandri, member of the Commission, acting President of the Internal Market Group.

The Commission likewise appointed M. Henri Rochereau, member of the Commission, acting President of the Internal Information Group. M. Rochereau

becomes *ex-officio* Chairman of the Supervisory Board of the Joint Information Service, where he also represents the EEC Commission.

THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES

360. The number of cases brought before the Court of Justice each year is mounting steadily. This is due to the progressive establishment of the Common Market, the application of the common customs tariff, and the entry into force of the Community Statute of Service, which has given rise to a number of disputes. Certain disputes between private individuals and Community officials have also given rise to litigation.

361. The Court of Justice had 43 cases brought before it. Of these:

- i) Seventeen were disposed of, either by judgment of the Court, withdrawal or settlement out of Court;
- ii) Twenty-six are pending.
- iii) Three suits were filed by the Commission under Article 169 of the Treaty against Member States for default on Treaty obligations:

Case 22/63—EEC Commission v. Italian Republic

This case was decided (see details below).

Cases 90/63 and 91/63—EEC Commission v. Grand Duchy of Luxembourg and Kingdom of Belgium

The Commission sought a ruling that the special charge on the issue of import licences for powdered milk, condensed milk and certain cheeses imposed by the Luxembourg and Belgian Governments were contrary to Article 12 of the Treaty.

These cases are pending.

Ten cases were brought against the Community institutions under Article 173 of the Treaty. These included:

Four appeals by Member States against decisions of the Commission:

Case 24/62—Federal Republic of Germany v. EEC Commission

Case 34/62—Federal Republic of Germany v. EEC Commission

Case 13/63—Italian Republic v. EEC Commission

These cases were decided (see details below).

Case 7/64—Kingdom of Belgium v. EEC Commission

This is an application to rescind the Commission's decision of 19 December 1963 allowing countervailing charges to be imposed on imports into Federal Germany of dextrans and soluble or roasted starches from other Member States.

The case is pending.

Six appeals by private bodies against the Commission's decisions:

Case 25/62—Plaumann and Co. v. EEC Commission

The case was decided (see details below)

Case 27/62—Verein zur Förderung des Hamburgischen Handels mit Kolonialwaren und getrockneten Früchten (Warenverein der Hamburger Börse) and Firma Heinrich Brüning, Hamburg v. EEC Commission.

Case struck out (see details below).

Case 103/63—Rhenania Schiffahrts- und Speditionsgesellschaft m. b. H., Mannheim, Rhenus Gesellschaft für Schifffahrt Spedition und Lagerei m.b.H., Frankfurt a/Main, and Westfälische Transport Aktiengesellschaft, Dortmund v. EEC Commission.

These German firms filed a complaint, under Article 175 of the Treaty, alleging failure of the Commission to take action against the fixing by the German Government of intervention prices for products based on cereals.

Case 106/63—Firma Alfred G. Töpfer, Hamburg v. EEC Commission.

Case 107/63—Getreide Import, Duisburg v. EEC Commission.

These are applications to rescind the Commission's decision of 3 October 1963 authorizing the Federal Republic of Germany to maintain safeguard measures for imports of maize, millet and sorghum.

Case 1/64—Glucoseries réunies S.A. v. EEC Commission.

Application to rescind the Commission's decision of 28 November 1963 authorizing France to impose countervailing charges on imports of glucose (dextrose) from certain Member States.

All these four cases are pending.

Seven applications for interlocutory rulings (filed under Article 177):

Consolidated cases 73/63 and 74/63—N.V. Internationale Crediet en Handelsvereniging "Rotterdam" and Cooperatieve Suikerfabriek en Raffinaderij G.A. "Puttershoek" v. Ministry of Agriculture and Fisheries, The Hague.

These cases were decided on 18 February 1964 (see details below).

Case 75/63—Mme M.K.H. Hoeksta (née Unger) of Amsterdam v. Management of the Bedrijfsvereniging voor Detailhandel en Ambachten, Utrecht.

This case was decided (see details below).

Case 92/63—Mme M. Th. Nonnenmacher, widow of H. E. Moebs v. Management of the Sociale Verzekeringsbank, and

Case 100/63—Mme J. G. Van der Veen, widow of J. Kalsbeek, Overdeukel v. Bestuur Sociale Verzekeringsbank, Amsterdam.

Applications for interlocutory ruling on Article 12 of Council Regulation No. 3 of 25 September 1958 concerning the social security of migrant workers.

Case 101/63—M. A. Wagner-Jung v. M. J. Fohrmann and M. A. Krier, members of the European Parliament.

Application by the "Tribunal d'arrondissement" of Luxembourg for an interlocutory ruling on Articles 8 and 9 of the Protocol on Privileges and Immunities.

Case 6/64—Flaminio Costa v. ENEL ⁽¹⁾.

On 23 January 1964 the "Vice-conciliatore" of Milan submitted an application for an interlocutory ruling on whether the Italian law of 6 December 1962 instituting the ENEL and the presidential decrees of 15 December 1962 were compatible with the Treaty of Rome and in particular Articles 37, 53, 93 and 102 thereof.

The above four cases are pending.

⁽¹⁾ Enel = *Ente Nazionale per l'Energia Elettrica*.

Twenty-one cases were brought by Commission staff against the Commission's decisions:

Seven were appeals against decisions regarding promotion.

One of these cases has been decided (see details below).

Five cases were appeals against decisions regarding establishment.

None of these cases has yet been settled.

Six were applications for annulment of the establishment procedure followed in respect of the applicants and/or termination of contract.

Three of these cases were decided.

Two were consolidated cases in which the applicants sought the annulment of a decision of the Commission relating to the announcement of a vacancy.

These two cases were withdrawn.

One case was an application for annulment of an administrative decision of the Commission.

Two suits were filed by third parties against Community officials and were settled by Court order.

Cases decided by the Court during the period under review (1)

Case 22/63—EEC Commission v. Italian Republic.

362. The Commission sought a finding that by increasing, after the entry into force of the Treaty, a charge equivalent to a customs duty on cotton imported into Italy from the Member States or cotton which was in free circulation in a Member State having been imported from non-member countries, the Italian Government had infringed Article 12 of the Treaty. The Italian Government terminated this infringement on 1 March 1964 and the Commission withdrew its case.

(1) Details are given only of the more noteworthy cases.

Appeals against acts of Community institutions.

363. Appeals by Member States against the Commission's decisions:

Case 24/62—Federal Republic of Germany v. EEC Commission (official gazette of the European Communities No. 76, 24 August 1962 and No. 127, 20 August 1963).

By its judgment of 4 July 1963 the Court, accepting the submissions of the Advocate-General, quashed the EEC Commission's decision of 11 May 1962, published in the official gazette of the European Communities of 9 June 1962, rejecting in part the application of the Federal Republic of Germany for a tariff quota for distilling wines, since the grounds for the decision were insufficient (Art. 190).

