

EUROPEAN ECONOMIC COMMUNITY  
COMMISSION

Fifth

GENERAL REPORT

on the

**Activities of the Community**

*(1 May 1961 - 30 April 1962)*

JUNE 1962

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

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Mr. President,

We have the honour to submit the Fifth 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 course of the month of July.

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

*Brussels, 22 June 1962*

Walter HALLSTEIN

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## INTRODUCTION

The first four General Reports submitted by the Commission to the European Parliament highlighted the Community's successes in establishing the customs union and the efficient operation of the institutional system set up by the Treaty. They also emphasized the growing prestige of the Community and its institutions in non-member countries. Nevertheless, the Commission could not but note, at the beginning of its Fourth General Report, that by comparison with the achievements in these various fields progress made on the road to economic union seemed modest, although it was not to be underrated.

To redress this balance and thus promote the development of the customs union into an economic union was the Commission's major concern. Important achievements in the internal build-up of the Community have made considerable steps in this direction possible in the period covered by the Fifth General Report. At the same time the Community found itself faced with prospects of further extension, while the international repercussions of its growth became clearer. All the Community's action has been guided both by the search for balanced development and by these new international factors. The same will no doubt again be the case in the coming year.

As early as 1958 the Commission began a thorough study of the various sectors of economic union, particularly in the agricultural sphere. It had first to go into the fundamental questions, hear the opinions of all concerned, both trade organizations and government experts, and finally work out the guiding lines of a general policy. This work was carried out in liaison with the European Parliament, which was associated with all the basic decisions, while regular contacts were maintained with the Economic and Social Committee and its specialized sections.

Numerous decisions in various fields, taken by the Council on the proposal of the Commission during the period covered by the Fifth General Report, and more particularly in the course of its long session of 18 December 1961 to 14 January 1962, made up the leeway. The regulations establishing common market organizations for several leading agricultural products and instituting common financial responsibility for the agricultural policy, the first cartel regulation, the first regulation on the free movement of workers between the Member States, the programme for the introduction of equal pay for men and women, the general programmes for the abolition of restrictions on establishment and on the supply of services—all these are milestones on the road towards economic union. At the same time achievements in the sphere of trade have been consolidated by the strict application of the provisions of the Treaty and of the speed-up decision of 12 May 1960 on the reduction of customs duties between the member countries, approximation to the common customs tariff and the abolition of quotas for industrial products. A new speed-up in customs disarmament which is to take place on 1 July 1962 will further strengthen the effect of these measures.

The decision of 14 January 1962 to move on to the second stage of the transition period under the Treaty meant more than a recognition by the Council, as required by Article 8 of the Treaty, that the essence of the objectives specifically laid down in the Treaty for the first stage had in fact been achieved and that, subject to the exceptions and procedures provided for in the Treaty, the obligations had been fulfilled. It crowned the political and economic success of four years of Community activities, the balance achieved in the execution of the Treaty and the resolve of the institutions and Member States to pursue the course laid down with no thought of turning back and with the conviction that there would be no difficulties, however great, in the way of the complete establishment of the Common Market, which would not finally be solved.

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Among all the measures which have contributed to the internal build-up of the Community, two called for special efforts on the part of the six Governments to bring their positions closer together. These were the regulations on the common agricultural policy and the first

cartel regulation. In both cases we may note the Community character and even the novelty of the solutions adopted. New structures were created and new procedures devised to meet the requirements of an integrated Community of 170 million people. The problems already existed in each of the six countries. At Community level not only are their dimensions very different, but in many cases their nature changes, and they can be tackled in a new way.

The cartel regulation, made under Articles 85 and 86 of the Treaty of Rome, is the first piece of European legislation in this field. We need not emphasize once more the political significance of such legislation, without which the opening of the markets and the free movement of the means of production might fail to produce all their economic effect and to serve social progress to the full. Although in some of the six countries it does no more than supplement and reinforce existing provisions in this field, the first regulation already makes it possible in others to make up for the absence or inadequacy of national legislation.

The regulations organizes constant co-operation between the Commission and the national administrations, but it entrusts the final decision to the Commission alone. The Commission will have to specify the details of its policy on the organization of competition so that the application of the new regulation will not only eliminate practices incompatible with the Treaty but will help to improve the structures of the economy.

In most cases the agricultural markets of the six countries were strongly organized and governed by complex legislation—even a surfeit of it—which was the fruit of heaping one upon another measures which were not always coherent. There was very little hope of harmonizing such involved legislation and this is one of the reasons for the scanty success which international organizations have so far had in this field. The Community set about providing new machinery geared to the opportunities and requirements of a vast market. The arrangements decided on product by product are part of an overall plan of the Commission whose general lines have been adopted by the Council. Common instruments such as the European Agricultural Guidance and Guarantee

Fund and—tomorrow—the Structures Fund, and common rules for competition ensure the cohesion of the whole.

To give life to the market organizations which have just been or are about to be set up, the Community will have to outline its agricultural policy, one of the main elements of which will be the fixing of a common price level. Initial lines of approach in this field will be worked out before the end of 1962, when the Council makes the necessary decisions of principle in fixing criteria for determining grain prices.

Although the need to avoid excessive centralization was borne in mind when devising the regulations, it was necessary, in order to ensure unity of execution and jurisprudence, to entrust to Community institutions and particularly the Commission, numerous tasks of implementation and even of day-to-day administration. The European Coal and Steel Community already constitutes a first experience in "Community management", but the present action will have to be carried out on a much greater scale. In the matter of cartels the Commission will be competent in all branches of industrial activity in the Community, and will be able to enter into direct contact with each of the industries in question. In the agricultural sphere it will have to fix all the details of Community regulations, to follow up their application and modify their working, sometimes from day to day. In each of these fields Community administrative law will be progressively worked out and the present regulations are no more than the skeleton of this law. At the same time the functions of Community administration will be extended and it will be necessary once again to specify the modes of collaboration between the Community administration and the national government departments.

In this way the move to the second stage will correspond with a notable change in the forms of Community activity. The success of this trend will largely determine how European integration shapes in the future.

The Commission has often pointed out that it was not enough to establish a balance between the progress of the customs union and that of the economic union or to affirm that, without economic union, the achievement of the customs union would always remain precarious.

The establishment of the economic union is the very mission of the Community. In its second period of office the Commission intends to give priority to establishing this union in all fields covered by the Treaty. In the immediate future and in the months ahead, the Commission, while pursuing the action already begun in the field of competition, in the agricultural sphere and in the social field (particularly with regard to the common occupational training policy) intends to lay the accent on the decisions needed in common transport policy and common energy policy.

In its memorandum of April 1961 the Commission laid down the general lines of a transport policy at European level and indicated the possible instruments of such a policy. Following the consultations of all kinds which it held on the basis of this memorandum, the Commission has now tabled a complete action programme with a timetable for its execution. It has endeavoured to strike a balance between the measures required to enlarge and organize markets, to suppress discrimination and to ensure indispensable harmonization.

In the course of the year under review there were no marked developments in the establishment of the common energy market. Without overlooking the difficulties of all kinds, the Commission must express its concern at the delays in this basic sector of the Community's economy. At the Rome meeting between the six Ministers and the Executives, certain common objectives were worked out: to establish and maintain the free movement of sources of energy in the Common Market and to ensure regular and continuous supply of low-cost energy while facilitating the necessary transitions. While endeavouring to resolve the problems which are within its purview in the matter of oil fuel, the Commission will, by agreement with the other two Executives and in constant liaison with the European Parliament, lay down the lines of approach and carry through certain practical measures. These will include delegating to the Community adequate powers to ensure unified administration.

The year 1962 brings another deadline: the renewal of the association between the Community and the African States and Madagascar. The accession of these States to independence gives the

negotiations their full significance; for the first time Africa and Europe are establishing by consent the economic and legal bases of their solidarity. The conference of the European Parliament with the African and Malagasy Parliaments revealed that this solidarity has even deeper roots in a mutual esteem between the peoples and their cultures.

The new convention which must come into force on 1 January 1963 will have to establish the institutional structure of the association on a basis of complete equality between the Community and its African and Malagasy partners. It must increase and diversify the aid supplied by the Community and also make it possible to step up trade between the African States and Madagascar and the Community while reducing customs duties on certain tropical products from non-member countries. The scale of the effort thus made will confirm the Community's will to play a leading role in the action of the industrialized countries in favour of the less advanced countries; although this Community action is not confined to the associated States it assumes its most complete form in dealings with them.

The Commission firmly hopes that it will be possible to conclude the new convention in the near future.

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The declaration of the British Prime Minister on 31 July 1961 was a turning point both in European history and in the still brief life of the European Communities. The Community welcomed the British move.

The requests for membership from Great Britain, Denmark, Ireland and Norway and the applications for association from Austria, Switzerland, Sweden and Portugal above all bear witness to the economic and political success of the work which began twelve years ago. Nevertheless, they should not lead us to underestimate the problems which the prospects of such a widening of the Community pose for the member Governments and the Community institutions.

The States which asked for membership affirmed from the outset that they accepted the Treaty of Rome in its entirety. The Commission considers that one of its prime responsibilities during the negotiations is to watch over the maintenance of the Community rules, both those in the Treaty and those in the regulations pursuant to the Treaty.



With the exception of the changes which the entry of new members in any case makes necessary, the measures of adaptation to be taken must be defined within the framework of the Treaty itself and the regulations made thereunder and be based on Community procedures. The execution of these measures must be ensured by the institutions of the enlarged Community exercising the powers of supervision and decision conferred on them by the Treaty.

Doubtless, a problem of "catching up" will arise for countries entering the Community five to six years after its inception. This may justify certain time lags, in particular as regards the application of measures decided on or carried out in the earliest years. Nevertheless, it appears extremely important to the Commission that the final date fixed by the Treaty for the transition period—1 January 1970—should in any event be completely observed in all fields.

By taking this firm stand on everything connected with the Community system, the Commission believes that it is acting in the interest not only of the Community as a whole but also of future members. The widening of the Community must not be allowed to impair its dynamic nor the confidence which European and international opinion place in it. By showing future partners the nature and extent of the obligations flowing from the Treaty and also the wealth of possibilities it offers, the present negotiations constitute a sort of initiation to the Community "way of life" which has emerged since 1952 and which now has an appreciable influence on the attitude of government departments and parliamentary and professional circles in the six countries.

For the same reasons the Commission has constantly insisted that the negotiations going on should not cause any slowing down in the building of the Community and particularly of the economic union. By accepting this position from the first day the British Government showed, better perhaps than by any other statement, the positive spirit in which they approached their discussions with the Community. Progress towards economic union, a field which the Treaty deals with only in very broad terms, moreover gives would-be member countries a clearer picture of the obligations to which they will be subscribing and of the future shape of the Community.

The results obtained since 1958 have lent growing strength to the Community. A rapid expansion of its economy has emphasized this even more. The weight of the Community in international affairs has thus appreciably increased but also, as the Commission fully realizes, the extent of its obligations and responsibilities towards other countries.

Previous General Reports had already drawn attention to this trend. The recent initiatives of the President of the United States in the matter of customs and trade policy have made clear to the world at large that the European Community is becoming a major factor in world organization far beyond the confines of Europe.

The Community has indicated its hope that the President of the United States will obtain the necessary powers from Congress to negotiate important reductions in customs duties with America's trade partners, particularly the Community. The Trade Expansion Act was drafted with a view to discussions with the enlarged Community and it may well form the basis for new economic relations between the industrialized countries of the free world. All this strengthens the trend which has recently found expression in the transformation of OEEC into the Organization for Economic Co-operation and Development with full participation of the United States and Canada.

This association, this partnership, should go beyond a mere tariff agreement. It is both possible and necessary to ensure fair competition for all parties in the industrial field, the organization at world level of markets for the chief agricultural products, and, in the field of aid to the developing countries, a joint effort for the organization of commodity markets and greater financial and technical assistance.

Since they are the organs of an economic Community the institutions set up by the Treaty of Rome must devote themselves to economic tasks. This brief survey of the work accomplished and of future prospects does, however, show the political implications of the action undertaken and the scope of the political responsibilities which the Community institutions have already assumed. The maintenance and consolidation of the European Communities continue to offer the best assurance of a political unification of Europe.

The Commission has followed attentively the conversations between Governments on the establishment of a new "Union" of European States and peoples. Without the success of the Communities, the very idea of establishing a "Union" in such important fields as foreign policy and defence would have had scant hope of gaining acceptance. It is therefore all the more necessary that the future Treaty should not put any obstacle in the way of the full development of the Communities and that it should even set the planned Union on a course which, the Community is convinced, will have to be determined by the guiding principles of the Treaties of Paris and Rome.

It is equally necessary that the balance of the institutions be respected in the day-to-day life of the Communities, particularly the independence and authority of bodies like the Parliament and the Commission which have more especially the task of giving expression to and upholding the general interest.

