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INFORMATION MEMO

1963 in retrospect

Although the beginning of the year witnessed the interruption of the negotiations on Great Britain's admission to the Community, the EEC Commission carried on its activities normally in 1963.

A number of important events may be noted in the field of external relations. In February Professor Hallstein gave the European Parliament the report it had asked of the Commission on the interruption of the conference on the accession of Great Britain to the European Economic Community.

In July the Council suggested to the British Government that quarterly meetings be arranged in WEU so that the seven member countries could survey the economic situation in Europe. It was proposed that the Commission should attend those meetings at which European economic integration was discussed. The first quarterly meeting took place in The Hague on October 25.

In September a tariff arrangement was signed between the Community and the United Kingdom providing for the simultaneous suspension of customs duties on tea, maté and tropical hardwoods with effect from January 1, 1964.

The Convention associating the seventeen African States and Madagascar with the EEC was signed in Yaoundé, Cameroon, on July 23, having been initialed in Brussels on December 20, 1962. The new agreement provides for institutions to ensure that the provisions of the Convention are implemented on the basis of equality and that the Community's technical and financial contribution to the development of the young overseas States is expanded and diversified.

Without requiring any reciprocal concession, the Community cut by up to 40% the duties in the common customs tariff on a number of tropical products imported from these countries (coffee and cocoa 40%; pineapples, cloves and nutmeg 25%; coconuts 20%; pepper 15%). When the agreement was signed, the representatives of the Governments of the EEC Member States issued a Declaration of Intention to the effect that they were prepared to negotiate agreements leading to accession to the Convention, some other form of association or just trade pacts with other countries which so desired and whose economic structure and production were comparable with those of the associated States.

The Association Agreement between the Community and Turkey was signed in Ankara in September. It provides for financial aid to the value of 175 million units of account being granted to Turkey for five years by the Member States of the Community through the European Investment Bank. The Community will also give Turkey tariff

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preferences for a number of products of importance to the Turkish economy (tobacco, dried grapes, dried figs and hazel-nuts). These measures of assistance are designed to promote the development of a customs union between the EEC and Turkey on the model of the association with Greece.

The Community decided to take an active part in the Kennedy round of negotiations. It agreed that tariff reductions should be on an automatic and general across-the-board basis. The Community believes that, on the basis of mutual concessions, these negotiations should produce simultaneous action to cut tariffs and to reduce tariff disparities. It also considers that the negotiations should cover non-tariff or tariff type measures and practices liable to affect the value and extent of concessions. The Community agrees, moreover, that all the elements of world trade - including farm products - should be included. The Community outlined its position at a ministerial meeting in GATT.

Negotiations on the poultry question between the Community and the United States began in Geneva in June within the framework of GATT. They were based on a bilateral agreement concluded during the 1961/62 Tariff Conference by which the Community undertook to negotiate a number of agricultural items (including poultry) with the United States. A GATT panel to which the matter was referred by the two parties issued an advisory opinion in November on the value of American poultry exports in the context of the unbindings concerning poultry.

A trade agreement between the Community and Iran came into operation on December 1. This is a purely commercial agreement negotiated under Articles 111 and 114 of the Treaty of Rome. It provides mainly for temporary reductions in the common customs tariff and a tariff quota, which is also non-discriminatory, for knotted carpets, dried grapes, dried apricots and caviar.

A contact group between the Latin American missions to the Community and the Commission was set up and held a number of meetings. These were of an informative nature and were intended to facilitate the exchange of views on economic and commercial relations between the Community and Latin America.

A procedure for the exchange of information between Denmark and the Commission was worked out during two visits paid by Mr. Per Haekkerup, Danish Minister for Foreign Affairs, in October and December.

A similar arrangement was made when the Irish Minister for Foreign Affairs, Mr. Frank Aiken, visited the Commission in November.

At the request of the Austrian authorities, conversations were held with the Commission in July. The Commission will be submitting to the Council a report, based on these talks, concerning a possible arrangement between the Community and Austria.