Nevertheless, the Court did not find that the Commission had violated the principles which govern the application of Article 25(3).

Case 34/62—Federal Republic of Germany v. EEC Commission (official gazette of the European Communities, No. 119, 16 November 1962 and No. 127, 20 August 1963).

In accordance with Article 25(3) of the Treaty, the Federal Republic of Germany had requested the Commission's authorization temporarily to reduce in 1962 the customs duties on oranges to 10% and also to open a 10% tariff quota for oranges. The Commission rejected this application on 30 July 1962.

On 19 October 1962, the Federal Republic of Germany sought annulment of the Commission's decision. By its judgment of 15 July 1963, the Court rejected the suit as unfounded ⁽¹⁾.

Case 13/63—Italy v. EEC Commission (official gazette of the European Communities, No. 39, 12 March 1963 and No. 127, 20 August 1963).

On 17 January 1963 (official gazette of the European Communities, No. 23, 13 February 1963), the Commission authorized France to impose until 31 July 1963 a special charge, to be gradually reduced over the period, on electric domestic refrigerators and components imported from Italy.

⁽¹⁾ See Chap. 1, sec. 12.

By its application of 18 February 1963, Italy sought annulment of the decision. On 17 July 1963 the Court rejected the application as unfounded.

364. Appeals by private bodies against the Commission's decisions:

Case 25/62—Plaumann and Co. v. EEC Commission (official gazette of the European Communities, No. 76, 24 August 1962 and No. 127, 20 August 1963).

On 15 July 1963 the Court, accepting the submissions of the Advocate-General, rejected as inadmissible the suit for annulment of the Commission's decision of 22 May 1962, withholding authorization for the Federal Republic of Germany temporarily to reduce the customs duties on fresh tangerines and clementines imported from non-member countries since the applicant was not individually concerned by the decision (Art. 173, second paragraph). Furthermore the Court rejected the applicants' claim for damages as unfounded.

Case 27/62—Verein zur Förderung des Hamburgischen Handels mit Kolonialwaren und getrockneten Früchten (Warenverein der Hamburger Börse) and Firma Heinrich Brüning, Hamburg v. EEC Commission.

In this case, which was similar to case 25/62, the Commission had on 3 May 1962 rejected the application of the Federal Republic of Germany for authorization to reduce during 1962 its customs duties on prunes.

On 10 September 1962, the applicant sought to have the Commission reverse its decision. In view of the Court's decision in case 25/62 the application was withdrawn and on 20 October 1963 the Court of Justice struck out the case.

Applications for interlocutory rulings on interpretation of the Treaty in accordance with Article 177 thereof:

Consolidated cases 73/63 and 74/63.

365. On 18 February 1964, the Court of Justice gave judgment in consolidated cases 73 and 74/63. They concerned an application to the Court of Justice by the "College van Beroep voor Bedrijfsleven" (a Dutch commercial tribunal), in accordance with Article 177 of the Treaty, for an interlocutory interpretation of Article 226.

The Court's ruling was as follows:

a) The Commission's decisions at issue, laying down safeguard measures for imports into the Federal Republic of Germany of bread and fondant paste from other Member States, conferred upon the Kingdom of the Netherlands the power to impose a charge of the same amount on exports of these products to the Federal Republic of Germany.

b) An examination of the issues presented to the Court had revealed nothing that could affect the validity of the said decisions.

In the grounds for its ruling the Court stated that, although the decisions contained no explicit authorization, they nevertheless implied that the Netherlands Government could impose the charge in question. In applying Article 226 the Commission should employ such means as would have the least possible impact on the State in which a given sector of the economy was affected by the measures authorized. The Court added that Article 226 made no distinction between difficulties resulting or not resulting from the application of the Treaty.

Case 75/63.

The "Centrale Raad van Beroep at Utrecht" (appeal tribunal) had applied to the Court of Justice for an interlocutory interpretation of Council Regulation No. 3 on the social security of migrant workers. The Court ruled that the concept of "workers" in Articles 48-51 of the Treaty and that of "employed persons or persons treated as such" used in Regulation No. 3 had a Community significance and, furthermore, that the concept of "employed persons or persons treated as such" included persons in the applicant's situation, such persons enjoying the rights laid down by Article 19(1) of Regulation No. 3, whatever the reason for their residence abroad, and that Article 19 took precedence of any different principle of national law.

Appeals by Commission officials against the Commission's decisions

366. Four of these cases were decided by the Court on 19 March 1964. In three of them (Cases 18/63—Mme Schmitz v. Commission, 21/63—M. Maudet v. Commission, 27/63—M. Raponi v. Commission), the Commission's decision was quashed, and in the fourth (Case 20/63—M. Maudet v. Commission) the appeal was dismissed. Two other cases were withdrawn.

Organs of the Community

THE ECONOMIC AND SOCIAL COMMITTEE

367. The Economic and Social Committee held eight sessions and rendered opinions on 32 subjects, 12 of them connected with the Action Programme for the Second Stage. The Committee also held two major debates, one on the Community's social policy and the other on its economic and monetary policies.

Besides consultations by the Council, in accordance with the Treaty, the Committee has been closely associated with the Commission's activity, and its customary co-operation has been further strengthened, demonstrating the readiness of business and professional circles to take an active part in the work of European integration.

The Commission consulted the Committee, at its request, on the proposed measures to establish common cereal prices and on social policy in agriculture. Members of the Commission frequently worked with the Committee both at plenary sessions and in working parties.

Particularly important among the opinions rendered was that concerning the Action Programme, pledging the support of all sectors of activity in the six countries. By voting for it unanimously the Committee gave this opinion the mark of a true political and economic choice. The Chairman, M. Roche, lent emphasis to this point in adding his own vote by way of exception.

28th session (24-25 April 1963)

368. At this session the Committee rendered opinions on the following subjects:

Proposal for a Council directive concerning health requirements for intra-Community trade in cattle and pigs (adopted *nem. con.* with one abstention);

Proposal for a Council directive concerning weights and dimensions of commercial road vehicles operating between Member States (adopted by 54 votes to 16);

Proposal for a directive on the harmonization of laws and regulations governing pharmaceutical products (adopted unanimously).

29th session (28-30 May 1963)

369. During this session the Committee rendered the following opinions:

Opinion on the Commission memorandum containing the Action Programme for the Second Stage (adopted unanimously).

This opinion was requested by the President of the Commission. The Committee advocated the adoption of a broad concept, making due allowances for the difficulties which had arisen following the suspension of negotiations with the United Kingdom. The Committee also stressed the need to democratize the European edifice and speed up the achievement of economic union;

Opinion on the memorandum of the European Executives on energy policy (adopted by 65 votes to 7 with 6 abstentions).

The Committee also discussed the Community's social policy.