Without wishing to minimize the difficulties which it has sometimes met with in having Community solutions accepted and without passing over the sometimes unsatisfactory character of certain decisions, the Commission considers that the year 1961/62 has seen the consolidation of the Community, the strengthening of its institutions and their powers and an enhancement of its influence in and outside Europe. The Commission is thus encouraged to continue to bend all its efforts to the defence of the institutional order of which it is the custodian and thanks to which the union of our six countries, with the help of their peoples, Parliaments and Governments has already become a living reality.

## CHAPTER I

### ON TO THE SECOND STAGE

1. On 14 January 1962 the Council unanimously found that the essence of the objectives laid down in the Treaty of Rome for the first stage had in fact been achieved. Under Article 8 (3) of the Treaty this finding made it possible to embark upon the second stage of the transitional period as from 1 January 1962.

On 6 December 1961 the European Commission had submitted to the Council the report called for in Article 8 (3). This report reviewed the progress made in all the fields covered by the Treaty, progress sufficient to satisfy the strict conditions laid down for such a move; it also stressed the strides made in the other sectors and pointed to the speed-up in particular as an expression of the Member States' desire to press on towards the customs union and economic union.

At its session of 29 and 30 December 1961 the Commission restated its opinion, pointing out to the Council that the balanced development of the common market would be seriously undermined if the first decisions on the execution of the common agricultural policy were not taken at the same time.

As early as 24 November 1961 the European Parliament had expressed its support of transition to the second stage, but urged that the Council should simultaneously take the most important of the decisions which were still pending, particularly in the agricultural sphere. A resolution to this effect had been adopted at the joint meeting of the Community Institutions on 20 and 21 November 1961.

The decision to move on to the next stage was therefore closely linked with the group of decisions taken by the Council during its 60th session from 18 December onwards, dealing in the main with competition policy (first regulation on cartels), social policy (adoption of a time-table for the introduction of equal pay for men and women workers as provided for in Article 119) and the common agricultural policy (adoption of a first set of regulations, decisions and resolutions).

2. The authors of the Treaty of Rome looked upon the Community as a development that was irreversible. Nevertheless it was agreed that once only, namely at the end of the first four-year stage, the forward march of the Community could be halted if "the essence of the objectives specifically laid down in the Treaty for the first stage" had not been achieved and if "the obligations had not been observed".

This decision authorizing the move into the second stage must therefore be considered in all its significance: not only does it set the seal of approval on the favourable balance sheet for the first period and confirm the resolve of the Member States to continue the implementation of the Treaty and the strengthening of the Community, but it also opens the way to a new stage of development.

The various chapters of this report give a detailed account of the achievements that made the move into the second stage possible. It will suffice at this point simply to recall their salient features.

Considerable progress has been made in the sphere of the free movement of goods, thanks to the customs and quota measures: on 1 January 1962 customs duties were lowered by 40 % for industrial products and, as regards agricultural products, by 35 % for non-liberalized and 30% for liberalized products. Quantitative restrictions have been totally abolished except for agricultural products and goods produced by state monopolies. Finally, the first approximation of national tariffs towards the common customs tariff was effected on 1 January 1961, i.e. one year ahead before the time-limit set by the Treaty. The duties of the common tariff had, with very few exceptions, already been fixed.

The first measures have been taken for progressively freeing the movement of workers, capital and services and giving effect to

the right of establishment and in matters of trade, transport and competition decisions have been taken which pave the way for the common policies.

Finally, and this is the decisive point, substantial progress has been made with the common agricultural policy. The decisions setting up common market organizations for certain products and the establishment of a levy system set the seal of success on what has without doubt been the most arduous task of all, namely to create conditions for a common market in agriculture, traditionnally the least liberalized sector of all. This success has made a deep impression on public opinion and strengthened confidence in the future Europe.

The association of the overseas countries and territories with the Community has become a reality, thanks to the first measures taken in regard to trade and thanks to the operations of the Development Fund.

In its relations with the outside world, the Community has already begun to take its rightful place as the economic unit which it will soon be. Its growth and influence have had effects not only in Europe, with the association of Greece and other countries' applications for membership and association, but throughout the free world where the Community's example is such that it is inspiring endeavours to put economic relations between countries on a new basis.

Hence the impetus that has carried the Community forward in these four years and the rigid application of the formal provisions of the Treaty go to show that the move by the EEC into the second stage signifies more than simply that the requirements set out in Article 8 (3) have been met. The Community has not only avoided a possible delay and the difficulties it might have encountered if the decisions on the move had been postponed for a year, but its development has fulfilled, and more than fulfilled, the hopes of those who negotiated the Treaty: above and beyond its economic effects, it is having more general consequences of a political nature.

3. The second stage, from 1 January 1962 onwards, is also for four years. This and the third stage can only be prolonged by an

unanimous vote of all the Member States. On the other hand, its duration can be reduced by a decision of the Council, again acting by unanimous vote and on a proposal of the Commission. Consequently the Council's decision on 14 January 1962 launched the Community on a process of integration which, as was pointed out at the joint meeting of the Community Institutions by M. Erhard, President in office of the Council, will progress automatically. Thus is it now possible to count on the transition period ending at latest by 1 January 1970. The second stage, in which tariff disarmament will continue, will still be a preparatory phase in some fields (commercial policy, transport policy, etc.) but in other sectors it will see the application of decisions taken in the first stage (agricultural policy, competition policy, right of establishment, freedom to supply services) and the gradual harmonization of economic, social, fiscal, financial and budgetary policies.

The transition to the second stage had to be made before various developments could occur in quite a number of fields; it will also create in other sectors favourable conditions for developments which do not under the terms of the Treaty have to be completed within the coming four-year period. These include:

*Customs disarmament.* Further global tariff reductions of 10 % will come into force, according to the Treaty, by the following dates: 1 July 1963, 31 December 1964 and 31 December 1965. The Council must also decide on 15 May 1962 on the details of an additional reduction due to take place on 1 July 1962 under the speed-up decisions <sup>(1)</sup>.

*Alignment on the common external tariff.* The Member States will carry out a second 30 % approximation of the national tariffs towards the common external tariff on 31 December 1965. The gap between the national tariffs and the CET will then be reduced by 60 %, subject to any speed-up measures to be decided by the Council on 15 May <sup>(2)</sup>.

*Right of establishment and freedom to supply services.* The general programme will be applied according to the time-table: before the

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<sup>(1)</sup> See sec. 8.

<sup>(2)</sup> See sec. 8.

end of 1963 for almost all branches of industry, for the wholesale trade and reinsurance; before the end of 1965 for the food industry, retail trade, certain branches of agriculture, certain liberal professions; certain branches of insurance, and pharmacy.

*The monopolies mentioned in Article 37.* The move into the second stage will make it possible to adjust these progressively at the rate already adopted in the first stage. At the beginning of 1962 the Commission made a second series of recommendations on this adjustment.

*Competition.* Regulation No. 17 (on cartels and dominant positions) settles the detailed arrangements required for implementing Articles 85 and 86 in all the member countries. In addition Member States may not, from the beginning of the second stage, impose on the products of other Member States any internal charges in excess of those applied to like domestic products (Article 95). Finally the work on the harmonization of turnover taxes and other forms of indirect taxation (Article 99) will reach the decision stage.

*Social problems.* Regulations will be prepared in the second stage to secure the completely free movement of workers in the Community; a European Clearing Office for the co-ordination of vacancies and applications for employment will be established in Brussels. Furthermore, wages for men and women will be gradually brought into line in accordance with the time-table drawn up by the Council.

*Transport.* A common policy will be adopted in this field. Rates and conditions involving any element of support or protection must be abolished as from the beginning of the second stage [Article 80 (1)].

*Agriculture.* The regulations, decisions and resolutions made by the Council on 14 January 1962 will be put into effect; in addition regulations covering several other products and a policy on agricultural structure will be worked out <sup>(1)</sup>.

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<sup>(1)</sup> See Chapters II and III for more detailed information on these programmes as a whole.



4. *Institutional developments.* The transition to the second stage involves the substitution of the qualified majority vote for the unanimous vote in the Council when certain decisions are to be taken. This applies to six clearly defined sectors.

When there is difficulty over ensuring the progressive removal of quantitative restrictions on imports, as required by Article 33 (8), any decision by the Council to raise the percentages fixed will be taken by qualified majority vote. In view of the progress made already, this will only arise in connection with certain agricultural products.

The Council will also be acting by qualified majority vote when it issues the directives needed to implement the general programme for the suppression of restrictions on freedom of establishment [Article 54 (2)] and freedom to supply services [Article 63 (2)].

The same will apply to the mutual recognition of diplomas, certificates and other qualifications [Article 57 (1)] and the co-ordination of national legislation [Article 57 (2)] concerning the engagement in and exercise of non-wage-earning activities. Unanimity is however still required on matters which are subject to legislative provisions in a Member State and on measures concerning the granting of credit, the protection of savings and the exercise of certain professions (banking, medicine, pharmacy). Finally, voting by qualified majority will apply to the directives by which the Council seeks to eliminate distortions of competition caused by legislative or administrative provisions (Article 101).

Finally, it should be noted that after the expiry of the fourth year the Council may amend, by qualified majority vote, the statute of service for officials and the conditions of employment for other employees (Article 212).

In all these cases the Council acts on a proposal of the Commission. In addition the States are to delegate to the Council power to fix the duties in the common customs tariff for those List G products on which no agreement was reached before the end of the first stage; these include petroleum oils and certain derivatives, petroleum gases, certain gaseous hydrocarbons and petroleum jelly.

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It is true that the unanimity rule will remain for a number of important questions. But the extension of the qualified majority vote is itself a further move towards integration. This is carried a step further by the institutional procedures which the Council has laid down for the common agricultural policy, where the qualified majority vote is often to be used in the second stage or powers are to be delegated to the Commission.

Thus both in the application of the Treaty's provisions and in the institutional procedures in the various sectors, the move from the first to the second stage will carry the Community forward into a phase where advances will be made which will take it beyond the stage of a customs and economic union.

## CHAPTER II

### THE ESTABLISHMENT OF THE COMMON MARKET

5. While continuing to pursue what has been its chief aim during the first three years of its existence—the creation of the customs union—the Community in 1961 has extended the scope of its activities to include other aspects of the Treaty, so that progress in establishing the Common Market was more balanced.

Measures of great economic significance have been adopted during the past year.

The interpenetration of markets has continued to make progress in the various sectors of the economy. Trade has expanded and enterprises have made increased efforts to adapt and rationalize their methods.

Although it is not always easy to determine the exact measure of the Community's influence on economic expansion and the development of trade, there are, none the less, numerous undeniable signs that the Common Market is asserting itself more strongly with every passing year.

#### The free movement of goods

6. Since the beginning of 1962 a new series of measures called for by the Treaty of the speed-up decision—has been implemented with the aim of establishing the customs union and liberalizing all trade between Member States.

There has been a 10 % reduction in customs duties on imports, and the initial alignment on the common customs tariff has been extended

to agricultural products. Quantitative restrictions have been lifted from imports of almost all industrial products and the last quotas and customs duties on exports abolished.

The application of the recommendations for the adjustment of monopolies should gradually eliminate the discrimination these cause. In addition, the application of the Council's initial decisions on agriculture of 14 January 1962 will have the effect of making most trade in agricultural products subject to a Community procedure.

The abolition of traditional means of protection has so far raised no great difficulties in the economics of Member States, nor has it necessitated or involved far-reaching structural adaptation.

Safeguard measures and exceptions have thus remained rather limited and restricted to several well-defined sectors.

#### INTRODUCTION OF THE CUSTOMS UNION.

##### *Tariff disarmament between Member States*

7. The third reduction stipulated by the Treaty for the end of the first stage of the transition period was made on 31 December 1961. Member States then reduced customs duties between themselves by 10 % of the basic duty, thus bringing the level of these duties (including the reductions already made in pursuance of the Treaty or of the speed-up decision of 12 May 1960) down to 60 % of the basic duty for industrial products, 65 % for non-liberalized agricultural products and 70 % for liberalized agricultural products.

These measures went considerably further than the 25 % minimum reduction that the Treaty [Article 14 (6)] requires to be made on each product during the first stage.

The Council having decided on the move to the second stage, the Member States were required to abolish customs duties on exports between themselves no later than 31 December 1961. This obligation

affected only some ten duties in all applied by two Member States and it was duly fulfilled.

The answers to a questionnaire sent by the Commission to Member States on the subject of duties and charges other than customs duties and internal taxes mentioned in Article 95 of the Treaty show that in general charges levied by Member States on the importation and exportation of goods are rather heterogeneous. In order to distinguish those that should be considered as charges with equivalent effect to customs duties, the Commission has had to adopt a pragmatic approach, examining each of these charges in the light of national provisions regulating their application. Most of the charges reported affect agricultural products. The Commission has established that some of them do constitute charges with equivalent effect to customs duties on imports. It has followed the application of these charges closely and has paid particular attention to how the standstill obligation has been respected. It has noted that several charges on imports from other Member States have been introduced or increased since the Treaty came into force.