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A proposal was made by Tunisia for talks with the Community to work out the possible future form of close commercial links between them.

The Government of Nigeria and the Governments of Kenya, Uganda and Tanganyika (these three form the East African Common Market) have asked the Council for negotiations to be opened with a view to closer economic relations with the Community. These requests refer to the Council's Declaration of Intention.

Following an Indian memorandum presented in May, the Council agreed on certain measures to facilitate exports from India to the EEC. It was decided to suspend customs duties on a number of products (e.g. cashew nuts, certain pimentos, cardamoms, curry seeds, powder and paste, tobacco-seed oil and mango chutney).

A request made by Israel in 1962 for measures to facilitate that country's exports to the Community was studied and discussed with an Israeli delegation and in the Community institutions.

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In June the Commission submitted to the Council the recommendations on monetary and financial co-operation in the Common Market foreshadowed in its memorandum on the Action Programme of the Community for the second stage. The recommendations were based on Article 105 of the Treaty and provide for the establishment of a Committee of Governors of Central Banks and of a Budget Policy Committee drawn from Ministry of Finance officials and including a representative of the Commission. The Commission also recommended that there should be consultations before all major decisions by Member States on international monetary policy.

The Commission laid before the Council a memorandum and the draft for a decision on the Community's medium-term economic policy. To ensure lasting full employment and a balanced expansion together with monetary stability, the Commission believes that plans must be made to cover several years. A medium-term view of this sort would in no way restrict the freedom of the market but would rather provide a framework for government and Community action.

Following the conference on regional economies arranged in Brussels in December 1961, the Commission set up three panels of specialists on regional expansion drawn from the six countries. They were instructed to study the development problems of the Community's peripheral areas, problems of industrialized areas where certain industries are declining and the effectiveness of the privileged treatment granted with the object of fostering regional development. These panels have already had several working sessions.

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The Commission asked four independent experts to make a study of the economic impact of energy costs. The experts met monthly from July.

On energy policy, it is still the Commission's view that it is not sufficient to accommodate national requirements that are often in conflict and that all the problems of the sector should be covered, as proposed in the Memorandum on Energy Policy.

The Commission gave a very lukewarm reception to the draft resolution drawn up by the Special Committee on Energy Policy for the ECSC ministerial meeting in Luxembourg on December 2, 1963.

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On July 1, 1963 a further step forward was taken in the establishment of the customs union. A new 10% cut in internal customs duties brought the overall reduction since the Community's inception to 60% for manufactured goods and 45% for non-liberalized agricultural products. The second alignment of national tariffs on the common customs tariff also took place on July 1 - two and a half years earlier than stipulated in the Treaty. It was effected in the same way as the first alignment on January 1, 1961, i.e., on the basis of the duties in the initial tariff less 20%, even when this 20% cut was not negotiated or bound under the GATT. Nevertheless, by decision of the member Governments of May 22, 1963, this basis of calculation will not apply after December 31, 1965 unless an adequate degree of reciprocity has been obtained from the non-member States in the coming GATT negotiations.

Taking 1959 and 1960 figures as a basis, the Commission took a number of decisions under Article 33(4), which provides for the abolition of quota restrictions where for two successive years imports of a given product have been below the level of the quota granted. The quotas concerned were chiefly for farm products not subject to national market organizations; nine of them were granted by Germany, fifty-two by France, eight by Italy and eight by Benelux.

Several proposals for directives were put before the Council by the Commission. The first of these related to access to non-wage-earning occupations in the wholesale trade and occupations serving trade and industry and to the pursuit of these occupations. Two others dealt with the removal of restrictions in mining and quarrying, in the manufacturing industries and in artisan activities, the latter detailing transitional measures in the manufacturing industries and artisan activities.