30th session (2-3 July 1963)

370. During this session the Committee rendered the following opinions:

Opinion on the proposal for a Council directive concerning the harmonization of turnover tax legislation (adopted unanimously);

Opinion on the proposal for a Council directive relating to the approximation of the laws of Member States concerning permitted preservatives in food (adopted unanimously);

Opinion concerning Chapter IV "Common Transport Policy" of the Commission memorandum containing the Community's Action Programme for the Second Stage (adopted unanimously);

On Chapter VI "Social Policy" of the Commission memorandum containing the Action Programme (adopted by 76 votes with 4 abstentions);

Opinion on Chapter X "Aid to developing countries" of the Commission memorandum containing the Action Programme (adopted by 44 votes with 33 abstentions).

31st session (24-25 September 1963)

371. The Economic and Social Committee paid tribute to the memory of M. Robert Schuman.

The Committee rendered opinions on proposed Council directives concerning freedom of establishment and freedom to supply services in respect of self-employed persons (mining and quarrying, industrial and craft activities and manufacturing activities).

The Committee also rendered an opinion on a proposed regulation amending Regulation No. 17 (adopted unanimously).

32nd session (29-30 October 1963)

372. At this session the Committee rendered the following opinions:

- i) Opinion on the amended proposal for a Council directive concerning the weights and dimensions of commercial road vehicles operating between Member States and certain supplementary technical requirements applicable to such vehicles (adopted by 62 votes to 15 with 2 abstentions);
- ii) Opinion on the amended proposal for a Council regulation on the grant of aid from the European Agricultural Guidance and Guarantee Fund and on the amended proposal for a financial regulation governing that Fund (adopted unanimously);
- iii) Opinion on Chapter II "Competition in the Common Market" of the memorandum of the Commission containing the Action Programme (adopted unanimously);
- iv) Opinion on Chapter IX "External Relations" of the memorandum of the Commission containing the Action Programme (adopted unanimously).

The Committee was addressed by M. Marjolin, Vice-President of the Commission, on the Commission's proposals to the Council relating to Community medium-term economic policy and to monetary and financial co-operation.

33rd session (27-28 November 1963)

373. Opening the session M. Jonker, Vice-President, paid tribute to the memory of President Kennedy.

The Committee rendered the following opinions:

- i) Opinion on Chapter I "The free movement of goods, persons, services and capital" of the memorandum of the Commission containing the Action Programme (adopted unanimously);
- ii) Opinion on Chapter III "Common agricultural policy" of the memorandum of the Commission containing the Action Programme (adopted by 63 votes to 4 with 2 abstentions);
- iii) Opinion on Chapter V "Common energy policy" of the memorandum of the Commission containing the Action Programme (adopted by 41 votes to 2 with 24 abstentions);
- iv) Opinion on Chapter XI "Administration and finance" of the memorandum of the Commission containing the Action Programme (adopted unanimously);
- v) Opinion on the proposal for a directive on the harmonization of legislation on cocoa and chocolate (adopted unanimously);
- vi) Opinion on the proposal for a Council decision on the organization of a survey on infrastructure costs in road, rail and inland waterway transport (adopted unanimously);
- vii) Opinion on the proposal for a Council directive on the standardization of procedures in the issue of licences for road haulage (adopted unanimously);
- viii) Opinion on certain important points in economic relations between the EEC and the associated African States and Madagascar (adopted by 53 votes to 1 with 9 abstentions).

34th session (29-30 January 1964)

374. During this session the Committee rendered the following opinions:

- i) Opinion on Chapter VII "Economic policy" of the memorandum of the Commission containing the Action Programme and on the recommendation

concerning the Community's medium-term economic policy (adopted unanimously);

ii) Opinion on Chapter VIII "Monetary policy" of the memorandum of the Commission containing the Action Programme and on the Commission's communication to the Council concerning monetary and financial co-operation (adopted by 70 votes with 13 abstentions);

iii) Opinion on the proposal for a Council regulation on the introduction of a rate bracket system for goods transport by rail, road and inland waterway (adopted by 59 votes to 13 with 10 abstentions);

iv) Opinion on the proposal for a Council regulation concerning the introduction and operation of a Community quota for goods transport by road (adopted by 67 votes to 9 with 2 abstentions);

v) Opinion on the proposal for a Council decision on the harmonization of certain provisions which affect competition in transport by road, rail and inland waterway (adopted unanimously).

35th session (26-27 February 1964)

375. During this session the Committee rendered an opinion on the establishment of a common price level for cereals (adopted by 71 votes to 10 with 3 abstentions).

THE MONETARY COMMITTEE

376. The Monetary Committee held ten meetings during the period under review. It continued its periodical surveys of the monetary and financial situation of the Member States; the results of these surveys were transmitted to the Commission and Council.

The Committee also examined the proposal for a third directive supplementary to the two already in force regarding the liberalization of capital movements.

Discussions held in the Committee following the application of the first two directives implementing Article 67 of the Treaty made it possible for the Belgo-Luxembourg Exchange Institute to adopt, from 1 October 1963, an amendment of rules regarding certain movements of capital, in particular

direct investments. The new provisions provide for the issue of special transfer permits for the controlled market without, however, restricting freedom of transfer on the free market for those who do not wish to take advantage of the new facility.

On the movement of capital, the Committee drew attention to the problems arising from tax-collecting methods, which differ from country to country, and to the study of solutions which may be applied as part of tax harmonization within the EEC.

The Committee continued its study of various problems concerning international monetary equilibrium. It took up the question of the means available in the leading countries of the world to prevent short-term disturbances from affecting monetary order. In this connection it discussed the possibilities of long-term improvement in the operation of the international monetary system.

An informal exchange of views in the Committee preceded the Commission's submission to the Council of proposals concerning monetary and financial co-operation in the European Economic Community.

THE ECONOMIC POLICY COMMITTEE

377. The Economic Policy Committee, which was set up as an advisory body to the Commission by a Council decision of 10 March 1960, met three times during the period under review.

On the departure of the Committee's Chairman, Professor Alfred Müller-Armack, the Committee unanimously elected on 27 January 1964 M. Pérouse, Director of the Treasury Division at the Ministry of Finance of the French Republic, as his successor for the remaining period of office. The Committee lost another of its members when M. Wolf, member of the Direktorium of the Deutsche Bundesbank, who had been invited to take the place of M. Pérouse as Vice-Chairman, died on 4 February.

The Committee co-operated on various occasions in drawing up economic budgets for 1964, which it discussed at a meeting in July. On that occasion it expressed the opinion that the provisional budgets should be drawn up in the light of the various options open to the authorities in each country at the beginning of the year. The final economic budgets arrived at in the autumn should be based on the courses of action adopted and should set out in detail the economic

policy which individual countries intended to follow during the year under consideration.

The Committee continued its periodical surveys of the economic situation in the Community countries. In autumn 1963, on studying the provisional budgets, it was concerned at the fact that the trends of overall demand in various Member States were liable to accentuate disequilibrium between the individual countries, which might infect countries where there was relative stability. The Committee, in an opinion addressed to the Commission, made various suggestions for a policy to restrict the expansion of overall demand. The Commission appended the Committee's opinion to the recommendations that it addressed to the countries concerned.