With respect to charges introduced after 1 January 1958, the Commission has taken action under Article 169 of the Treaty against five Member States and with reference to twenty-five products of the agricultural sector.

As for increases in charges with equivalent effect already applied, the Commission acted under Article 169 of the Treaty wherever it could not be established that the charge was an integral part of a national marketing organization existing on 1 January 1958 and that the increase was imposed under terms laid down by the organization as it was in operation on that date. The proceedings instituted by the Commission on this basis involve two Member States and ten agricultural products. Charges with equivalent effect on agricultural products within the Community will gradually be abolished or replaced by Community levies in step with the entry into force of regulations on the common market organizations for agricultural products (1).

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(1) See Chapter 3, sec. 113.

Charges on non-agricultural imports are now being examined. The Commission will send Member States directives establishing the pace at which these charges are to be abolished as soon as its examination is complete and it can estimate whether they constitute charges with equivalent effect to customs duties.

In three cases the Commission has resorted to the procedure under Article 169 in respect of increases in charge with equivalent effect on non-agricultural products. In two cases it has referred the matter to the Court of Justice <sup>(2)</sup>.

As a rule, Member States have complied with the provisions of the Treaty in making tariff cuts. There have been very few cases of failure to meet these obligations. Three cases of infringement are now being investigated. They relate to the application of customs duties incompatible with the provisions of Articles 12 and 14 of the Treaty. Investigations have not yet reached the stage at which a reasoned opinion can be issued.

#### *The prospects of a second speed-up*

8. When the Council took the speed-up decision on 12 May 1960, it specified that it would decide not later than 30 June 1961 whether the economic situation would permit an extra 10% cut in customs duties on industrial products on 31 December 1961.

During May and June the Council received opinions from the Commission, the Monetary Committee and the Economic Policy Committee, all stating that the economic situation not only allowed of this reduction but even called for it. However, the Council agreed to postpone the re-examination of this question until the decisions on agricultural policy and on the move to the second stage had been taken at the end of the year.

At the same time as it confirmed that the conditions for the move to the second stage had been fulfilled, the Council decided to

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<sup>(2)</sup> See Chapter 6, sec. 255 ff.

study ways and means of effecting the second reduction. It examined the matter during its February and March sessions and agreed to take a final decision at its meeting of 15 May. Meanwhile, the Council asked Member States to take all the necessary steps for duties on industrial products to be brought down to 50 % of the basic duty on 1 July 1962 and also to make the technical arrangements for a number of agricultural products still under discussion and on which the final decision would be taken on 15 May (1).

It has now been laid down that these acceleration measures should not cover products affected by the measures adopted on 14 January 1962 or products for which arrangements are to be made in the course of 1962.

It has also been agreed that the second step towards alignment on the common customs tariff will be taken on 1 July 1963 for industrial products. Internal disarmament for this category of product will then have reached 60 % of the level laid down in Article 23 (c).

At its session of 26 - 29 June 1961 the European Parliament adopted a resolution on the speed-up, approving the Commission's intention of making an extra 10 % cut in intra-Community customs duties at the end of the year and urging the Commission and the Council to take all the necessary measures, particularly in agriculture, transport and social policy, to enable both the move to the second stage and the extra 10 % cut in customs duties to be made simultaneously at the end of the year.

### *Common customs tariff*

#### *Completion of the common customs tariff*

9. For the common customs tariff to be finalized, a solution had to be found to the problem of fixing duties on manufactured tobacco and on refined petroleum and some petroleum products.

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(1) *Note*: On 15 May 1962 the Council did in fact take the expected decision, in accordance with which there will be an extra 10 % reduction for industrial products.

The fixing of rates on the former products (cigars, cigarettes etc.) came up against the obstacles of monopolies and differences in fiscal systems from state to state.

In some Member States the manner of levying the duty on domestic consumption (excise) means that any rise in customs duties provokes a perceptible increase in the total tax burden, which sends retail prices up sharply and has unfortunate repercussions on import facilities.

The Commission bore these special difficulties in mind when presenting its proposals on charges to the Council, and it undertook to give favourable consideration to any applications addressed to it by these member countries for authorization under Article 26 of the Treaty to adapting the duties for the products in question under their national tariffs. These proposals were approved by the Council in its decision of 6 February 1962 <sup>(1)</sup>.

The adjustment of tobacco monopolies is also being studied actively.

So all that remains to be fixed in the common customs tariff are the duties on refined petroleum and some of its derivatives (tariff headings 27.10, 27.11, 27.12 and 27.13), which are included in List G and on which negotiations between the Member States have not yet been concluded. Since the transition to the second stage, it is the Council that must fix—on a proposal of the Commission—the duties on these products in accordance with Article 20, third paragraph.

*Modifications and suspensions of the duties in the common customs tariff*

10. Independently of the tariff reductions negotiated with some of the Contracting Parties to GATT in accordance with Ar-

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on 1 July 1962. In addition, there will be a 5 % approximation on the same date for a number of liberalized agricultural products for which no extra reduction was made during the first speed-up. A list of these products will be drawn up by the Council.

(1) Official gazette of the European Communities, No. 15, 28 February 1962.



title XXIV (6) <sup>(1)</sup>, there were some—generally minor—modifications of the common customs tariff in 1961.

Certain purely formal amendments were intended only to eliminate imperfections or inaccuracies in the official text of the common customs tariff without affecting the rate of duties. But some other changes were made for economic reasons—particularly the twofold need to tax products equally according to the degree to which they have been worked up and to ensure the most advantageous terms for raw materials imports. Lastly, at the same time as it proposed these amendments to the Council, the Commission asked it to give a decision on a reduction of the rate on woollen fabrics (tariff heading 53.11 B) and on a change in the agricultural time-table for imports of oranges (tariff heading 08.02 A). All these amendments and modifications were approved by the Council on 18 December 1961 <sup>(2)</sup>.

Two other decisions modifying the duties in the common customs tariff were also taken during 1961. On 4 July the Council decided to mitigate to some extent the effects of pure and simple application of the ad valorem duty of 30 % on unmanufactured tobacco (tariff heading 24.01) by instituting a maximum and a minimum specific levy of 42 and 29 units of account respectively per 100 kg. net weight.

For unmanufactured tobacco of a value higher than 280 units of account per 10 kg. (a value normally exceeded by tobacco for cigar wrappers), the same Council decision laid down a mixed duty equal to 15% ad valorem up to a maximum of 70 units of account per 100 kg net weight <sup>(3)</sup>. In order to facilitate the supply of semi-finished products to a Community processing industry on more advantageous terms, the Council also decided to reduce from 10 to 8 % the rate fixed for chamois-dressed sheepskin, not ground or pinked (tariff heading 41.06 A) <sup>(4)</sup>.

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<sup>(1)</sup> See Chapter V, sec. 205.

<sup>(2)</sup> Official gazette of the European Communities, No. 2, 15 January 1962.

<sup>(3)</sup> Official gazette of the Communities No. 52, 1 August 1961.

<sup>(4)</sup> Official gazette of the Communities No. 54, 9 August 1961.

Along with these measures, the Council authorized suspension of the duties for a number of headings in the common customs tariff <sup>(1)</sup>. The effect of these decisions is not to substitute new duties for those of the common external tariff; their purpose is merely to suspend the application of the duties of the common tariff in whole or in part and for a limited period.

In fact, during the period covered by this report, the suspension of duties provided a Community solution to the problem of reducing the number of applications for tariff quotas submitted by Member States after the initial alignment of national tariffs on the common customs tariff <sup>(2)</sup>. These measures affected basic materials (generally chemicals) whose current production in Member States is nil or negligible.

#### *Gradual introduction of the common customs tariff*

11. The first step towards the alignment of national tariffs on the common customs tariff effected by Member States on 31 December 1961 in pursuance of the speed-up decision had been a somewhat incomplete operation from the angle of Article 23 of the Treaty. It did not affect agricultural products; moreover, the German Federal Republic had been authorized to restore only 50 % of certain reductions (made to meet economic development) in the duties for most industrial products under its tariff. To fill these two gaps there had to be a complementary alignment on 31 December 1961. Having regard to these requirements, each Member State put a new customs tariff into effect at the beginning of 1962. In addition, on 1 March 1962, national duties throughout the Community were adapted to the tariff reductions agreed during re-negotiations under Article XXIV (6) of GATT.

It should be stressed that Member States' customs tariffs are now uniform within the general and complete framework of the

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<sup>(1)</sup> Official gazette of the Communities No. 40, 16 June 1961; No. 54, 9 August 1961; No. 85, 30 December 1961.

<sup>(2)</sup> See sec. 12 below.

nomenclature of the common customs tariff. Any national sub-divisions that persist fit into the headings or sub-headings of this tariff.

*Grant of tariff quotas*

12. The first alignment of national customs tariffs on the common customs tariff effected on 31 December 1960 gave rise to a number of applications for the opening of tariff quotas in accordance with Article 25 (1 and 2) of the Treaty and the protocols on list G products annexed to the Rome Agreement on 2 March 1960. These applications related only to industrial goods, since agricultural products were not included in this anticipatory application of the common customs tariff.

Wishing to ease as far as possible the position of processing industries in Member States after the advance alignment of national tariffs on the common customs tariff following the acceleration decision, the Commission was at pains to give a favourable reception to these applications. However, it did not forget the drawbacks for the Com-

TABLE No. 1  
*Applications to open tariff quotas*  
(1961)

Provisions invoked	Number of applications					
	Submitted	Withdrawn	Community solution found	Suspended by agreement with applicant State	Rejected	Granted
Art. 25 sec. 1	55	99	12	4	4	26 <sup>(1)</sup>
Art. 25 sec. 2	58	20	19	1	7	11
List G Protocols	46	2	9	—	1	34
Total	159	31	40	5	12	71

(1) Granted by the Council on the Commission's proposal.

munity involved in recourse to tariff quotas, the most serious of which is to slow or prevent the establishment of the customs union.

The tariff quotas opened by Member States have consequently been provisional and have related to tentative amounts. The establishment of tariff quotas for 1961 was effected after consultation with the Member States.

The Commission has tried to limit the number and volume of tariff quotas and encouraged Member States to withdraw applications. Wherever possible the Commission has tried to reach a Community solution—particularly the suspension of the duties in the common customs tariff.

The 159 applications submitted in 1961 related to 91 tariff lines out of the total of 2 876 lines in the common customs tariff, i.e. 3.16 %, but the 71 quotas granted affected only 40 tariff lines, or 1.39% of the lines in the common customs tariff. This last percentage thus shows a reduction of more than 56% in relation to the lines affected by the applications. The average estimated value of the quotas thus granted seems to be less than 1% of the total imports of Member States and 1.5% of EEC imports from non-member countries.

When granting or proposing that the Council grant tariff quotas, the European Commission bore it in mind that, as laid down in Article 25 (1 and 2) of the Treaty and most of the Protocols annexed to the Rome Agreement of 2 March 1960 “such quotas may not exceed the limits beyond which the transfer of activities to the detriment of other Member States is to be feared”.

This is why the European Commission, taking as a basis the provisions of Article 25 (4) of the Treaty (or the similar provisions included in the Protocols), began in May 1961 to finalize the quotas provisionally opened. This involved some fifty reductions. Consultations and legal drafting continued into the last week of 1961, when applications for tariff quotas submitted for 1962 were already being examined.

In view of the first alignment of national tariffs on the common tariff, made on 1 January 1962 for agricultural products, it could be

foreseen that applications would be made for agricultural tariff quotas based on the provisions of Article 25 (3) of the Treaty in addition to the applications concerning industrial products. As early as June 1961 arrangements had therefore been made and a time-table drawn up in agreement with experts from Member States so that the Council or the Commission could make their decisions at the opportune moment.

In examining applications made on the basis of Article 25 (3); the Commission did not restrict itself to ascertaining whether an authorization to waive payment of all or part of the duties applicable or the granting of a tariff quota at reduced duty or duty free would not cause serious disturbances in the market for the products concerned. In order to fulfil its duty to strengthen the operation and development of the Common Market it also had to weight all the significant factors in the light of article 22 of the Treaty.

Nevertheless, though applications for tariff quotas for 1962 were generally submitted in better time than those for 1961, their examination by the Commission in consultation with Member States came up against numerous difficulties because each application had to fit into the legal and economic framework of the provisions invoked. The Commission did everything in its power to examine application relating to industrial products as quickly as possible, so that most of the decisions granting quotas should be made in time for Member States to take the necessary measures to introduce tariff quotas in their national customs tariffs before 1 January 1962.

In 1962 also an effort was made to reduce the number of applications as far as possible. In some cases Member States submitted their applications for tariff quotas as an alternative to applications to postpone the alignment of certain duties under their national customs tariffs or to suspend the duties under the common customs tariff.

Some applications relating to industrial products have been suspended pending the result of discussions between Community producers and consumers to establish whether supply within the Community is adequate.