Considering that the crisis in the lead and zinc sector raised a problem at Community level, the Commission submitted to the Council a draft emergency programme intended chiefly to speed up the time-table for the Treaty's objectives for these two products.

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In October the Commission took a number of decisions on processing traffic in agricultural products and sent to the Council the annual report it is required to make in implementation of the Council decision of April 4, 1962.

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The preliminary draft convention on a European system of patent law published in November 1962 drew comment from official and private quarters. In October the State Secretaries responsible for industrial property questions in the Six studied a collective report on this matter and took note of the report, prepared by the Co-ordinating Committee of the Working Party on Patents, on the establishment of European authorities to deal with industrial property and the problems involved, particularly how these authorities should be fitted into the existing Community institutions.

In 1960 the Commission set up a Fiscal and Financial Committee, consisting of specialists from the six countries under the chairmanship of Professor Neumark, to study the impact of differences in taxation systems on the integration process. The Commission has published the Committee's report.

In accordance with the rules of competition, 460 notifications and applications for clearance relating to multilateral agreements and 34 500 relating to bilateral agreements were received by the respective time-limits, November 1, 1962 and February 1, 1963. Many agreements of considerable economic importance were disclosed to the Commission. These cover firms in sectors such as metals, chemicals, textiles, foodstuffs, building materials, banking, insurance and other services.

The Commission put before the Council a draft regulation amending Article 7(2) of Regulation No. 17 - the first regulation implementing the Treaty's provisions on competition. Under the amending regulation the Commission reserves the right to propose that certain categories of agreement which, in recent months, have proved an obstacle to the development of the Common Market be made subject to compulsory notification.

Commission Regulation No. 99/63 on the hearings provided for in Article 19 of the Cartel Regulation came into force on September 9. The key provision is Article 4, which lays down that, in its decisions, the Commission may only consider complaints against enterprises or associations of enterprises on which the enterprises concerned have had an opportunity of being heard.

The Commission decided to make a study of problems relating to concentration of enterprises in the Community. A panel of academic experts from the Member States was asked to make a detailed study of ways and means of checking more effectively that the rules of Article 86 are actually being complied with.

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A second panel is to render an opinion on the relation between cartel policy (Article 85) and the concentration of enterprises.

The Standing Committee of heads of revenue departments, which was set up on the initiative of the Finance Ministers, met for the first time in Brussels in July under the chairmanship of M. von der Groeben, a member of the Commission. The Committee discussed problems connected with the directive on the harmonization of turnover taxes now before the Council.

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The Commission presented the Council with its fourth annual report on manpower trends. This gave a brief outline of the general trend of the labour market in the Community and details by country, industry, occupation and region. It proposed certain measures to reduce the more or less marked imbalance in the six member countries.

Average numbers employed throughout the Community in 1962 totalled 72.4 million - 640 000 (0.9%) up on 1961. The increase was less than in 1961, when it was 770 000.

The reduction in the numbers employed in agriculture, though slightly less than in 1961, was still 400 000 for the Community as a whole. Employment in industry and services thus increased by more than a million.

Despite existing manpower reserves, demand remained strong, particularly for skilled industrial workers, so that in most parts of the Community the tightness experienced on the labour market during the previous year persisted.

As regards labour relations, 1962 saw a further improvement of the economic and social situation of workers in the most varied sectors.

The rapid rise of incomes in previous years continued in all the Member States. Despite the shorter working week in Germany, in the Netherlands and even more in Italy, gross income from paid employment rose some 10%, partly because more people were employed but mainly because of the sharp wage increases in France, the Federal Republic of Germany, Italy and the Netherlands. In these countries gross income from paid employment increased by a bigger percentage than the national income.

Working hours were again reduced in most Member States, particularly for industrial workers, under the terms of collective agreements. Italian workers gained most from this trend over the year: on average they now work rather more than two hours less per week.