Because of certain technical delays the economic budgets for 1964 could not be given a final examination until January of this year. Following this examination, the Committee rendered an opinion to the Commission in which it reproduced in greater detail the points that it had already put forward in its opinion of October 1963.

During the year the Commission referred to the Committee, for information and comment, the proposals relating to monetary and financial co-operation that it had submitted to the Council.

THE COMMITTEE OF CONTROL

378. As required by Article 206 of the Treaty and the financial regulation relating to the rendering and auditing of accounts, the Committee of Control presented its report on the accounts for the 1962 financial year on 27 September 1963.

It should be pointed out that, by way of exception to Article 203(1) of the Treaty, the Council authorized, because of certain administrative requirements, the extension of the period for execution of the budget for 1962 to 31 March 1963.

THE CONSULTATIVE COMMITTEE ON TRANSPORT

379. The Commission notes that certain difficulties have prevented the Committee so far from making full use of the means at its disposal.

The first difficulty lies in the delay of certain governments in replacing their experts. In 1963, for instance, the Committee could not hold its first plenary meeting until 3 October, whereas the term of office of the previous Committee had expired at the end of January. To remedy this situation, the Commission suggested on 18 March 1964 that the Council should amend the constitution and rules of the Consultative Committee on Transport so that the members of the Committee would remain in office until they were reappointed or replaced. This would ensure the continuity of the Committee so that it would be available for consultation whenever the Commission thought fit.

Furthermore, the working methods adopted so far had proved to be cumbersome and time-consuming.

At its first plenary meeting of 3 October, therefore, the Committee examined a number of suggestions to ensure continuity and improve efficiency.

Acting on these suggestions, the Commission submitted to the Committee the list of points on which it intends to consult the Committee during the present year of office; this enabled the Committee to draw up immediately its own programme of work which contains a number of very important items for the development of the common transport policy.

For 1963/64 the Committee elected M.A. Stoltenhoff Chairman and M. Santoni-Rugiu Vice-Chairman. It set up a number of working parties and nominated rapporteurs on points which are to be the subject of consultation.

At the plenary meeting of 16-17 December 1963 the Committee was consulted on the inventory and study of situations which might justify exceptions or special procedures in applying the rules of competition to transport.

From 10 to 13 March 1964 it held a third plenary meeting on the following points:

- i) Personal qualifications for engaging in transport;
- ii) Examination of the importance of "traffic-consolidation tariffs" of "tariffs imposed in the interest of the carrier" and the arguments advanced in support of them.

Co-operation between the European Executives

ACTION BY THE EXECUTIVES IN FIELDS OF COMMON INTEREST

380. Joint action by the three Executives was continued and extended.

The activity of the Inter-Executive Working Party on energy policy is reported in sections 151 *et seq.*

In the social field the High Authority of ECSC, which is represented on the Administrative Committee for the social security of migrant workers, approved draft regulations amending Regulations Nos. 3 and 4 (see Chap. II, "Social Policy", sec. 222).

The High Authority also approved a proposal Council Regulation adding annexes to Regulation No. 36/63 on social security for frontier workers. At the Commission's invitation it took part in meetings of the heads of national bodies responsible for industrial health and safety. Similarly, the Commission was represented on working parties set up by the High Authority to study the development of collective bargaining and labour legislation and questions of industrial medicine.

The Inter-Executive Working Party on transport met several times to examine the five proposals made by the Commission to give effect to the Action Programme to promote a common transport policy (see secs 198 *et seq.*). The Working Party also studied certain points arising in carrying out ECSC Recommendation No. 1/61 on publication of rates and conditions for the carriage of ECSC products, and questions concerning the fixing of through-rates for road transport of these products between the Federal Republic of Germany and France. Other matters of common interest were also examined, notably "traffic-consolidation tariffs" or "tariffs fixed in the interest of the carrier".

The two Executives continued their close collaboration, in particular in the study of measures to improve frontier-crossing conditions.

They also continued to co-operate in the matter of prospecting for mineral deposits in the associated African States and Madagascar and in the overseas countries and territories, notably Surinam.

The Commission again assisted in drawing up the High Authority's quarterly conjunctural programmes. It also participated, together with the Euratom Com-

mission, in compiling the High Authority's annual report on the energy market in the Community.

Both the other Executives were associated with the Commission in the Working Party on patents, as well as in the Co-ordinating Committee and the meetings of the competent Secretaries of State.

With regard to administrative matters, on 10 October 1963 the three Executives submitted joint proposals to the Councils regarding the salaries of officials of the three Community institutions.

Joint studies on the application of the Statute of Service were continued.

STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES ⁽¹⁾

Supervisory Board

381. The Supervisory Board of the Statistical Office of the European Communities met on 1 February and 2 July 1963, with M. Albert Coppé, Vice-President of the High Authority of ECSC, in the chair.

Activities

The heads of the national Statistics Offices held two conferences in 1963. At the first, the work programme of the Statistical Office and of the various national offices was discussed. The second conference, which took place in Athens, was devoted in particular to statistical problems in Greece and to the future collaboration between the Greek Statistics Office and the Statistical Office of the European Communities.

The Statistical Office was active in the various sectors of interest to the three Communities.

Work on the harmonization of national accounting systems provided the Commission's services with a uniform framework for economic budgets in the six countries.

⁽¹⁾ As the Statistical Office is in the charge of the High Authority of the ECSC, more details on this joint service of the three Communities will be found in the General Report on the Activities of the ECSC.

With regard to home trade, the member countries were asked to make plans for a survey of monthly turnover figures in retail trade. Nomenclatures for retail and wholesale trade were prepared and will shortly be published.

In the field of energy statistics the Office continued to draw up energy balance-sheets for the Community as a whole. Since 1958, annual and quarterly balance-sheets for each energy source, in adequate detail, have afforded a sound basis for the medium-term planning of policy on conventional sources of energy and nuclear energy and for establishing quarterly energy forecasts.

In 1963 the Office completed two tasks concerning the harmonization and amplification of the industrial and craft statistics of the Member States. One was to establish a common nomenclature for branches of industry (NICE), which will now form the basis for the presentation of co-ordinated statistics; the other was to work out details for the industrial census of 1963 in the six countries.

In the agricultural sector, activity was chiefly directed towards improving the comparability of statistics in the Member States. A good deal of work was also done on balance-sheets of supplies. Work was begun on farm price indices, and the comparability of prices was improved, particularly as regards cereals and fat stock. A report on agricultural manpower was drawn up, and several publications were issued containing statistics on farm structures and on certain aspects of the means of production.