TABLE No. 2  
*Applications to open tariff quotas*  
 (1962)

Provisions invoked	Number of applications					
	Submitted	Withdrawn	Community solution found	Suspended by agreement with applicant State	Rejected	Granted
Art. 25 (1)	58	16	13	1	—	28 <sup>(1)</sup>
Art. 25 (2)	90	36	31	17	—	6
List G Protocols	43	1	5	—	1	36
Total (indust. prod.)	191	53	49	18	1	70
Art. 25 (3)	81	18	5	—	29	29
Art. 26 and 28	56	11		19		26

(1) Granted by the Council on the Commission's proposal (Quotas for agricultural products are included in this table).

*Customs rules governing trade and harmonization  
 of customs legislation*

13. The system of free circulation certificates <sup>(1)</sup> instituted by the Commission's decisions of 4 December 1958 and 5 December 1960 operated in 1961 to the satisfaction of business and of customs administrations. There were no difficulties in applying tariff advantages (a 30% cut in duties for most goods) and quota advantages in trade within EEC gave rise to no difficulties.

It should only be noted that this system of free circulation certificates is playing an increasing role of national customs legislation

(1) See Fourth General Report, sec. 19.

since it grows in complexity with the development of the Common Market, which is based on the free movement of goods.

14. The levy system for processing traffic <sup>(1)</sup> came into force on 1 January 1961. Government and business adapted themselves without difficulty to this wholly original arrangement, which provides a satisfactory solution to the problem of processed products within the Community under systems of suspended payment of customs duties. In 1961 the levy was at the rate of 25 % of the duties of the common customs tariff laid down for "non-Community" products. The rate was fixed at 35 % from 1 January 1962 by a Commission decision of 2 December 1961.

15. In 1961 the EEC began to achieve results in the harmonization of customs legislation.

In this field the Commission can do no more than make recommendations (Articles 27 and 155 of the Treaty) and makes every effort to obtain the agreement of the national administrations concerned. The experts whose work demands great attention to detail, have so far been dealing with the unification of rules governing the application of the common customs tariff, the aim being that the effect of customs duties on the price of imported goods shall be identical throughout the EEC at the end of the transition period. The experts are also concentrating on the harmonization of systems of suspended payment of duties that have a direct influence on economic activity.

In 1961 the national administrations and the Commission laid the foundations for "Community" customs legislation. Complete agreement was reached on the following points (these agreements have been or will be embodied in recommendations):

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(1) The mechanism of this was analysed in the Fourth General Report, pp. 37-39, sec. 20.

*a)* Definition of dutiable weight (application of specific duties under the common customs tariff):

Recommendation of 13 March 1961 (official gazette of the Communities, No. 46, 8 July 1961);

*b)* Tariff treatment of packings imported filled:

Recommendation of 13 March 1961 (official gazette of the Communities, No. 46, 8 July 1961);

(These two recommendations already apply in all Member States);

*c)* Tariff treatment of goods re-imported after temporary export for processing, re-working or repair (outward processing traffic):

Recommendation of 29 November 1961 (official gazette of the Communities, No. 3, 17 January 1962);

*d)* Date to be taken into consideration for determining the rate of customs duty applicable to goods declared for consumption <sup>(1)</sup>.

*e)* Charges according to a flat-rate customs duty on small consignments of goods sent to private individuals or carried in travellers' personal luggage;

The rate of this duty was fixed at 10% by a Council decision of 6 February 1962; it is a basic duty on which will be calculated the reductions laid down in the Treaty, whether already effected or still to be effected.

Recommendation of 23 February 1962 (official gazette of the European Communities, No. 15, 28 February 1962);

*f)* Rules for the free admission of small consignments of non-commercial nature. Freedom from duty will also be granted to consignments of this nature up to a value of 12 units of account.

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<sup>(1)</sup> Draft recommendation still under consideration.



QUOTA DISARMAMENT AND SPECIAL PROCEDURES  
FOR THE DEVELOPMENT OF TRADE

*Elimination of quantitative restrictions*

16. Further progress has been made since the beginning of 1962 in the suppression of quotas and the liberalization of trade within the Community.

The speed-up decision of 12 May 1960 stipulated that quantitative restrictions were to be totally abolished in the industrial sector on 31 December 1961. This obligation has on the whole been fulfilled by Member States, except in the case of some products of the food-processing industry. For these certain Member States have requested the prior application of compensatory charges in pursuance of the Council's decision, under Article 235 of the Treaty, on goods processed from agricultural products. On the basis of Article 226 of the Treaty the Commission has authorized the maintenance for a limited period of the quotas for citric acid and calcium citrate in Italy, and in Benelux for penicillin and medicaments based on penicillin and for semi-conductors in France.<sup>(1)</sup> For this last product the French Government had applied the liberalization laid down in the speed-up decision of 1 October 1961 and invoked Article 226 on the grounds of temporary difficulties of adaptation confronting the national industry. Quotas for products not listed in Annex II to the Treaty will probably be completely removed very soon except for some goods covered by State monopolies of a commercial nature.

Under the provisions of Article 33 (4), the European Commission must also render a decision on whether imports of a product in the cause of two successive years have been less than the quotas opened. In such case the Member State shall abolish the quota for the product concerned.

The Commission has adopted the principle of a series of decisions based on the results of the years 1959 and 1960 and these decisions must be communicated to the Member States. Their economic scope,

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<sup>(1)</sup> These are pieces of radio-electric equipment covering one heading and three sub-headings.

however, is very limited because of the decisions providing for the general suppression of quotas, such as the decision to speed up the pace at which the aims of the Treaty are to be realized in the industrial sphere (where restrictions of this nature have practically disappeared). In the same way, the regulations under the common agricultural policy will lead to the suppression of quota systems in the Member States for a number of particularly important agricultural products as from 1 July 1962.

Lastly, quantitative restrictions on exports were to be totally eliminated at the end of the first stage. This requirement was complied with by Member States with a slight delay due to the need to finalize Community measures to alleviate certain difficulties and prevent disruption of trade in sensitive sectors such as leather and skins, wood, non-ferrous waste and scrap and unworked diamonds. Recommendations to this end have been sent to Member States on the basis of Articles 155 and 115 of the Treaty.

After these various measures of trade liberalization there are then only a limited number of agricultural products still covered by the quota system laid down in Article 33. The fourth increase of global quotas was effected in 1962 in accordance with the Treaty. The infringements mentioned in the Fourth General Report have been regularized, and at present only two new cases are being investigated in connection with the requirements of Articles 30 to 36.

In these circumstances more attention will henceforth have to be given to measures with equivalent effect to quantitative restrictions that can be applied to either imports or exports. Apart from the fact that the protectionist nature of these provisions is difficult to prove, it seems that the majority of such obstacles will disappear with the harmonization of legislative and administrative provisions, the disparity between which affects the operation of the Common Market. In any case the Commission would issue directives under Article 33 (7) if it should prove that such provisions restricted trade and protected domestic production and that their alignment at Community level could not be effected in the near future.

*Adjustment of monopolies of a commercial nature*

17. In 1961 the European Commission continued its efforts to adjust national monopolies, i.e. to eliminate any discrimination in supply and marketing conditions among the nationals of the various Member States.

With respect to the Italian and French State tobacco monopolies, there has been a rise in imports from Member States by the monopoly holders and a rise in the number of brands sold.

## Italy:

1959	Lire 320 million
1960	Lire 1 160 million
1961	Lire 1 850 million

## France:

1959	NF 2 million
1960	NF 3.4 million
1961	NF 4.3 million (first nine months)

The Italian Government, wishing to adjust its national monopolies in salt and cigarette paper, issued a decree authorizing imports not exceeding 5% of national production. Edible salt and cigarette paper are sold by retailers of the monopoly products. The retail price and its components (price paid to the supplier monopoly board's distribution costs, retailer's margin and fiscal charges) are fixed according to a scale similar to that applied for manufactured tobacco. Salt for nutritional purposes may be imported directly by the industries using it, but it is still liable to the same charges as domestic salt. In the case of bananas, the European Commission has recommended the Italian Government to open the Italian market wider to banana producers in Member States and associated States other than Somalia. (The Somali Republic had concluded an agreement with Italy ensuring outlets for its banana crop.)

The recommendation suggests that in 1962 Italy should import at least 13 000 tons from the associated States and at least 3 000 tons from the Member States.

18. The European Commission, wishing to define more clearly Member States' obligations under Article 37, considered however that the chief purpose of this article was to lay down objectives without committing itself on methods of adjustment. These methods should be appraised solely with reference to their efficiency in eliminating the discriminations which must be suppressed under Article 37 (1) of the Treaty.

The Commission reserves the right to make such appraisal in the light of experience and considers that as long as national monopolies of a commercial nature continue to be the sole main importers of the goods in question, the adjustment required by Article 37 (1) of the Treaty should in any case include the elimination of the following three types of discrimination:

a) Discrimination consisting in the restriction of imports in relation to the openings on the national market after the following discriminations have also been eliminated;

b) Discrimination consisting in further burdening imported goods by applying to them and to domestic goods different margins between purchase price and sale price, or by fixing a purchase price for home production below the average cost price;

c) Discrimination in marketing conditions—particularly supply to retailers, market prospecting and advertising.

The adjustment of national monopolies of a commercial nature consequently involves the need:

a) To increase imports gradually up to a level determined only by available outlets on the home market;

b) To eliminate gradually the disparity of margins between the delivery price and the sale price applied to national products on the one hand and to imported products on the other, and to fix the delivery price of the products of the monopolies at a normal level compared with their average cost price;

c) Gradually to adjust the marketing conditions of domestic and imported products, particularly in the supply of retailers, market prospecting and advertising.

Starting from these principles, the Commission on 7 April 1962 sent the French Government its recommendations on the adjustment of the tobacco monopoly. On 13 April these were followed by recommendations on the adjustment of the State match and potash monopolies in France. On the same date, the Commission sent the Italian Government recommendations on the adjustment of its match monopoly.

The Commission also made a recommendation to the French Government on the widening of import quotas for petroleum products from other Member States <sup>(1)</sup>.

In addition to these measures the Commission—which keeps a watchful eye on the measures taken by the various Governments to adjust their monopolies—drew the attention of some of these Governments in the course of the year to the quotas for various other products to be opened or enlarged under the terms of the Treaty.

#### *Procedures for trade in agricultural products*

19. The Treaty lays down special rules for the development of trade in products covered by a national marketing organization and also enables Member States to introduce individual protective measures such as minimum price systems whenever the suppression of customs duties and quotas which is required by the Treaty, gives rise to difficulties.

It is in this very sphere that important decisions were taken by the Council in January 1962 as part of the common agricultural policy <sup>(2)</sup>.

#### *Products covered by a marketing organization*

20. In accordance with Article 45, Member States were to conclude long-term agreements or contracts before the end of the first stage on

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(1) See Chapter III, sec. 93.

(2) See Chapter III, sec. 104 ff.

products in respect of which some Member States have provisions designed to guarantee to national producers a sale of their production, and a need of imports.

In 1961 the Commission began discussions with the Member States on the interpretation and scope of Article 45. It also requested the Governments on several occasions to start negotiations with a view to concluding long-term agreements and to notify it of such agreements. Although the Commission, in liaison with Member States, determined the products that are covered by a marketing organization and consequently come under Article 45, no long-term agreement was reached by the end of the first stage other than the Franco-German grain agreement, which had already been concluded in 1959.

In the case of products covered by a national marketing organization and for which no long-term agreement has yet been concluded, the Treaty of Rome specifies no measures to develop trade during the first stage outside the common agricultural policy. To fill in this gap in the Treaty, Member States undertook in Article 7 (3) of the speed-up decision of 12 May 1960 to make available in 1961 facilities for 30% more imports than the average of the three years before the Treaty came into force. In conjunction with the Member States, the Commission defined the scope of Article 7 (3) of speed-up decision and on several occasions reported the States to fulfil their obligations. At the end of 1961 the Member States informed the Commission of the import facilities made available under these provisions. On the whole, they met their obligations in so far as these imports were compatible with the existing marketing organizations.

The Council's decisions of 14 January 1962 stipulate that common marketing organizations shall be set up for most products coming under a national marketing organization. In view of the regulations still to be adopted by the Council in 1962, nearly all these products will come under a Community system by the end of the year. This will make the provisions of Article 45 of the Treaty and Article 7 (3) of the speed-up decision superfluous.

*Minimum prices (Article 44 of the Treaty)*

21. In 1960 minimum price systems were maintained or introduced for a number of agricultural products:

- a) By B.L.E.U.—for most fresh fruit and vegetables from the EEC;
- b) By France—for various types of meat, fats, vegetables and fruit;
- c) By Italy—for beef and certain products of the pigmeat sector;
- d) By Germany—for plums.

The Federal Republic of Germany is still applying minimum price systems in trade in fresh fruit and vegetables with Italy, France and B.L.E.U. on the one hand and with the Netherlands on the other; it was already applying these systems before the Treaty came into effect.

22. On 14 January 1962 the Council took a decision on objective criteria for the establishment of minimum price systems and the fixing of these prices. Consequently, any Member State having recourse to Article 44 must adopt the minimum price system and fix the level of the prices in question according to these criteria.