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The general principles of a common policy for vocational training were adopted by the Council on April 2, 1963, at a time when more and more people in responsible quarters in the member countries agreed on the need for vocational training to provide the knowledge and skills required for the pursuit of a given occupation. The Community has an increasingly urgent need for skilled workers and high-level supervisory staff capable of adapting themselves constantly to economic and technological change.

By November, aid totalling more than 14 billion units of account had been granted by the Commission through the European Social Fund, of which 13 224 350 u.a. was in respect of retraining operations through which about 115 000 workers were found alternative employment, and 911 550 u.a. for resettlement schemes providing jobs for about 85 000.

The Commission continued to give its most careful attention to problems of social harmonization (Article 118 of the Treaty). Twice in the course of the year the Commission held meetings with Government representatives to study this matter. Action by the Commission under Article 118 includes the follow-up to the European Conference on Social Security, the round table on social policy in transport, a symposium on housing policy and the Action Programme for social policy in agriculture submitted to the Council.

The European Conference on Social Security organized by the Executives of the European Communities in December 1962 brought out more clearly the points of agreement and divergence in the legislation of the member countries, particularly in the light of recent developments and likely future trends.

Following this Conference, the Commission prepared a preliminary draft programme for the harmonization of social security systems, on which there was in October an exchange of views with senior officials representing the Ministers dealing with labour and social affairs in the six countries. Several subjects were chosen for a priority programme: scope of application, definitions, benefits, financing, statistics and co-ordination in preparing and ratifying international instruments concerning social security.

With a view to promoting the construction of low-cost housing, the Commission organized a symposium in Brussels from December 16 to 19, 1963. The subjects discussed were housing requirements (methods of assessment), demand and ability to pay, and qualifications for tenancy.

The total number of low-cost housing units completed in the Community in 1962 was slightly more than in 1961, when the figure was the same as that reached in 1959. Closer examination of this figure, however, shows that it was lower than in 1959 in every member country except Italy.

The round table on social policy in transport held in December was chiefly intended to provide the Commission with information that would help it to prepare the measures of social harmonization needed to implement the common transport policy.

The Commission's Action Programme for social policy in agriculture indicates what measures are needed to raise the living standards of farm workers and to ensure an effective social security system.

In the field of free movement of workers, a draft regulation to replace Regulation No. 15 is at present before the Council.

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The event of the year in agriculture was the Commission's proposal put before the Council in November, that a common level of cereal prices in the Community should be fixed in one operation with effect from July 1, 1964. The Commission believes that the adoption of this proposal would enable a definite line to be worked out for the adjustments and conversions that are needed; it would both enable the Community to take a more active part in the coming GATT negotiations and remove the factor of internal instability constituted by the recurrence each year of negotiations on the gradual adjustment of cereal prices. At the same time the Commission proposed a regulation on compensatory measures and Community plans to improve the standard of living of the farming population. Two months earlier the Commission had submitted its Action Programme for social policy in agriculture.

In March and September the Commission put proposals before the Council on the joint financing of the agricultural policy. Under these proposals the European Agricultural Guidance and Guarantee Fund would comprise two sections: the Guarantee Section to deal with refunds on exports to non-member countries and action to regulate markets, and the Guidance Section, to finance joint action including the structural changes necessary for the functioning of the Common Market.

The common organizations set up in 1962 for the markets in cereals, pigmeat, eggs and poultry, fruit and vegetables, and wine functioned properly. In September cuts of pork and pigmeat preparations and preserves were brought under the common organization of the pigmeat market.

On the Commission's proposal the Council decided on an initial modest alignment of cereal prices for the 1963/64 marketing year. The relevant regulation is in two parts: the first raises the lower limits of barley, rye and maize prices, the second concerns the application of quality standards by the Member States.

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Work continued on the proposed common organizations for the markets in beef and veal, rice, and dairy products.

The Commission submitted to the Council three memoranda concerning the principles of the common policy on fats and oils; the common policy on fats and oils and its relationship with policies for other agricultural products, notably butter; and common policy measures in the event of structural surpluses on the milk market.