In the field of social statistics, the Office proceeded with its surveys. The results were published of the second survey of wages in eight branches of industry in the EEC in 1960. The preliminary results of the EEC wage survey in thirteen branches of industry for 1961, and those of the ECSC survey for 1962, also appeared. "Statistiques sociales" No. 4/1963 was devoted to the chief data from national sources on employment and unemployment, offers of employment and placings, labour disputes and migration. These data were supplemented to the fullest extent possible from the results of Community surveys carried out by the Office. The publication also contained an appendix on Greece. The Office undertook many other tasks, including an inquiry into men's and women's wages and wages in road transport. Statistics on gross earnings were normalized as between member countries. A broad survey of prices was made in the main industrial centres of the six countries to ascertain the relative purchasing power of consumers.

As regards external trade, new data were included in "Statistiques mensuelles" (monthly statistics) on trade between the Community countries and with non-member countries by groups and classes of products. The electronic computers of Euratom's Scientific Data Processing Centre (CETIS) at Ispra were used to work out analytical tables. The EEC's trade negotiations in 1963 yielded an abundance of "ad hoc" statistics both on bilateral situations and in the wider context of the United Nations Conference on Trade and Development and the imminent tariff negotiations in GATT, the Kennedy round. In this connection, various studies and analyses were carried out, and hypotheses were formulated on the principal customs tariffs (EEC, USA, UK). Work was begun on a draft harmonized nomenclature for the external trade statistics of the EEC countries.

As regards transport, a report on the 1961 survey of inter-regional transport of petroleum products was published in "Informations statistiques".

Statistics for the external trade of the associated overseas countries were published quarterly in "Commerce des associés d'outre-mer", and all available data on those countries were collected in the "Bulletin des statistiques générales des A.O.M."

As regards non-member countries, special attention was given to the economic development of the East bloc countries. To facilitate comparison the USSR's external trade was broken down not only into the main categories of the CST (standard tariff classification), but further by groups of countries. Most of the results and comments were published in the report "Statistiques de l'intégration du bloc oriental".

In addition to specialized publications the Office regularly issued the "General Statistical Bulletin", containing the latest figures on short-term economic trends in the countries of the Community. In the fourth edition of "Basic Statistics" the Statistical Office published general data on the main demographic and economic features of the EEC. "Informations statistiques" was considerably improved: mention should be made here of No. 2b/1963, which gives the final results, with comments, of the 1960 sample survey of labour forces in the EEC countries.

THE LEGAL SERVICE OF THE EUROPEAN EXECUTIVES

382. Close liaison and consultation between the three branches of the Legal Service were maintained in studying questions of concern to more than one

Community, especially institutional matters and questions connected with implementation of the Statute of Service for officials.

As in previous years, the Legal Service was closely associated with all the activities of the EEC Commission. The members of the Service attended meetings of various working parties appointed by the Commission or Council and, in addition to opinions given orally, 775 written opinions were issued during 1963. This figure is considerably higher than that for 1962 (568), mainly owing to the development of Community legislation.

Furthermore, the Legal Service represented the Commission in the Court of Justice of the European Communities in various proceedings in which the Commission was the respondent party or was asked to submit its comments in an application for a preliminary ruling in pursuance of Article 177 of the Treaty. The number of cases grew in unexpected proportions, rising from 13 in 1962 to 35 in 1963 (for details see sections on Court of Justice). This constant increase raises serious problems of personnel, since the Legal Service (EEC branch) has only a limited number of senior legal advisers at its disposal.

INFORMATION

THE SPOKESMAN'S GROUP

383. The growth in the Commission's work meant an increase in the volume and frequency of information supplied via the press and radio. Thanks to the network of offices in the capital cities, which have been provided with even more information and directives than in the past, the supply of information from Brussels was extended with increasing effectiveness. The progress of European integration and external economic problems (Kennedy round, applications for association, etc. , brought new and diversified sectors into the orbit of the Spokesman's Group. With the expansion in the number of "customers", who ranged from radio and television journalists—more numerous in Brussels now than in 1963—to the permanent correspondents of economic journals and other specialized periodicals, the Group has had to use a greater variety of media, from the simple "newsflash" to the more comprehensive "Information Memos" and detailed technical reports.

Furthermore, in close collaboration with other departments of the Commission and with experts from the Member States, a documentation was compiled of the

aims and achievements of the EEC. This "vade-mecum", dealing particularly with the Community's external relations, is intended mainly for diplomatic representatives of the Member States in non-member countries.

In conclusion, the Spokesman's Group assisted the Joint Information Service in most of the fields mentioned below, by way of explanatory statements, lectures, revision of brochures and film scripts, etc.

THE JOINT INFORMATION SERVICE OF THE COMMUNITIES

384. The Supervisory Board of this Service met twice in 1963. It consisted of M. Henri Rochereau, a member of the EEC Commission, Chairman; M. Albert Wehrer, member of the High Authority of the ECSC; and M. E.M.J.A. Sasson, member of the Commission of Euratom. In June, in accordance with the undertaking given to the Council and the European Parliament at the end of 1962, it submitted a memorandum on the information policy of the Communities prior to discussion of the operational budget for the financial year 1964.

This memorandum, which was passed to the competent committees of the European Parliament, examines problems of organization and instruments of common policy in regard to information on European matters, and describes, in particular, the tasks of the Joint Information Service and the Spokesman's Group.

The Councils studied this memorandum during their session of 23-24 September, and agreed on:

- i) An expansion and rationalization of the Communities' information policy;
- ii) The setting up of a group of national information experts, who will hold regular meetings with the Joint Information Service and the Spokesman's Group;
- iii) Greater use of the information services of the embassies of the Member States in the associated and non-member countries, accompanied by satisfactory local co-ordination.

During their session of 14-15 October the Councils agreed to the establishment in 1964 of two new information offices, in Geneva and New York.

On the other hand, they rejected most of the requests for additional staff and funds made by the Supervisory Board in the preliminary draft budget for the financial year 1964. The European Parliament was informed of this situation at its session in November 1963.

385. *Activities:* In 1963 the Joint Information Service, together with the Spokesman's Group, took steps to extend its co-operation with public and private controllers of large-scale information media.

As regards the press, the Joint Service played a part in forming a European association of producers of publications for women or families (Europress familia)—similar to the European association of producers of publications for youth (Europress junior)—and an association of European journalists.

In co-operation with the radio and television authorities of the six countries, arrangements were made for a joint television item, broadcast each month by one of the national services on behalf of them all. Furthermore, a permanent office for broadcast and televised information was set up in collaboration with the "Office de coopération radiophonique" (OCORA), to facilitate contacts between all the European radio and television services and those of the associated African States and Madagascar.

Work in the information field was undertaken in Greece, following the association of that country with the EEC.

Within the Community, information was directed especially towards the trade unions, teaching bodies, youth movements and adult education authorities.

386. *Fairs and exhibitions:* Funds were too limited to allow spectacular operations. However, the Service took part, either directly with an information stand, or indirectly by collaboration or technical contributions, in nine events in the six countries, the principal of which was the "Exposition du Millénaire" at Luxembourg.

A successful experiment in publicizing the activities of the Communities was carried out in the form of exhibition vans touring France and Italy.