The essential points of this decision relate to prior notification, the preference expressed in certain circumstances for the minimum price system on imports (Article 44 (1), second alternative), the level of minimum prices, the submission of an annual report on the application of the provisions and the revision of the objective criteria.

A minimum price system may be fixed by a Member State for one year only and may be applied solely during the period in which national production is being marketed.

Any Member States intending to introduce a minimum price system must adhere to a procedure of prior notification in two stages: a declaration of intention and the fixing of the level of minimum prices.

The declaration of intention must include an explanatory statement, outline the implications of the system envisaged, list ways and means of application and give some indications of its basis—including the figures used to determine the minimum price and a description of the system to be applied to non-member countries. The declaration must be submitted to the Commission and to the Member States at least a clear fortnight before the date on which the minimum price system is to come into force.

Once the prices are fixed, the Commission and the other Member States must again be notified at least three working days before they take effect. If need be, the Commission can arrange for a multilateral exchange of views on the matter.

If an exporting Member State offers to guarantee a minimum export price to an importing State invoking Article 44, the importing State—in so far as it accepts the guarantees offered and as long as they are effective—applies to that State a system of minimum prices under which imports are admitted on condition that they are made at a price above the minimum fixed for the products in question. If it proves that there is a danger of the export price not being observed, the two states consult each other with a view to restoring the efficacy of price guarantees. Failing agreement between the importing and the exporting Member States the importing State may have recourse in emergency to the system of minimum prices below which imports may be temporarily suspended or reduced. It must inform the Commission without delay, and the Commission enters into the necessary consultations and formulates an opinion.

With respect to the minimum price level that can be maintained by a Member State, a distinction has been made between products for which a national price guarantee is in force and those for which it is not.

In the case of products for which it has a national marketing organization with an intervention price system aiming at a price level predetermined in the interest of the producer, a Member State may not fix the minimum price at more than 105% of that intervention price. For other products, the minimum price level may not exceed 92% of the average wholesale prices during the three years before the minimum prices were applied.



A Member State may fix seasonal minimum prices.

A Member State that has recourse to the minimum price system must also apply it to imports from non-member countries. In order to guarantee Community preference, minimum prices applied to these countries must be fixed at a level above that applicable to Member States.

Each year the Commission will submit a report to the Council on how these provisions have been applied and on all aspects of trade both within the Community and with non-member countries, in products subject to the minimum price system. This report will be submitted to the European Parliament. Member States are required to give the Commission the information required to draw up this report.

In order to speed up technical progress, to achieve a gradual alignment of prices and to promote the development of trade within the Community, the criteria accepted will be reviewed by the Council. The first such review will be made not later than three years after the entry into force of the decision.

#### *Safeguard measures*

23. In the twelve months covered by this General Report, the Commission has received a number of applications for exemption from the rules of the Treaty or the speed-up decision of 12 May 1960. Several Treaty provisions enable the Commission to grant exemptions under specific conditions.

Article 226 of the Treaty lays down an emergency procedure valid for the transition period whereby, in the event of serious difficulties which are likely to persist in any sector of economic activity or difficulties which may seriously impair the economic situation in any region—the Commission if asked to do so by a Member State may specify how safeguard measures that it considers necessary are to be taken.

The first requests for the application of Article 226 came from the Italian Government and related chiefly to products which had been

given favourable consideration in the agreement of 2 March 1960 or to others derived from List G products. In the latter case, most of the requests were exclusively for the waiving of the tariff cut laid down in the speed-up decision of 12 May 1960.

Other requests concerned products of the food-processing industry. Since the Council decision of 4 April 1962 making it possible to apply specific measures to these products under Article 235 such requests have been submitted on the basis of that article. Before the Council's decision, appeal had been made to Article 226. (These measures include compensation for the cost of raw material when food products are introduced into a Member State whose processing industry had to bear higher supply costs.) More generally, the European Commission was prompted in a number of cases to doubt the admissibility of applications made under Article 226 rather than under other provisions of the Treaty, Article 226 having a residual character with respect to the latter. In several cases the Commission considered that Article 115 applied—either alone or in conjunction with other provisions of the Treaty.

#### *Application of Article 226.*

24. The conditions laid down by Article 226 could henceforth be fulfilled more often as a result of the accelerated abolition of protective measures at the frontiers. This is why the Commission has finalized a procedure of examination that will enable it to deal at very short notice on applications submitted to it.

A Member State making an appeal under Article 226 will receive within three days a request for information, to which it must reply inside ten days.

The European Commission will in principle reject the application within four weeks if the information is incomplete; it will take a final decision—whether affirmative or not—if the information is adequate and the conditions for the application of Article 226 are seen to be present in the case in point. A provisional decision of a conservatory nature may be made when the initial information is such that the appli-

cation appears to be admissible, although the conditions connected with the application of safeguard measures cannot yet be determined with any accuracy.

A number of earlier decisions were mentioned in the Fourth General Report. They mainly affect the Italian sulphur, zinc and lead industries. In recent months the Commission has given its decision on additional applications from the Italian Government. In this way Italy has been authorized to maintain until 7 August 1962 the duties in force on 2 March 1960 for lead and zinc waste and has been excused from implementing the measures of tariff acceleration for certain lead and zinc manufactured products. These two requests were connected with the isolation of the market already accorded for unworked metals.

For cocoons, silk and certain manufactured goods (silk thread, fabrics, etc.), the measures granted for one year in favour of Italy vary according to product thus limiting the isolation of the markets to what is strictly necessary. In general, isolation is granted in order to maintain the duties applied to Member States and non-member countries on 2 March 1960.

For carbon disulphide, Italy has also obtained authorization to apply a compensatory charge until 7 August 1962—a measure linked with the market isolation already granted for sulphur.

Italy has also been authorized to maintain quotas vis-à-vis Member States for the first half of 1962 for calcium citrate and citric acid.

On the other hand, the Commission has rejected a number of Italian applications relating to other lead, zinc and silk manufactures, to sodium disulphide, iodine, iodates and iodides, and to pigmeat.

Lastly, the European Commission extended until 31 December 1961 the measures exempting Italy from applying Article 33 of the Treaty and Article 7 of the speed-up decision to the import of wine. The system applicable after 31 December 1961 was the subject of a Council decision taken on 14 January 1962 in connection with the first regulation on wine-growing and fixing the import quotas for wine to be opened by Italy.

On the applications made early in 1962 by the Benelux countries for authorization to apply safeguard measures for their domestic penicillin production, the Commission took two successive conservatory measures authorizing these countries to limit their imports for the first half of 1962 to 1 500 000 million Oxford units.

*Application of Article 235: processed agricultural products*

25. In the course of 1960 and 1961 the Commission received from the Federal Republic of Germany several applications for safeguard measures under Article 226 for products of the food-processing industry. These were products in respect of which competitive conditions seemed to have been distorted by tariff cuts since the raw materials they contained cost distinctly more than those used in other countries. For some of these products (fondant paste, bread), the Commission found that Article 226 applied and authorized the levying of a compensatory charge covering the difference in cost of the raw material. This decision, limited in the first instance to five months, was renewed until August 1962 pending a Council decision under Article 235 of the Treaty on a progressive solution to the problem raised by the difference in cost of the raw materials used in manufacturing food products.

When it authorized the levy of a compensatory charge on fondant pastes, the Commission in fact indicated that a decision based on Article 226 could only be temporary and that an overall solution based on Article 235 of the Treaty would be provided for the problem described above.

On 14 January 1962 the Council took a decision on the basis of Article 235, with a view to eliminating disparities in competition in respect of certain goods processed from agricultural products, which resulted from the difference in the prices of the latter. This decision came into force on 21 April 1962.

Where the agricultural processing industries of a Member State producing certain goods—listed by the Council in a separate decision—are threatened by the competition of industries in other Member States producing the same goods from sugar, molasses, grains, potato starch,

chicory and milk obtained at lower prices, the Commission may authorize such a Member State to levy a compensatory charge on the entry of these goods provided the exporting Member State does not apply this charge on exit.

The Commission determines whether the above conditions are fulfilled in the applicant Member State and fixes for the goods in question the amount of the charge—which may be an agreed sum—and ways and means of applying it. The Commission determines the charge with reference to the effect on production costs of the difference between the real costs of the products contained in the goods under consideration, adding a sum—which in the first year may not exceed 5% of the price and is cut by 1% each year—to protect the processing industry in the applicant State. Customs duties and charges of equivalent effect are deducted from the total of these two elements. The charge must be fixed in such a way as not to prejudice the exports of one Member State in relation to those of another and to safeguard a Community preference.

The list of processed products to which these provisions can be applied includes various goods: confectionery, chocolate, baby foods, macaroni and similar products, bread, bakery and biscuits products, roasted chicory, yeast, milk-based beverages, dextrose, casein, etc.

The Council decision is applicable for three years.

From the beginning of 1962 even before its entry into force the Commission began to receive requests for the application of this decision. The Commission has begun to study these immediately, so as to be able to give a rapid decision once the Council has terminated its discussions.

#### *Application of Article 46*

26. Several applications were submitted by Member States for the institution of a compensatory charge in pursuance of Article 46.

The European Commission issued a decision on malt imports into the Federal Republic of Germany from Belgium, France and the

Netherlands (decision of 28 April 1961) and on milk-powder imports into the Federal Republic from the same Member States (decisions of 13 December 1961 and 15 March 1962.

#### *Application of Article 115*

In elaborating the Community's commercial policy, the European Commission gave particular attention to methods of co-operation that might be recommended in pursuance of Article 115, in order to avoid recourse to safeguard clauses as far as possible. It was under Article 115 that the Commission sent Member States its recommendations on the export system to be applied with non-member countries for certain products <sup>(1)</sup>.

However, as was indicated in the Fourth General Report, some Member States claimed the right under Article 115 to exclude from Community import treatment a number of products from non-member countries in free circulation in the other Member States. These applications which affected a total of 55 products in November 1960 <sup>(2)</sup>—were motivated by the disparities in the liberalization systems applied by Member States to non-member countries, by tariff disparities or by the need to avoid upsetting the operation of bilateral clearing agreements in force between some Member States and non-member countries.

In 1961, at the invitation of the Commission, some Member States withdrew their applications relating to four products that had been liberalized. On the other hand, Article 115 was invoked in respect of two further products in 1961, which brings the total of products from non-member countries currently excluded from the Community treatment to 53. In all these cases, the Commission is making continuous investigations to ascertain whether the reasons advanced for invoking the safeguard clause are always valid, and it reserves the right—if need be—to issue the decisions provided for in Article 115.

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<sup>(1)</sup> See Chapter V, sec. 203.

<sup>(2)</sup> See the official gazette of the Communities, No. 76, 30 November 1960.

## Three free movement of persons, services and capital

### *THE FREE MOVEMENT OF WORKERS*

#### *Regulation No. 15*

27. On 16 August 1961 the Council adopted Regulation No 15, the first regulation pursuant to Articles 48 and 49 of the Treaty, concerning the free movement of workers between Member States <sup>(1)</sup>; on the same day it adopted a directive to make administrative procedure more flexible <sup>(2)</sup>.

The Regulation came into force on 1 September 1961, the directive on 21 August 1961.

The texts adopted are practically identical with the Commission's final proposals, which were summarized in the Fourth General Report <sup>(3)</sup>.

#### *Implementing measures*

28. The European Commission took steps to apply the Regulation as soon as it came into force and set up the European Co-ordination Office, whose task is to act as a Community clearing house for vacancies and applications for employment. In addition, Advisory and Technical Committees were set up on 11 and 12 December 1961 and immediately began certain practical studies, including the technical examination of the comparative glossary of the trades in which migration is most frequent. This glossary, prepared by the European Commission, will make clearing operations between national labour exchanges considerably easier.

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(1) Official gazette of the European Communities, 4th year, No. 57, 26 August 1961.

(2) *Ibid.*, No. 80, 13 December 1961.

(3) Secs. 39 and 40.

A beginning has thus been made in implementing Articles 48 and 49, and the European Commission thus has at its disposal the initial means needed to ensure efficient collaboration in this field between Member States.

In respect of seasonal and frontier workers Regulation No. 15 requires the European Commission to submit to the Council implementing provisions to the Regulation within six months of its coming into force. The Commission sent its proposals to the Council on 28 February 1962, when it also adopted measures to apply the Regulation to professional artistes and musicians (in this case, it rested with the Commission alone to take such steps). The Commission also sent the Council a proposal on the other instrument referred to in Regulation No. 15—a draft directive on the drawing up of a common list of those diseases and disabilities which would justify a Member State in refusing to admit a worker and his family from another Member State.

29. The regulation on the application of Regulation No. 15 to professional artistes and musicians lays down the conditions in which these workers may advance the specialized nature of their profession as a reason why they should benefit from those provisions of Regulation No. 15 relating to the automatic issue of labour permits under certain conditions.

