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PRESS SUMMARY  
of the  
Commission's report to the European Parliament  
on the state of the negotiations with the  
United Kingdom

On Monday the Commission of the European Economic Community forwarded to the European Parliament its report on the state of the negotiations with the United Kingdom. The report, which covers about 130 typescript pages, is divided in three sections:

1. Opening of the negotiations
2. The negotiations
3. Final observations

The section on the negotiations, which covers by far the largest part of the report, deals at length with the various problems involved. These include the common customs tariff, the Commonwealth, British agriculture, the Community's financial regulation for agriculture, questions connected with economic union and EFTA, and legal, financial and institutional matters. In each case the report makes clear the course followed by the negotiations, giving first an explanation of the problems involved and following this up with a statement of the British and the Community positions; finally there is an outline of the solutions proposed.

On the problems concerning the common customs tariff, the report says that at the time the negotiations were interrupted, the question of the general level of a common customs tariff for an enlarged Community had not yet been finally settled. The United Kingdom Delegation had reserved the right to examine, at the end of the negotiations, whether after the adoption of several individual tariff measures requested by the United Kingdom, the overall level was appropriate for the enlarged Community or whether downward adjustments would still be required. Apart from this, the United Kingdom Delegation had requested zero duties for 26 industrial products. For ten of these, including paper pulp which is of outstanding significance, agreement on the future tariff arrangements was reached in the negotiations. The remaining 16 items include 4 of major importance: newsprint, aluminium, lead and zinc. The report contains the Commission's views on possible solutions. In the discussion of Commonwealth problems the Conference also examined requests to modify the customs tariff for 52 other products.

In setting out the Commonwealth problems, the report deals first with Canada, Australia and New Zealand. A solution for the industrial exports of these countries had been found. Their processed agricultural products still gave rise to some problems, but with the exception of three

items of importance, solutions were coming in sight.

To settle the problems involved in the abolition of Commonwealth preferences for India, Pakistan and Ceylon, it was proposed that the extended Community should conclude generous trade agreements with these countries. Pending the ontry into effect of these agreements there was to be a guarantee, subject to a time-limit, that these countries' cotton goods could still be sold on the British market, while the European textile industry would be protected. Arrangements had also been agreed for jute and several other industrial products. A number of tariff questions of particular interest to these countries were left open while others, including the abolition of the duty on tea, were settled.

For Commonwealth countries in Africa and in the Caribbean the negotiations provided that the Community's new association convention could be extended to them. Those independent Commonwealth countries which did not wish to avail themselves of this offer were to be helped through the conclusion of normal trade agreements and transitional measures. The question as to how the United Kingdom was to participate in the Community's Development Fund for associated overseas countries - remained open.

Apart from the above solutions for important Commonwealth problems, agreement was reached on many other Commonwealth issues (e. g. Malta, Cyprus, Aden, Malaya). For a number of problems, however, no solution had yet been found. These include the preference afforded UK exports by Commonwealth countries, the problem of Rhodesia and Nyasaland, Hong Kong, and others.

Agricultural exports from temperate zone Commonwealth countries (especially Canada, Australia and New Zealand) played a prominent part in the negotiations. Agreement was reached on essential principles of the solutions to be found. Nevertheless, no formal decision was taken because agreement had not yet been reached on important parts of the problem, such as the enlarged Community's price policy, or the treatment of certain products for which there is as yet no common agricultural policy. The problem of New Zealand's particular dependence on its exports to the United Kingdom of farm produce (especially butter) also remained completely open.

In the negotiations on fitting British agricultural policy into the framework of a common agricultural policy for the extended Community, it was agreed that the Commission would carry out annually a review of the situation and prospects of agriculture in the Community. This review was to be submitted to the Council, to which the Commission would at the same time put any proposals it considered appropriate. Should the trend of agricultural incomes in the Community or in one of its areas not be in line with the objectives laid down in the Treaty, the Commission would suggest the measures that should be taken under the common agricultural policy.

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No agreement was reached on the remaining measures to fit British agriculture into the common agricultural policy. The United Kingdom Delegation had, in particular, asked that during the transition period the rules of the common agricultural policy should be waived in a number of cases. With regard to the final stage it wished amendments to be made to the regulations on pigmeat and eggs. In addition, special problems arose in connection with British horticulture. In the report, the Commission explains these problems and shows the lines on which it feels solutions could have been sought.

Regulation No. 25, on financing the common agricultural policy, held an outstanding place in the negotiations; under this regulation revenues from levies are to accrue to the Community from 1 January 1970 on. When it appeared that differences among the Six and with the United Kingdom could not be settled through procedural changes, the Commission proposed concrete solutions.

The United Kingdom Delegation and the Commission discussed in detail the problems of economic union. As a result, the United Kingdom Delegation declared itself in a position to accept existing Community law subject to three reservations: the rules of competition in their application to agriculture required further study; the special position of Northern Ireland in connection with the free movement of workers; the time-table for putting into practice the principle of equal pay for men and women workers in the United Kingdom. In the negotiations on British membership in the European Coal and Steel Community the question arose of the different methods of financing social security systems.

Institutional, legal and financial questions were broached in preliminary talks. They did not give rise to any major problems so far as British membership alone was concerned, but the institutional problems connected with bringing several more European States into the Community would have needed further investigation.