The mobile stands supplied to the Information Offices in Bonn, The Hague, London and Washington and to the Belgian Ministry of Education continued to tour the countries concerned.

387. *Publications*: Further efforts were made to improve the monthly magazines published by the Information Offices of the Community in Bonn, The Hague, Paris, Rome, London and Washington. The English version came out in a new format in January 1963, with enlarged contents and a more attractive appearance. The German version, distribution of which began early in 1963, was well received. Towards the end of the year it was given a more dynamic "new look". The Italian magazine was also considerably improved and appeared in a new format in January 1964. With regard to the French magazine, some of the readers on the free mailing list were transferred to a list of subscribers as a first step towards organizing the sale of the Service's publications in France. A similar plan in Britain suffered a setback through the breakdown of negotiations with that country; but the experiment is continuing. A bookshop for Community publications is to be opened in Brussels.

Besides these periodicals the Service issued thirty-one booklets, seven folders, and three other publications in the four Community languages and in English, to a total of 2 482 730 copies, plus seven reprints numbering 126 000 copies. In co-operation with the Greek Government the Service prepared a publication in Greek which was distributed at Salonica Trade Fair.

The great success of the folders of maps issued in 1962 encouraged the Service to go on with this work. Three wall maps are in preparation, and other wall maps, together with a new edition of the folders, are planned for 1964. The year saw further additions to the library and collection of photographs, and the work of documentation and distribution expanded.

388. *Radio, television and cinema*: Studios for rapid recordings were installed in Brussels at the offices of the Joint Service. There was an increase in the number of the interviews and "takes" at notable events or during visits of prominent personalities. More technical assistance was given to reporter teams sent by radio or television services of the continent of Europe and the great broadcasting services of the rest of the world.

Five joint television broadcasts were carried out for the six countries of the Community, and co-operation between short-wave services, especially those addressed to Africa, became closer.

The monthly "European Calendar" was helpful to radio and television editors in sending teams to a large number of European events. A series of broadcasts to schools was arranged. Three films were produced: "Choralies de Vaison-la-

Romaine", "Les enfants berlinois à Bruxelles" and "L'Europe partenaire du monde", as well as French, Dutch and German versions of the English-language films "Europe" and "European Community". Film strips with sound accompaniment concerning the EEC, Euratom and ECSC were also made, and a film about agriculture. Another film, "Frontières d'hier et d'aujourd'hui", is in production.

To stimulate the interest of professionals and amateurs in European subjects, a competition for scriptwriters and a "Young People's Photo and Cinema Competition" were launched, and a "European Cinema and TV Film Week" was also planned. A working party of producers of television films for the young (Eurofilm junior) was set up.

389. *Farming information*: The information programme was stepped up at all levels in agricultural circles in the six countries. The working out of the common agricultural policy aroused growing interest.

A second meeting of heads of information services of the six Ministries of Agriculture took place in Brussels. Contacts with the agricultural press were extended and numerous agricultural journalists were invited to Brussels. The Service took part in some forty exhibitions in the six countries.

Twenty or so visits to the offices of the Communities were organized for parties of people concerned with agriculture in the six countries. The "Comité d'entente" of young farmers held three study courses and four information sessions.

A booklet was compiled for the farming public, and the Agricultural Information Division worked with the Radio, Television and Cinema Division to produce a film on the Community's agricultural policy and documentaries for television.

Lastly, a weekly "Newsletter on the Common Agricultural Policy" was published in the four Community languages and in English.

390. *Information for labour and trade unions*: Work in the trade unions, among area officials, shop stewards and local officials, went ahead in 1963 via many information events at the headquarters of the Communities in Brussels and Luxembourg and elsewhere in the six member countries.

An excursion by a party of trade union journalists of the ICFTU and the IFCTU, courses and study sessions for young trade unionists at the offices of the Communities and at other places in the member countries, and lectures, all enabled more information to be disseminated in this sector.

The Community was concerned in about fifty events, either making its own contribution or taking part directly or indirectly in their organization.

Fifty visits to Brussels and Luxembourg were organized for trade union parties from the Six and from other countries—Great Britain, Sweden, Austria, Switzerland and various countries of Africa, Latin America and Asia. A monthly bulletin of trade union information was published, entitled “Notes d’informations”.

391. Visits and courses at the offices of the Communities: The Service endeavoured to maintain a balance, taking into account as far as possible the geographical origin of the parties concerned and their nature. Teams of lecturers were formed for youth groups, especially for students and active trade unionists.

During 1963, 436 parties were received at the offices of the Communities (215 in Brussels, 221 in Luxembourg), totalling 14 227 persons (46% in Brussels, 54% in Luxembourg).

392. Information overseas: Supply of information to the associated African countries was increased and improved by the inauguration of a permanent section for broadcast and televised information in the offices of the Service.

The monthly broadcasts of “L’Europe vous parle” took place from the 18 stations of the associated States. A monthly news report, “Du côté de l’Europe”, was made for the Central African service of Radio-Télévision Belge, as well as transmissions in five native dialects, with the RTB’s co-operation, to counter the broadcast propaganda of countries hostile to association with the Common Market.

Daily broadcasts in French for the news bulletins of the African radio stations continued. Some broadcasts to English-speaking countries took place via the BBC.

A television report was made of the signing of the Association Convention at Yaoundé, and relayed by Eurovision. Photographic reportages were also made on schemes carried out through the European Development Fund.

A booklet about the new Association Convention was published, and several thousand copies of documents concerning the European Development Fund were distributed.

Special informative pages were supplied to numerous African periodicals. The Service has made a special effort to maintain the flow of current information to

Africa. Finally, visits to the Community offices were arranged for African students and scholarship holders.

393. *Information in universities*: In the spheres of university and out-of-school education and of information for young people, the Commission continued its activity within the general framework of a programme for research and culture ⁽¹⁾ along the lines indicated in the Sixth General Report ⁽²⁾ and in conformity with the wishes of the Parliament.

The Community co-operated in the survey by the European Community Institute for University Studies, as a result of which an inventory was compiled of the work being done on aspects of European integration in more than 70 faculties and 30 study centres, by nearly 2 000 professors, lecturers and research workers. This inventory revealed a growing need for information in the universities which the Joint Service can only very partially satisfy, owing to the inadequate means at its command.

A large number of professors and students are received at the Community offices. In 1963 doctorate theses on Community activities numbered over 200, 51 of which were submitted for the European Community Prize.

The programme of information for young people and adult education authorities comprised three series of activities:

- i) Production and distribution of suitable material (maps, pamphlets, exhibitions, audio-visual aids);
- ii) Steps taken in educational circles to have impartial information on the Communities included in syllabuses and textbooks and to impart a European character to the education in civics given by the individual Member States;
- iii) Co-operation with youth organizations (information on aspects of European integration which affect the professional, economic and social future of young people).

In 1963 the primary aim in this programme (which comprises several hundred sessions a year) was to train lecturers in the various milieux who could take over

(1) See sec. 394.