30. The draft regulation on seasonal workers relates to workers from one Member State who go to another Member State for paid work of a seasonal nature for a period not exceeding eight months. A distinction is made between seasonal workers recruited under a quota system for certain specific tasks in agriculture and in the food industry, and ordinary seasonal workers. It is laid down in particular that vacancies for the first category of seasonal worker will be passed on without delay, whereas national administrations will be given two weeks to fill vacancies for the second category from the home market. A labour permit will, however, be issued automatically for certain categories affecting occupations in regions where there is a recognized labour shortage or for certain categories in which an offer is made to a given worker by name. After eight months of regular employment, a seasonal



worker who has been offered a vacancy is entitled to renewal of his permit to work as a seasonal worker in the same occupation; after twenty-four months, he is entitled to a permit to carry on as a seasonal worker in any other occupation for which he is qualified; after thirty-two months, he may engage in any paid occupation under the same conditions as nationals of the receiving country. Seasonal workers will have the same guarantees as the latter as far as recruitment and employment and working conditions are concerned.

31. The draft regulation on frontier workers relates to wage earners from any Member State who, while keeping up their residence in the frontier area of one Member State, to which in theory they return every day or at least once a week, work in the neighbouring frontier area of another Member State.

For this category, national administrations are given only one week to find on the home labour market workers capable of meeting the conditions of contracts and, as stipulated in Regulation No. 15, permits are issued automatically in the case of a vacancy offered to a given worker by name, provided that there are adequate occupational or family reasons. After one year of regular employment the frontier worker will be entitled to renew his permit in the same occupation; after two years, he may carry on any paid occupation as a frontier worker; after three years, he may carry on the paid occupation last exercised as a frontier worker in any part of the territory of the receiving country. After four years, he will be given a permit to carry on any paid occupation in the country of employment, even outside the frontier area. As in Regulation No. 15 (and in the draft regulation on seasonal workers), these provisions are partly retroactive, half of the period of employment completed before the regulation in question came into force being taken into account in working out these entitlements. The two draft regulations are accompanied by two proposed directives on the administrative procedure and practice which affect seasonal or frontier labour. <sup>(1)</sup>

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<sup>(1)</sup> For the application of social security to these workers, see sec. 33 on the following page.

At its meeting on 2 April 1962, the Council decided to consult the European Parliament and the Economic and Social Committee on these two regulations.

A step of not inconsiderable significance has thus been taken, or will soon be taken, in the gradual introduction of the free movement of workers. Before 30 September 1962 the Commission must lay before the Council its proposals for a more liberal regulation than Regulation No. 15, the validity of which is limited to two years.

#### *SOCIAL SECURITY OF MIGRANT WORKERS*

32. As in previous years, the implementation of Regulations No. 3 and No. 4, which have been in force since 1 January 1959, has given rise to a number of decisions and recommendations by the EEC Administrative Committee for the Social Security of Migrant Workers. This body is responsible for settling administrative questions or questions of interpretation arising from these regulations, which at present cover 1 500 000 insured persons and beneficiaries and involve annual payments of the order of at least 40 million units of account.

As well as a number of amendments made to the annexes to Regulations No. 3 and No. 4, certain provisions directly affecting the families of migrant workers were taken by the Council, on a proposal of the Commission, on 29 December 1961 (Regulation No. 16).

The first relates to families which have not followed the worker into the employing country and which therefore cannot benefit from the social security system of that country. Under Regulation No. 3, such families benefited for three years from the sickness-insurance system of the country of their residence, the cost of benefits provided being divided on a lump-sum basis between the country of their residence and the employing country; families with children received, also for three years, the family allowances of the employing country up to the amount of the rates in force in the country of their residence. More than ten thousand families, particularly Italians, whose breadwinner works in France or Belgium, have benefited from this arrangement.

The period of three years has been extended to six <sup>(1)</sup>. Families remaining in their country of origin will therefore continue to draw sickness insurance benefits and family allowances at least until 1 January 1965. The situation will then be reviewed, with particular regard to how housing conditions have developed in the Common Market countries.

The second provision abolishes the 30-month time limit on the payment of family allowances in respect of orphans and children of persons receiving pensions or annuities and residing in a Member State other than that in which the competent institution is situated <sup>(2)</sup>.

33. In implementation of an article in Regulation No. 3 requiring further special provisions to be made for frontier and seasonal workers, two draft regulations on the social security of these two categories of worker were submitted by the Commission to the Council on 5 December 1961, after the Administrative Committee and representatives of trade unions and employers' associations had given their opinions. The drafts provide that these workers shall receive benefits for sickness, maternity, industrial accidents, occupational diseases, unemployment and family allowances. On the other hand, for long-term benefits such as old-age pensions, Regulations No. 3 and No. 4 apply to them without change. Acting on the Commission's suggestion, the Council consulted the Economic and Social Committee and the European Parliament on these drafts. The basic principles of the drafts were approved by these institutions on 29 March and 27 March 1962 respectively. Both Committee and Parliament expressed their satisfaction with the new guarantees given to the workers in question and made several suggestions.

34. The Administrative Committee has published an initial series of guides providing migrant workers and their families with all the necessary information on their rights and the formalities to be complied with to obtain them.

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<sup>(1)</sup> Regulation No. 16, Articles 1 and 3 official gazette of the European Communities, No. 86, 31 December 1961.

<sup>(2)</sup> Regulation No. 16, Article 2, official gazette of the European Communities, No. 86, 31 December 1961.

35. The Auditing Committee attached to the Administrative Committee, which was set up on 16 December 1960, has examined the problems involved in implementing the financial provisions of Regulations No. 3 and No. 4. These include the procedure for payments arising from the provisions of insurance benefits for sickness, maternity, industrial accidents, occupational diseases, unemployment, etc., the fixing of average costs as a basis for certain lump-sum payments, the conclusion of bilateral agreements on how sums to be reimbursed shall be calculated and paid, the approval of applications for reimbursement from social security institutions for the financial year 1959 and the determination of deposits to be paid.

### *Housing*

36. The Commission has given full attention to the housing conditions of migrant workers (for which some provision was made in Article 11 (3) of Regulation No. 15 on free movement). The migrant worker is entitled to the same rights and advantages as national workers in everything concerning access to housing.

In 1961 the joint report on the enquiry into the housing conditions of these workers in Belgium, France and Germany was completed. It has now been supplemented by details on the Netherlands and submitted to the responsible Ministers in the Member States for their opinions. The European Commission has also decided to have an examination made of possible means of bilateral or multilateral financial co-operation between Member States so as to facilitate in each country the housing of workers from other Member States. A general survey of the problems was made in 1961, and possible solutions were examined, with the assistance of the national administrations of the six countries. The conclusions drawn from these contacts and the joint report will be examined by the European Commission, with particular reference to the possibility of action by Community institutions (European Social Fund, European Investment Bank, etc.), to facilitate the housing of this type of worker.

On the initiative of the Commission, which co-ordinated the attitude of the Member States, the Recommendation on workers' housing

adopted by the International Labour Conference in June 1961 included a clause on the special problems of migrant workers.

### *Social services*

37. In the field of social services for migrant workers, the European Commission, after carrying out an enquiry, has prepared a draft opinion for Member States; this was approved by the Economic and Social Committee on 25 January 1962; the Committee requested the Commission to draw up a more authoritative form of communication than the opinion (e.g. a recommendation or even a directive).

### *THE RIGHT OF ESTABLISHMENT AND THE FREEDOM TO SUPPLY SERVICES*

38. The Fourth General Report <sup>(1)</sup> gave details of the opinions rendered by the European Parliament and the Economic and Social Committee in February and March 1961 on the draft General Programmes drawn up by the European Economic Community in implementation of Articles 54 (1) and 63 (2) of the Treaty.

These opinions, which in the main approved both drafts, made several suggestions that were taken into account in subsequent work, which was successfully concluded during the 53rd session of the Council (decision in principle on 25 October 1961) and the 60th session (18 December 1961). At these sessions the Council approved the General Programmes for the removal of restrictions on the freedom of establishment and on the freedom to supply services <sup>(2)</sup>.

### *Right of establishment*

39. The right of establishment defined by the General Programme goes far beyond the scope of bilateral conventions on establishment,

<sup>(1)</sup> Chapter I, sec. 43.

<sup>(2)</sup> Official gazette of the Communities. No. 2. 15 January 1962.

which usually grant a number of rights but really contain no more than an enumeration, however long this may be. The Treaty of Rome establishes the principle of equal treatment with nationals. According to this principle, a restriction on the freedom of establishment means any difference in the treatment accorded by a Member State to its own nationals and to those of other Member States, based on legislative or administrative measures or stemming from administrative practice and affecting admission to or the exercise of a non-wage earning activity by persons wishing to establish themselves in the Member State concerned.

Rules such as those governing occupational activities which are applied without discrimination on grounds of nationality may therefore continue in force in each Member State. Some co-ordination may nevertheless prove necessary when restrictions are removed in order to avoid difficulties arising from the diversity of legal and statutory provisions of the Community.

The General Programme stipulates that the advisability of these measures will be studied from case to case, with the exception of professions for which they are expressly laid down in the Treaty (medical, paramedical and pharmaceutical professions) and the insurance business, where the need for such co-ordination is already apparent.

Activities connected with the exercise of public authority are excluded from freedom of establishment. In addition, restrictions justified on grounds of public order, safety and health will be retained.

As well as the economic criterion indicated by the Treaty, the time-table takes into account the more or less detailed regulations existing in the various Member States, which may have to be co-ordinated before, after or at the same time as restrictions are removed. As studies in this field are often complicated, extended time-tables have been proposed for various activities such as the liberal professions and insurance.

#### *The freedom to supply services*

40. The definition of services given in the General Programme is mainly negative; it means services "to the extent that they are not

covered by the provisions on the free movement of goods, capital and persons" or by those in the chapter dealing with transport. This somewhat residual definition explains the lack of uniformity in this concept and the difference between it and the notion accepted by economists and statisticians.

The Treaty provides for the freedom to supply services "within the Community", and the supplier of the service must be "established in a State of the Community other than that of the person to whom the services are supplied" (Article 59, first sub-paragraph). Service therefore represents a link across a frontier which can result from:

*a)* The supplier moving to the recipient of the services: services supplied by contractors, the liberal professions in the wide sense of the word (consultations, experts opinions, entertainments), by industrial technicians (assembling, repairing or maintenance of machinery) and by those in certain ancillary activities (travelling representatives, market research workers, maintenance services), or by certain craftsmen or agricultural workers who are relatively rare and almost always frontier workers. This type of service differs from establishment in the temporary character of the independent activity in the receiving country.

*b)* The recipient moving to the supplier of the service: services supplied on the arrival of the recipient for personal reasons (tourism, family visits, study), for business or for medical or paramedical care, etc. in the Community country where the service is supplied.

*c)* The service itself being moved (the supplier and the recipient remaining in their own country, it being immaterial whether the object into which the service is "incorporated" (processing, finishing, testing, analysis, and so on) is moved, or the object used in performing the service is moved (certain banking, insurance or publicity services or services provided by the liberal professions in the form of written papers, supply of information and so on).

The distinction between the concept of establishment and that of the supply of services raises no difficulties save in the borderline

case where the supplier of the service travels to the country of the person receiving the service, resides there for some time or carries out several operations there. Some of the guiding ideas outlined in the General Programme will be given detailed form in concrete cases should these arise.

As in the case of the right of establishment, one form of restriction on the supply of services is represented by differential treatment based on nationality. Any such restriction hampers the professional activity of the supplier of the service when he goes to the recipient of the service. There are other restrictions that are absolute and to which it is impossible simply to apply the principle of no discrimination on grounds of nationality—such as barriers to the movement of the object on which or with the aid of which the service itself is performed, or of the material required for performing the service, or prohibitions on payment for the service. As has already been indicated, these all come within the scope of the chapter on services in so far as they do not fall under the provisions on the free movement of goods and capital.

Article 63 (3) of the Treaty provides a criterion for priorities in abolishing these restrictions; it is similar to that applicable to the right of establishment, but the rhythm is faster. In certain circumstances it may be possible to issue implementing instructions dealing with a particular activity both from the point of view of establishment and from that of the supply of services.

#### *Time-table*

41. The interdependence of establishment and the supply of services—and the fact that the economy does not recognize the distinction drawn between these two concepts in the Treaty—is the reason why, with certain exceptions, a single time-table has been drawn up for the removal of restrictions in these two spheres.



The essential provisions <sup>(1)</sup> of these time-tables are as follows:

*a)* By the end of 1963, almost the whole of industry and wholesale trade and reinsurance will be free of restrictions on establishment.

The right of nationals and companies of Member States to be awarded public works contracts <sup>(2)</sup> in other States will gradually be opened up, according to widely varying arrangements, between 31 December 1963 and 31 December 1969.

*b)* By the end of 1965, the abolition of restrictions on establishment will be extended to the foodstuffs industries, to the manufacture and wholesale distribution of pharmaceutical products, to retail trade, to certain types of insurance (other than life insurance) and to certain liberal professions such as agronomy, architecture, accountancy, surveying and engineering consultancy.