In January the Council took an important decision on commercial policy as regards products falling under common market organizations: quantitative restrictions on imports of these products from the Eastern block were abolished, but a system of control and a procedure for suspending imports in the case of market disruption were introduced.

In February the Commission submitted to the Council a draft directive on the approximation of legislation on preservatives for use in foodstuffs. The Council approved this directive in October. In July the Commission put forward a proposal on the harmonization of legislation on cocoa and chocolate.

The inventory of aids to agricultural production and trade which the Commission was instructed to draw up by the Council decision of June 29, 1962 was submitted to the Council in November.

The Standing Committee on Agriculture Structures held its first meeting in March and subsequently examined the reports submitted by Member States concerning their national policies on structure.

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In May an important step forward on the road towards a common transport policy was taken when the Commission submitted to the Council a body of proposals for concrete measures to constitute the basis for the common policy in this field which the Commission has been preparing in the last few years.

Of the five proposals submitted, the three most important are to establish a rate bracket system applicable to the three types of inland transport, to introduce a Community quota for road haulage between Member States and to harmonize certain provisions affecting competition in the transport sector.

In February the Commission sent to Member States a recommendation on the definition of "normal residence" for purposes of applying in relations between the Member States the system of temporary importation of private road vehicles.

As part of the work on the implementation of Articles 79 and 80 of the Treaty, the Commission continued to examine the problem of differential transport rates applied by Member States in their domestic traffic and their international traffic.

All the Member States and the Commission concluded that such differences, especially as regards rates for exports and imports, involved elements of discrimination and were likely to affect the free movement of goods within the Community. The Member States declared their readiness to abolish the provisions in question under a joint programme and by a given date wherever they were not justified by considerations of competition or other grounds compatible with the Treaty.

The Commission agreed to the joint action proposed, and that the relevant measures should be introduced on January 1, 1964.

The Commission also decided to request a committee of independent experts to undertake a study of possible courses of rational tariff policy in transport, including matters of infrastructure. The aim of this study is to elucidate, in the light of economic theory, the problems of establishing transport rates and charges and dues for the use of infrastructures arising from the proposed Council regulation on the introduction of a rate bracket system and the proposed Council decision on the harmonization of competitive conditions in transport.

In October the Commission submitted a document to the Council recalling its earlier proposal that the procedure for prior examination and consultation with regard to certain laws and regulations contemplated by Member States in the transport field should be extended to long-distance pipelines for gases, liquids or solids.

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In March the Commission submitted to the Council a note containing concrete proposals for tide-over arrangements in relations with the associated African States and Madagascar so that the old Association Convention could be linked up smoothly with the new one.

The Council instructed the Commission in April to negotiate with the United Kingdom a tariff arrangement on tea and tropical hardwoods by which the Member States would suspend the customs duties on these products under Article 28 of the Treaty, provided the United Kingdom did the same. The agreement was concluded on September 10. The two parties agreed to suspend customs duties on these products from January 1, 1964 till December 31, 1965.

The Commission submitted to OECD's Development Assistance Committee, on which it is represented, a report on its activities under the heading of technical co-operation during 1962. The report shows that the sums earmarked by the Community for this purpose in 1962 amounted to \$10.8 million and actual expenditure to \$5.5 million (as against \$2.3 million in 1961 and \$341 000 in 1960).

As the request of the President of the Republic of Congo (Leopoldville), a mission made up of experts from the EEC member countries was sent to the Congo for the urgent task of drawing up a recovery plan for the country's economy.

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The Commission granted 731 scholarships for the academic year 1963/64. The placing of scholarship-holders in educational establishments in the member countries and Africa is in progress.

The Commission decided to publish a study made at its request by research organizations in the Member States on the current situation and future prospects of the coffee, cocoa and banana markets in the member countries.

At September 30 the European Development Fund had approved 335 investment projects for a total of 448 million units of account.

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