(2) See Sixth General Report, sec. 353.

part of the load which the information officials of the Community can no longer carry alone.

In further education and out-of-school education, which concerns many people who play or will play a responsible part in social and economic life, the Commission, in co-operation with the competent government departments and educational institutions, is endeavouring to introduce the "European dimension" as a new feature of syllabuses.

EDUCATION AND RESEARCH PROBLEMS

394. Questions of education and research are exercising more and more the minds of all public-spirited persons. Present-day society is giving a prominent place to planning for the future. Efforts are being made to create conditions in which man can better his lot and attain a higher cultural plane. In Europe there is also a concern to maintain the position that continent has held for centuries in science, culture and the struggle for human freedom, which Europeans feel to be their special vocation in an age where rivalry between peoples and continents is becoming more intense.

It is more than ever recognized today that all progress, economic, social or cultural, stems from the abilities of the men engaged, from the original thinking and inventive spirit displayed.

Both nationally and internationally, people are becoming more acutely aware of the part played in economic growth by education and by scientific and technical research. "Investing in brains" looms large in many economic studies. In the EEC member countries as elsewhere, alongside institutions for economic planning or programming there have been set up policy-making bodies in matters scientific. It was natural that this movement should spread into the international field. As long ago as 1961 the OECD held a conference in Washington on policies of economic growth and investment in education. The latest efforts include the ministerial conference on science of 3-4 October 1963, which worked out guiding principles for co-operation between the countries represented. Though it is legitimate, and in fact, at the present day essential, to apply to science and education the "economic" argument, that is to say to reduce present situations, foreseeable developments and future action to statistical analysis, it is equally necessary not to lose sight of the qualitative aspects, especially as regards education. To produce able men is not only a matter of organization

and planning; there are more strictly cultural factors at work. The humanistic tradition must be preserved; but the subject matter and teaching methods must be adapted to the needs of the modern world, to technical developments and the realities of life today. This raises many problems for the national educational systems, and their solution can be assisted by a pooling of the experience of individual States and by arriving at certain common principles or approaches and applying them together, while nevertheless respecting the values proper to each nation.

As the EEC Commission endeavoured to show in its Sixth General Report (sec. 353), these problems are in no way extraneous to the Community's sphere of interest. On the contrary, they are very closely connected with its fundamental aims, which are sometimes obscured by more pressing demands during the transitional period in opening the markets and establishing the major Community regulations.

In its report to the European Parliament in June 1963, the Parliament's Research and Cultural Affairs Committee rightly asked whether, on consideration of present efforts and achievements in the field of cultural co-operation in Europe, anything remained to be done by the Six and, if so, what.

The reply given to this question was that the Community venture must go much farther than mere co-operation between states—it postulates action “in depth” to achieve true integration involving the very structure of our society. Integration cannot be restricted to certain aspects of social life; its implications are all-embracing and sooner or later, in appropriate degrees and by appropriate methods, it will have to be extended to all fields, in particular education and research, which are of such great importance to general progress. This conception is no longer the monopoly of the Community institutions: in both the public and private sectors, authorities in the Member States are calling more and more frequently for vigorous Community intervention in these fields.

The Treaty of Rome already offers a sound basis for action on a broad scale. The common vocational training policy must go further than ensuring a more rapid supply of skilled labour. It must aim at generally improving professional qualifications and, since these qualifications are being increasingly acquired at centres of higher education, it should embrace the universities. As regards mutual recognition of diplomas (Article 57(1) of the Treaty), the Commission indicated in the Sixth General Report that, if the professional rather than the academic viewpoint must prevail in decisions on such mutual recognition, it is

none the less necessary to aim at equivalence in syllabuses, to be understood in the sense of "levelling upwards". Finally, the Treaty commits the Member States to co-ordinating their general economic policies, which include their social policies; in so far as these touch on the spheres of education and scientific and technical research, such co-ordination, as is shown later, must extend to the policies applied in these two fields. In this way, the Community can make a vital contribution to the policy of cultural co-operation called for in the European Parliament's resolution of 24 June 1963 ⁽¹⁾. Such a contribution would doubtless not have the systematic, comprehensive character of a common policy defined by a Council of Ministers of Education, as foreshadowed in the declaration of heads of State or Government at Bonn on 18 July 1961; nevertheless, it does enable significant progress to be made in the meantime.

In this connection, the Commission warmly welcomed the resumption of negotiations between the Member States on the foundation of a European University. The Commission considered that the Italian Government's gesture in inviting it as observer showed the concern of that Government to adhere to the principles on which the Community proposals had been based. The Commission still believes that a European University is a necessity; the multiplicity of courses on European matters in the universities and specialized institutes does not rob the European University of its chief *raison d'être*—to be a centre for the diffusion of European thought and the pooling of experience by which to adapt the organization, syllabuses and methods of higher education to the needs of the modern world.

The Commission also considers that in these negotiations certain points in the earlier Community programme for cultural co-operation, concerning centres of higher learning and research and university exchanges, must not be overlooked; the European Parliament rightly stressed their importance in points 7 and 8 of its resolution on cultural co-operation. Close study must be given to arrangements for granting "recognition of European utility" to certain highly specialized institutes, either existing or to be established. Such arrangements would greatly encourage research, and constitute a first step towards co-ordination of efforts.

The Commission continues to give all possible support to the European Schools, which represent the first concrete example of cultural co-operation between

(1) See Chap. V, sec. 317.

the Member States. At its suggestion and with its financial aid, a "Fonds des publications des écoles européennes" has been set up to further the preparation and publication of school textbooks written from a European standpoint. In its contacts with educational institutions and teachers' associations, the Commission endeavours to supply useful information and to illustrate the desirability of more active co-operation at Community level and the course it should take.

395. During the period covered by the present report, the Commission continued its efforts to advance in the directions indicated above. Its work in the spheres of vocational training and mutual recognition of diplomas and other qualifications, and its activity in connection with universities and schools, have been described on earlier pages (1). Space is lacking to review here all the action (financial aid, scholarships, etc.) the Commission has taken to stimulate research and education at European level. Mention will be made only of the most important and most recent steps.

The Commission gave education and scientific and technical research a prominent place in its recommendation to the Council of 25 July 1963 on medium-term economic policy for the Community (2).

As regards education and vocational training, this recommendation says:

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

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

As regards scientific and technical research:

"Since the working population of Europe will increase very little during the coming years, progress in production will have to come largely from rising

(1) See secs. 329 and 393.

(2) See Chap. II, secs. 136 *et seq.*

productivity. Moreover, competition between the major groups of industrialized countries will centre more and more on quality.

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

The draft decisions submitted to the Council explicitly provide for the establishment, by the Committee on Medium-term Economic Policy ⁽¹⁾ of working parties to study specific questions. In the Commission's view, one of the first working parties to be set up should be on a policy for science.