*c)* By the end of 1967, the removal of restrictions will be applied to the retailing of pharmaceuticals and drugs, to medicine and veterinary medicine and to certain types of insurance (life insurance). (Restrictions on transport will also be eliminated by this time but only in the field of establishment.) <sup>(3)</sup>

*d)* By the end of 1969, only a few industries such as shipbuilding, the manufacture of railway equipment and forestry will still have to be liberalized.

42. The time-table for services includes the following provisions:

*a)* The abolition of restrictions on moving the object on which or with the aid of which the service itself is performed, or of the material required for performing the service, and the abolition of restrictions on the transfer of funds and on payments; this is envisaged before the expiry of the first stage and is now being effected.

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<sup>(1)</sup> For provisions on energy, see sec. 93.

<sup>(2)</sup> See sec. 56.

<sup>(3)</sup> See sec. 43.

b) Restrictions on services with respect to insurance are to be removed by the end of 1967, except in the case of life insurance, which will not be liberalized before the end of 1969.

c) As for the film industry, the complete liberalization of services will not be effected before the end of 1969, though some measures should be taken when the General Programme is adopted.

Agriculture will require some special arrangements, for its liberalization, particularly liberalization of establishment, is phased throughout the transition period. In fact, the link between establishment and the common agricultural policy justifies the liberalization of establishment in agriculture—which has a special structure—being effected piecemeal but rapid liberalization is envisaged for certain types of activity and certain persons. Freedom of establishment on farmlands that have been derelict or uncultivated for more than two years, then will be assured as soon as the General Programme is adopted. The establishment as agricultural workers of persons who have been gainfully employed as such in the host country for two years was granted before the end of 1961. For the following stages of the transition period, the rights and facilities enjoyed by nationals will gradually be granted to foreign workers; for instance, foreigners will be entitled to receive any type of credit and to join co-operatives from 1 January 1966. Under these conditions the elimination of all restrictions will not be effective before the end of the transition period.

As regards services, the main point was to enable farmers to profit from services that will improve productivity. The schedule here will therefore be generally tighter than for establishment: technical assistance will be liberalized before the end of 1963, and harvesting and threshing before the end of 1965.

The General Programmes will have to be put into effect by means of implementing directives. The Commission has already begun preparatory work on general problems and on various sectors of activity. A systematic study of the material has been undertaken, and national experts are now meeting for discussions on various fields under the aegis of the Commission.

The principal general problems are the co-ordination of provisions on the entry and residence of nationals of Member States [Article 56 (2)], the co-ordination of guarantees required of companies and questions of public contracts. The main sectors of activity are industry and its relation to crafts and ancillary services to industry, wholesale trade, agriculture and various liberal professions, etc.

This procedure ought to ensure that directives are drawn up efficiently so as to give Member States the time needed to integrate them in their own legal systems.

*Right of establishment of transport concerns and ancillaries*

43. In principle, the right of establishment should be implemented in the same way in transport as in the other branches of the economy.

The General Programme stipulates that restrictions on freedom of establishment for transport concerns should be removed between the beginning of the third stage and the end of the second year of the third stage of the transition period. For transport by road, rail and inland waterway, the lifting of restrictions will be accompanied by measures to approximate and co-ordinate legislative and administrative provisions on access to the market. Moreover, an inquiry will be made—as will be done, in principle, in all other occupations—into whether the liberalization of establishment should be preceded, accompanied or followed by the reciprocal recognition of degrees and diplomas.

The co-ordination of legislative and administrative provisions under Article 57 reveals considerable interplay between the right of establishment and the common transport policy where road and inland-waterway transport is concerned. The General Programme therefore lays down that such co-ordination will be one of the elements of the common transport policy.

The Commission has laid the results of its survey (on discrimination and the rules governing admission to these two sectors) before the European Parliament, the Council and the Consultative Committee set up under Article 83, whose advice is asked on a number of practical points.

Sea and air transport are included in the time-table of the draft Special Programme, but the Council has not yet expressed an opinion on this part of the Programme, nor has it come to unanimous agreement on the question whether the provisions of the Treaty on the right of establishment are applicable to sea and air transport, as the Commission believes.

As for services ancillary to transport (such as forwarding agents, charter agents, travel bureaux), restrictions on their freedom of establishment should in principle be raised before the end of the second year of the second stage of the transition period.

By the terms of Article 61 (1) the free movement of services in respect of transport is governed by the common transport policy (Articles 75 ff.).

This system of priorities remains very flexible because the dates fixed in the General Programme are the outside limits and liberalization can be effected in advance at any time during the two years preceding these limits whenever this seems advisable. The Programme is confined to setting the broad lines; its implementation will be governed by directives.

#### *The liberalization of services in international transport*

44. On 15 November 1961, the Commission laid before the Council a draft directive for certain common rules applicable to international goods transport by road. The draft directive contains a list of goods that, in both trade and transit, should be freed from quotas by the end of 1962 and from licensing arrangements by the end of 1963. It also contains a list of transport operations that should be freed from quotas by the end of 1962 but may remain subject to licensing. The proposal also provides for the liberalization in two stages by the end of 1963 of international transport on own account, whether of goods in trade or in transit.

The Commission considers that intra-Community transit operations in general should be liberalized quickly and that the extension of

quotas for international goods transport by road should bring substantial results. These problems will be dealt with more specifically as part of the overall plan of action for transport.

#### *THE FREE MOVEMENT OF CAPITAL*

45. On 11 May 1960, the Council adopted the first directive pursuant to Article 67 of the Treaty concerning the liberalization of capital movements within the Community <sup>(1)</sup>.

The directive provides that the Monetary Committee will review each year the restrictions still existing on the movement of capital, with a view to their gradual elimination. The Monetary Committee's review has covered, among other things, the problem of free exchange markets, Government licensing procedure and the removal of restrictions on issues by firms in the Common Market on the financial markets of other Member States; these last operations will remain subject to conditional liberalization as laid down in Article 3 of the first directive.

In view of the favourable development of the economic and financial situation in Member States, of the advance made in co-ordinating economic and monetary policy in those States and of the conclusions reached by the Monetary Committee, the Commission has suggested that Member States adopt a liberal attitude in authorizing these issues. Such an attitude could in the first place be shown towards any loan issues by certain European institutions. The Netherlands Government informed the Commission that in 1961 it intended to re-open the Dutch capital market to foreign issues and that it would fix a new ceiling for any subsequent issues after the first quota (fixed at the beginning of 1961) was exhausted. The same policy was followed in 1962. The Italian Government has authorized the World Bank and the European Investment Bank to float loans on the Italian capital market.

To further the process of liberalizing capital begun by the first directive, the Commission, after consulting the Monetary Committee,

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(1) See Fourth General Report, Chap. 1, sec. 56.

has issued a draft second directive pursuant to Article 67 of the Treaty. This second directive envisages the complete liberalization of movements of capital belonging to residents who emigrate or to emigrants who return to their country of origin. These capital movements were already included in schedule A of Annex I to the first directive, but their liberalization was limited as far as the amounts that could be transferred were concerned.

The directive also provides for the liberalization of transfers relating to certain invisible transactions in Annex III to the Treaty, the liberalization of which was originally provided for under Article 106 (1, 2 and 3) and Article 63 (2). These are operations that should be considered as having the nature of capital transactions.

It also provides for the liberalization of transfers of funds needed for the supply of services and for access to various types of credit coming under the supply of services.

In respect of the invisible transactions listed in Annex III to the Treaty, the Commission, after consulting the Monetary Committee, laid before the Council on 22 March 1962 a draft directive for the liberalization of transfers relating to invisible transactions not connected with the movement of goods, services, capital or persons [Articles 63 and 106 (3)].

### **The rules governing competition**

46. One objective of the Treaty is to promote continuous and balanced expansion of the economy and an accelerated raising of the standard of living. Hence tariff and quota disarmament, the introduction of free movement for the factors of production, and the creation of economic conditions which will allow the markets to be opened. These are all means making for improved division of labour and better siting of industry within the Common Market.

It would be idle to abolish trade barriers between the Member States if they or private firms were left free to make use of economic and fiscal legislation and aids or understandings limiting competition

to nullify in practice the desired opening of the markets, thus preventing or, at least, delaying inordinately the essential adjustments to the Common Market.

The need for a competition policy stems therefore from the objectives of the Common Market itself. For the Treaty demands that a system should be introduced providing blanket protection for competition within the Common Market against any kind of distortion liable to jeopardize optimum supply conditions for the Community. Competition, therefore, has an important role to play on the market as an instrument of guidance. Such an instrument is essential to an economy whose characteristic features are free enterprise and the free choice of the place of work and of the method of consumption. It is in the very best interests of the Community to preserve this instrument and to take good care that its operation is not distorted or paralyzed.

#### *RULES APPLICABLE TO ENTERPRISES*

##### *The first Regulation on understandings*

47. At its sessions of 29-30 December 1961 and 5 February 1962 <sup>(1)</sup> the Council adopted unanimously a first Regulation as provided for in Article 87 for the implementation of the principles contained in Articles 85 and 86 of the Treaty. The Regulation was proposed by the European Commission, and both the Parliament and the Economic and Social Committee had been consulted.

At its session of 16 to 20 October 1961, the European Parliament held an important debate on this question. The Parliament examined the Community's general attitude to cartels and heard a statement from the Commission, as well as numerous contributions from parliamentarians of the three political groups.

At the end of this debate it adopted the opinion on the draft regulation as requested. This approved the Commission's basic inter-

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(1) Date of adoption in the four Community languages.

pretation of Article 85 as "a prohibition leaving open the possibility of obtaining authorization". Authorization is therefore required for the conclusion of any understanding falling under Article 85 (1).

As regards transitional arrangements for existing understandings, the Parliament agreed that these should be given an opportunity to adapt themselves to the new Regulation, and also proposed that the objection procedure (Article 4 of the draft) be retained. The Parliament suggested that the Commission's powers should be strengthened; for example, it should be given sole power to decide whether Article 85 (1) or 86 have been infringed or not (negative clearances). The Parliament also accepted its Committee's proposals for more positive arrangements for the publication of information.

The aim of the Regulation adopted by the Council at its meeting of 29-30 December 1961 is to ensure the uniform application of Articles 85 and 86 in all the Member States, to guarantee that all concerned shall have certainty as to the law and to create the appropriate technical conditions to enable the European Commission to apply an effective competition policy. By virtue of Article 189 of the Treaty, the Regulation is of general application, is binding in every respect and is directly applicable in all Member States. Not only must it be complied with by the Member States and their various institutions, authorities and tribunals, but it must also establish a system of law valid for any natural or legal person or association of persons.

The Regulation takes as its point of departure the principle that all agreements, decisions or concerted practices coming under Article 85 (1) of the Treaty, and the abuse of a dominant position on the market within the meaning of Article 86 of the Treaty, are prohibited, and that no prior decision to this effect is required (Article 1 of the Regulation).

In the case of agreements, decisions or concerted practices which on the factual evidence do not come under these prohibitions, the European Commission may, at the request of the enterprises concerned, find that the information available provides under Article 85 (1) or Article 86 of the Treaty no grounds for it to intervene (negative clearance—Article 2 of the Regulation). Negative clearance has been



introduced because it may be in the interests of enterprises to know whether an agreement, decision or practice contemplated or applied by them may lead to intervention by the European Commission.

On the other hand, if the European Commission—acting either at the request of a Member State or of persons concerned, or *ex officio*—finds that there is an infringement of the provisions of Article 85 or 86, it can address to the enterprises or associations of enterprises involved recommendations designed to put an end to the infringement; if necessary, it can take a decision obliging these enterprises to terminate the infringement (Article 3 of the Regulation).

Where those concerned wish to invoke Article 85 (3), the Commission must be notified of any agreement, decision or concerted practice covered by Article 85 (1) and introduced after the entry into force of the Regulation. Article 4 (1) of the Regulation forbids the taking of any decision applying Article 85 (3) of the Treaty before such notification has been made. Subject to review of its decision by the Court of Justice, the Commission has sole competence to declare Article 85 (1) inapplicable in conformity with Article 85 (3) (Article 9 of the Regulation). This declaration may be made with effect retroactive to the date of notification (Article 6 (1) of the Regulation). A few specific categories of agreements, decisions and concerted practices, the effects of which are of lesser importance (domestic understandings not affecting trade between Member States, vertical agreements for maintaining resale prices, restrictions on competition written into licensing contracts, and agreements concerning standards and types) are provisionally exempt from compulsory notification. A declaration under Article 85 (3) for these types of understanding may also be made retroactive to a date prior to that of notification (Articles 4 (2) and 6 (2) of the Regulation).