The great problem of the European Free Trade Association was touched on only from certain particular angles. It was agreed that the problem of the British tariff agreements with these countries would have to be solved in the course of the negotiations. It was not clear how the difficult question of British membership in EFTA could be settled. In the British view the United Kingdom's accession was tied to the entry into force of satisfactory solutions for the other EFTA countries. In the light of the difficult problems raised, in particular by the applications for association, this would have meant delaying British membership quite considerably.

The Commission's report ends with the following observations (1).

One feature of the negotiations with the United Kingdom which stands out when an endeavour is made to draw up an impartial review of their results is their remarkable complexity.

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(1) Provisional translation.

The number of problems raised, the novelty of some of them (Commonwealth, British agriculture, EFTA) and the need to reconcile two sets of commitments as vast as those of the United Kingdom and those of the Treaty of Rome obviously posed extremely delicate problems for both the United Kingdom and the Community. It is of no small significance that the negotiations in fact bore mainly on the most precise stipulations of the Treaty or those establishing automatic commitments, namely the various aspects of the customs union, and the first tangible manifestations of a common policy in the sphere in which the Community had so far taken definite measures (agriculture), together with the repercussions thereof.

It may therefore not be inappropriate to conclude this report with an attempt at certain more general assessments.

The method adopted in the negotiations was to deal one after the other with the points which had been raised by the United Kingdom Delegation. The same method has to a large extent been used in this report, and here it has the disadvantage that it may at times obscure the relative significance of the problems raised, the particular aspect some had assumed by the time the negotiations were suspended and the links or inter-relationships that often existed between them.

Moreover, all the agreements reached were approved subject to the reservation that they were provisional and were, of course, subject to confirmation in the final general agreement.

1. A useful starting point would be to establish the relative importance of the problems considered. The negotiations tended to place on the same level questions of widely varying impact. An assessment of the negotiations should offer a more discerning appraisal.

Many points left in abeyance may be classified as of minor consequence. In the tariff field in particular, the tactical manoeuvring inseparable from negotiations had certainly delayed in many cases the settlement of secondary problems for which there was no reason to believe that a solution could not be found. Broadly speaking it may be said that the normal provisions of the Treaty and the decision-making powers of Community institutions could certainly have been accepted as providing the means of reaching a reasonable solution of many points referred to in this report which stem from minor or quite special economic problems.

On the other hand, it is important not to minimize certain questions which were still unanswered (apart from the problem of relations with the EFTA countries, the terms of which were rather special). With regard to temperate foodstuffs from the Commonwealth, although a solution had been put forward for cereals, its extension to certain other products might still have raised difficulties, even though the broad lines were already laid down.

Again, even though some measure of agreement had been reached as to the final stage regarding British agriculture, it would be a mistake to underestimate the importance for the Community of effective transitional

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arrangements ensuring the progressive integration of the economies of the Member States and the final establishment of a single market.

The Six themselves were still not agreed on the interpretation of the financial regulation, a very important element in the system for agriculture.

2. In this context, it is not uninteresting to note that what was needed for a solution was in some cases mainly a move from the British Government, but that there were also cases in which issue turned upon proposals to be drawn up by the Six themselves.

To take the example of zero duties, the United Kingdom Delegation had during the last meetings put forward a compromise proposal for one important product. But the negotiations had never officially touched on certain other products which were among the most important, because the Six had not yet been able to reach a common standpoint on them which could accommodate the diverging interests of the Member States or take into account the differing importance they attributed to given cases. Here was a problem of considerable economic interest.

It was expected that British proposals for agriculture would be forthcoming which would have due regard for the criticisms or misgivings expressed by the Six, but an overall view was still lacking because the Community had reached no decision on certain important products (dairy produce, beef, sugar and rice).

Similarly, with regard to the financial regulation, the negotiations with Great Britain and particularly the views expressed at the outset on the British side had re-opened among the Six themselves difficulties of interpretation which they had not yet succeeded in overcoming when the negotiations were suspended.

3. This brings us to reflect in more general terms upon the real difficulties in the negotiations. The question was not only one of reconciling British systems and commitments with the letter of the Treaty of Rome: it was rather one of reconciling them with a Community in the full surge of development. The British application for membership involved an obligation to accept not only the Treaty but the substantial advances made since the Treaty was signed. It was on these advances that discussion was sometimes most difficult. But the fact that in certain fields the content of the Treaty was still in a preliminary stage, and that, broadly speaking, the implementation of its various aspects was in an intermediary phase, may also be considered as having made matters more difficult for the negotiators. The problem was one of reconciling with Community arrangements the action taken to adjust the British system whilst paying due heed both to Great Britain's vital interests and to a Community system which itself lay largely in the future.

The Commission endeavoured throughout to work for a solution of Great Britain's specific problems by taking a long view and making use of the time factor. In many cases the right solutions could only

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be solutions which anticipated the future progress of the Community, for example in procedural matters, and which had at the same time the effect of leading the enlarged Community, probably sooner than originally intended, to start working out common policies.

The negotiations with the United Kingdom, because they brought these problems to the fore and in some cases considerably increased their scale, compelled the Community to come to grips with them sooner than it otherwise would have done. This process brought with it greater awareness of the responsibilities an enlarged Community would bear in the world. Because of the United Kingdom's almost worldwide responsibilities, the questions raised by the United Kingdom Delegation also made it vital for the Community to define without delay the main policy lines of such a large and powerful Common Market with regard to matters which, once Britain was a member, would have had a direct and crucial impact on the overall balance of the free world.