In this way, with regard to scientific research, wider scope will be given to the Community's activity, and more particularly that of the Commission, which has necessarily been restricted to measures of encouragement (promotion of knowledge of the factors conditioning the economic and political integration of Europe, studies of the possible consequences of structural transformations and technical advances).

The establishment of such a working party, in which the other two Executives will be represented, will be at any rate a partial answer to the request in the European Parliament's resolution (point 2) for the creation "in the near future, and at Community level, of the institutions needed to promote cultural co-operation amongst the Member States". This working party will make possible the progressive build-up of a thorough-going Community policy for science, with the further advantage of co-ordinating the Communities' individual approaches to research on such matters as rules for competition, industrial conversion, regional consequences of technical progress, etc.

(1) See Chap. II, sec. 136.

The Internal Administration of the Commission

ORDINARY AND SUPPLEMENTARY BUDGETS

396. On 2 April 1963 the Council adopted a supplementary budget for the financial year 1963, to the amount of 1 500 000 u.a., as the Community's final contribution to the FAO campaign against foot-and-mouth disease in the Middle East. This should enable prompt and energetic action to be taken.

The new Association Convention with the overseas countries and territories has imposed fresh tasks on the Directorate-General for Overseas Development.

In order to adapt the establishment of this Directorate-General to its new commitments the Commission, in a supplementary budget for 1963, proposed the creation of 60 additional posts (21 A, 18 B and 21 C). The Council of Ministers did not examine this proposal separately but included it with those in the preliminary draft budget for 1964.

At their sessions on 8 and 9 May 1963 the Councils, with a view to facilitating budgetary procedure and in response to the Parliament's observations regarding an improved presentation of budget documents, agreed on the following points:

- i) That a general discussion with the EEC and Euratom Commissions should be held in the Council about the middle of each year regarding activities for the following year and their budgetary implications;
- ii) That the Executives should be asked to submit the preliminary draft budget before mid-September each year.

On 13 September 1963 the Commission transmitted the preliminary draft budget for 1964 to the Council. In accordance with Article 203 of the Treaty the Council approved this as a draft budget on 15 October 1963. The European Parliament debated it on 27 November 1963 and, on a report by M.O. Weinkamm, passed a resolution:

- a) Noting that the budgets of the Community's institutions, besides administrative expenses, comprised expenditure for economic and social purpose which increased year by year, rendering the budgets more and more political in character;

b) Expressing its satisfaction that the Councils, in their December session, were to review the section of the budget relating to the staff of the Parliament and the provision for parties of visitors;

c) Requesting the Council to provide the EEC Commission and the joint services with the funds necessary for staff and operations, in order to ensure that projects in hand and to be undertaken in 1964 might be carried out under normal working conditions, within the appointed time-limits and in an orderly fashion.

The ordinary budget for 1964 was approved by the Council on 18 December 1963, but will not be finally adopted until agreement has been reached by the Committee of the four Presidents, whose opinions differ as regards the joint services of the three Communities.

The Council must pass a resolution provisionally approving seven twelfths of the budget (on the basis of the budget for 1963) and giving permission for recruiting to proceed on the basis of the 1964 establishment.

The first supplementary budget for 1964 was approved by the Council at its session of 3 to 5 February. This will enable the Commission to create 61 additional posts in the Directorate-General for Agriculture, which will have to cope with new tasks arising from implementation of the agricultural regulations adopted on 23 December 1963.

A second supplementary budget, concerning 30 posts for the Directorate-General for Overseas Development, was submitted to the Council for approval on 13 March 1964.

However, these two supplementary budgets cannot be adopted before the main budget for 1964 has been finally adopted.

ESTABLISHMENT

397. The Commission's 1963 establishment comprised 2 340 posts (647 A, 483 B, 1 006 C, 204 linguistic services), plus six temporary posts in category A.

In the preliminary draft budget for 1964 the Commission proposed the creation of 394 new posts, allocated as follows:

i) Staff required by reason of the larger volume of work arising from the programme for 1964 and for normal continuation of current work: 157 posts (44 A, 26 B, 67 C, 20 D);

ii) Extra staff for the Directorates-General for Competition, Agriculture and Overseas Development, arising mainly from the entry into force of new regulations and decisions:

147 posts (56 A, 36 B, 55 C);

iii) Necessary strengthening of the linguistic services:

90 posts (50 L/A, 40 C).

Furthermore, the Commission asked for a large number of posts to be converted. This arose from the coming into operation of the Statute of Service for officials, and concerned cases in which the grading of the person filling the post was not in conformity with the grading laid down by the Statute and could not be regularized by internal measures, for instance by making use of vacant posts, by transferring posts, or by transferring personnel.

Only the posts proposed for the linguistic services (50 L/A and 40 C) were approved by the Council in their entirety. The others were reduced to 125 (45 A, 32 B, 42 C and 6 D). The proposed conversions were rejected altogether. The Commission feels obliged to point out that with this reduction in the number of posts approved it will have difficulty in carrying out its work satisfactorily in the coming year. It will continue to do its utmost to implement the Treaty, but it will not be able to avoid postponing important tasks, or at any rate carrying them out more slowly. And each fresh assignment for the Commission will necessitate fresh requests for staff.

THE STATUTE OF SERVICE

398. The Commission has completed the establishment of all staff in service when the Statute came into operation, except where this was impossible (in cases of illness, prolonged absence, etc.). Several official bodies provided for in the Statute were finally set up (Staff Committee, Joint Committee). Other arrangements to give effect to the Statute were also made; in particular, the Commission, after obtaining the advice of the provisional Statute Committee, established the job description appropriate to each post.

The Council has not yet accepted the proposals submitted by the Commission in March 1963 for improving certain procedures laid down by the Statute, notably as regards recruitment ⁽¹⁾, since it has been found necessary to harmonize these proposals with those put forward by other Community institutions.

⁽¹⁾ See Sixth General Report, sec. 381.

OTHER MATTERS

Linguistic services

399. The translation service, with a staff of 134 on 1 January 1964, is the largest in any international organization at the present time. Difficulties are still experienced in recruiting competent staff for the linguistic services.

Secretaries

400. As was stated in the Sixth General Report ⁽¹⁾, it is becoming increasingly difficult to engage qualified secretaries. The salaries laid down by the Statute for staff in this category are definitely too low by comparison with those paid to qualified secretaries with a good knowledge of languages in the six Community countries and the United Kingdom.

Organizational matters

401. The Commission continued to rationalize its work, and undertook reorganizations of, in particular, the Directorates-General for Transport and External Relations. In addition, the structure of the Directorate-General for Overseas Development was modified to deal with the tasks arising from the new Association Convention.

Other organizational measures have been planned and will be carried out shortly.

Reproduction and distribution of documents

402. Modernization and constant adaptation of technical aids to meet new demands made it possible to cope with the increase in the number of documents for reproduction this year. About two million copies of publications by the various departments of the Commission were distributed in more than hundred and fifty countries.

(1) See Sixth General Report, sec. 386.