A retroactive procedure may even be applied to agreements, decisions or concerted practices covered by Article 85 (1) of the Treaty which existed on the date of entry into force of the Regulation and which are included in the categories mentioned above or of which the Commission was notified by those concerned before 1 August 1962 (Article 5 (2) of the Regulation). The intention behind this provision

was to provide a transitional system for "existing understandings". The provision is supplemented by arrangements for agreements, decisions or concerted practices existing on the date of entry into force of the Regulation and which do not fulfil the conditions set out in Article 85 (3), provided the Commission is notified of them by 1 August 1962, or, if they are included in the categories listed in Article 4 (2) of the Regulation, before 1 January 1964. According to this provision the ban laid down in Article 85 (1) applies only for the period fixed by the Commission, provided that the agreement, decision, or concerted practice is dropped, or modified in such a way that it is no longer covered by Article 85 (1) or meets the requirements of Article 85 (3) (Article 7 of the Regulation).

In addition, the Regulation empowers the Commission to obtain information and carry out investigations (Articles 11 and 14 of the Regulation). Again, the Commission may institute general inquiries covering entire sectors of the economy in which there are grounds for believing that competition is restricted or distorted. For this purpose, the Commission may require firms in these sectors to supply all information necessary for the application of Articles 85 and 86 (Article 12 of the Regulation).

In cases of infringement of the prohibitions set out in Article 85 (1) or 86 of the Treaty, of an inaccurate application or notification, of non-compliance with obligations arising in connection with the supply of information or with investigations, or of infringement of a stipulation laid down, the European Commission may, by means of a decision, impose fines on the enterprises or associations of enterprises (Article 15 of the Regulation). It can also impose penalties in order to oblige them to comply with these decisions, to supply information or to submit to investigation (Article 16 of the Regulation).

The Regulation also includes a number of provisions mainly concerning matters of procedure, in particular the question of liaison with the competent authorities of the Member States. Copies of applications and notifications must be sent to these authorities. An Advisory Committee, composed of officials competent in the field of cartels and

monopolies in the Member States, has been provided for and it must be consulted prior to any decision of the Commission concerning the establishment of infringements to Article 85 or 86 of the Treaty, the granting of negative clearance, the granting, renewal, alteration or revocation of a decision to issue a declaration under Article 85 (3) of the Treaty (Article 10 of the Regulation). The matter must also be referred to the Advisory Committee where the Commission carries out an investigation into an entire sector of the economy (Article 12 (4) of the Regulation) or imposes fines or penalties (Articles 15 (3) and 16 (3) of the Regulation). Whereas, as indicated above, the Commission has sole competence with respect to the application of Article 85 (3), the Member States' authorities are still entitled to apply Article 85 (1) and Article 86 for such time as the Commission has not set in motion any procedure for granting negative clearance, for ascertaining that Articles 85 and 86 of the Treaty have been infringed or for issuing a decision to apply Article 85 (3) of the Treaty (Article 9 (3) of the Regulation).

Before taking decisions concerning applications for negative clearance, the termination of infringements, or the application of Article 85 (3) of the Treaty, the Commission must give the enterprises or associations of enterprises concerned an opportunity to express their views. The same applies for decisions revoking any of the above, and the Commission must observe the same procedure before fixing fines or penalties (Article 19 (1) of the Regulation). Other natural or legal persons or associations of persons may be heard; if they ask to be heard and show that they have a sufficient interest, their request must be granted (Article 19 (2) of the Regulation).

The European Commission must publish the essential content of applications for negative clearance and of notifications made with the intention of obtaining a declaration under Article 85 (3) of the Treaty (Article 19 (3) of the Regulation). This enables third parties whose interests may be affected by a decision to make known their points of view in time. The European Commission must also publish the essential content of its decisions concerning applications for the negative clearance and those designed to put an end to infringements. It must also publish the essential content of decisions to issue a declaration under

Article 85 (3) and of decisions revoking these decisions (Article 21 of the Regulation).

The Regulation came into force on 13 March 1962. For the production of, and trade in, agricultural product, it has been supplemented by Council Regulation No. 26 dated 4 April 1962. This Regulation stipulates that Articles 85 and 86 and arrangements made for their application shall enter into force as from 1 July 1962 for all practices in restraint of competition coming under Articles 85 (1) and 86 where these practices concern the production of, or trade in, agricultural products. Article 85 (1) does not apply to restrictive practices which are an integral part of a national market organization or which are necessary to the attainment of the objectives set forth in Article 39. Special rules apply to co-operatives.

#### *Examination under Article 89 of particular cases*

48. The Commission has continued the meetings organized under Article 89 and has examined with the competent officials from the Member States cases of suspected infringement of the prohibitions contained in Articles 85 and 86 of the Treaty. The fourth meeting took place on 29 June 1961 and the fifth on 18 and 19 January 1962. For the first time the Commission invited the enterprises and associations of enterprises concerned, in two cases, to a hearing. They were given the opportunity to express their points of view on the matters complained of in the presence of the competent officials from the Member States. One case concerns an understanding, organized both vertically and horizontally, which controls access to the market for national buyers and national and foreign sellers through an admission system combined with understandings on exclusive rights. The second concerns an organization operating in two Member States which issues a quality label: the enterprises affiliated are expected to maintain minimum prices.

The European Commission has so far investigated in all 33 separate cases, concerning many sectors of the economy. Four cases were opened at the request of Member States, and 29 ex officio. Some

of the investigations opened *ex officio* were the result of complaints lodged by enterprises or federations. In a number of cases the enterprises have abandoned the practices complained of; in the most the investigations continue.

In six cases so far the European Commission has been consulted by the authorities of the Member States prior to national decisions concerning understandings.

The European Commission has also examined a fairly high number of cases in which it is not yet clear whether there are sufficient grounds for suspecting an infringement of Article 85 or 86.

#### *DUMPING PRACTICES*

49. Article 91 (1) establishes that the Member States may not independently apply their own anti-dumping laws to imports from their EEC partners, since any protective measures which might be taken are subject to the prior authorization of the European Commission. On the other hand, the Member States can continue to apply their municipal legislation with respect to non-member countries until the end of the transition period. From then on, the provisions of Article 113 of the Treaty will apply.

Intervention by the Commission as provided for in Article 91 (1) therefore only concerns dumping in the EEC by parties established therein.

The Treaty gives no definition of dumping practices and does not provide for a regulation in which the concept would be clarified. It has therefore left the Commission latitude, on this point, within which to make its own appraisal in the light of the facts and figures in each individual case. The European Commission must bear in mind the general principles observed in the legislative systems of the Member States and in international agreements (for example, those in Article VI (1) of the GATT), and the special nature of the provisions laid down in Article 91 (1). These provisions are, of course, no more than one of the instruments available to the European Commission

to make enterprises in the Member States respect the principles of fair competition amongst themselves in the general interest of the Community.

Dumping practices warranting the application of the procedure laid down in Article 91 (1) exist where the European Commission finds that exports of a given product have actually been made onto the market of a Member State at a price below its normal value, and of material injury suffered by the industry of this Member State as a result of the exports cited.

For the exports actually made, "normal value" is, generally speaking, the comparable price charged at the same period in the ordinary course of trade for an identical product originating with the same producer when destined for consumption in the exporting country. "The margin of dumping"—the difference between the normal value and the export price—is calculated with due regard to all the differences affecting price comparability; as far as possible the prices compared should be those ex works before taxation. The exporter, however, is entitled to adjust his price so as to take into account such customs duties as are still applied.

The proof that material injury is caused or threatened by the exports complained of to the corresponding industry of the Member State directly concerned may be established, by all appropriate means, when the facts and figures of each separate case are examined. There can be no question that an export effected at a price lower than its normal value being considered automatically as causing injury to the importing country.

Since 15 April 1961, six fresh applications have been submitted to the European Commission under Article 91 (1), and this brings to 17 the number of proceedings opened by the European Commission in this field since the entry into force of the Treaty. Altogether, 34 enterprises have been cited.

Four of the new complaints concern chemical products, another a textile product and the fifth, a food product. In three cases the complaints were lodged by Member States and in the others by enterprises or trade associations.

Including the case still pending on 15 April 1961, the seven cases examined during the period covered by this Report have led to the following results: four applications have been rejected as groundless, one investigation has been provisionally suspended with the assent of the applicant, and two procedures have not yet been completed.

#### *AIDS GRANTED BY STATES*

50. The information mustered in 1961 by the European Commission has confirmed the impression gained in 1960 that the Member States have made only limited use of their right to introduce new aids for the direct encouragement of their own production. Apart from shipbuilding and the shipping business, the projects of which the Commission has been notified under the rules of Article 93 (3) concern measures involving the principle dealt with by the exceptions contained in Article 92 (3a and c).

The most important of these projects concerned the economic and social development of Sardinia, measures to improve the regional balance of the Luxembourg economy, industrial development in Algeria, the adjustment of the ceiling of the equipment bonus in France and the introduction of an equipment bonus in the French overseas departments.

A Working Party was set up in 1961 to examine appropriate means for studying the existing general systems of aid to economic expansion. These measures are known to vary widely, and each Member State has its own preferences for particular methods. In addition, the firms helped can more often than not profit simultaneously by various advantages sometimes granted by different authorities following differing criteria.

This Working Party met four times between October and December 1961 to familiarize itself with the systems concerned and to work out tentative opinions on the application of the exceptions contained in Article 92 (2 and 3) and on how the various aid devices could be appraised.

Certain questions of principle remain open, notably the manner of dealing with individual decisions in the framework of the existing general systems.

51. Two Working Parties have embarked on an examination of the various measures designed to encourage Member States' exports. One is dealing with measures for financing exports and the second with other machinery for encouraging sales abroad.

Bearing in mind the action of the Group for the co-ordination of policy on credit insurance, guarantees and financial credits with regard to some of the aid machinery in question, the European Commission took the view that most of the measures declared at present involved no difficulties for the progressive establishment of the common market. This was explained either by their nature or purpose (e.g. arrangements for providing information for exporters, and credit facilities for the establishment of branches in non-member countries), or by the fact that the trend of business had deprived certain planned credit facilities of their *raison d'être*.

Full attention can therefore be devoted to the examination of a small number of measures, in particular medium-term credit facilities in relations between the Community countries, certain guarantees against business risks, market prospecting insurance and refunds of customs duties and taxes in Italy. These matters are now under scrutiny.

As a result of steps taken by the Commission under Law No. 103, with respect to the Italian scheme for refunds, the Italian Government took advantage of the decision it had to take on 1 January 1962 under the rules concerning processing traffic (Article 10 of the EEC Treaty). In so far as this reduction, in the opinion of the Italian Government, is assessed on a wider basis than the refunds of customs duties in question, it involves a net reduction in the benefits granted to exporters.

Discussion with the relevant Italian authorities continues, mainly with the purpose of checking whether the refunds still remaining are compatible with the fiscal provisions of the Treaty (Articles 96 and 97).



52. As for specific aids to shipbuilding, the Italian Government reported to the European Commission, in accordance with the latter's decision of a short time back, the main points in the rehabilitation programme <sup>(1)</sup> which it means to implement in order gradually to abolish aids to Italian shipyards (this process is expected to be complete in 1964). There has also been a cut in the subsidies to French shipyards. On the other hand, a project for further easy credit to encourage the export of ships to non-member countries has recently been referred to the European Commission by the Government of the Federal Republic of Germany.

The Italian Government has extended until 30 June 1962 the present system of aid to the cinematographic industry, and has announced the forthcoming draft of a scheme to bring this system into line with the requirements of the Treaty. The Federal German Government has instituted a system of quality bonuses, confined in 1961 to 20 films, and has thus made it clear that it intends to step up its aid to the cinematographic industry.

In accordance with the decision taken by the Council on 19 December 1960, the European Commission examined a draft decree establishing the rate for bonuses paid to certain French paperpulp producers in 1961. After discussion with experts from the Member States the Commission reached the conclusion that the measures under consideration were not such as to affect trade in the Common Market. This matter will come up for discussion again in connection with the bonus rate for 1962.

The Italian Government has corrected the discriminatory features of two existing systems. The first concerned the granting of loans to purchasers of Italian agricultural machinery; the second was connected with temporary exemption from a purchase tax on Italian motor cars.

In addition to current proceedings, which will be pressed forward, action will be extended to new fields in 1962.

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<sup>(1)</sup> See Fourth General Report, Chap. I, sec. 53.

An inventory of fiscal aid measures has been undertaken. It concerns turnover taxes not covered by the rules of Articles 95 to 97. In addition, Member States have been requested to advise the Commission of aids granted to transport undertakings.

Regulation No. 18 (concerning the application of certain rules of competition to the production of, and trade in, agricultural products) provides for some extension of the provisions of Articles 92 to 94 so as to cover products listed in Annex II of the Treaty <sup>(1)</sup>.

#### APPROXIMATION OF LEGISLATION

##### *Industrial property*

53. *Patents*: on the basis of directives on industrial property approved by the competent Under-Secretaries of State and by the six Governments <sup>(2)</sup>, the Working Party on Patents has elaborated most of the provisions for a preliminary draft convention establishing a European system of patent law. The work will be finished in June 1962.

54. *Trade marks*: the Working Party on trade marks has drafted a supplementary report on the problems raised by the establishment of a European trade mark. This was done in accordance with the views expressed by the Under-Secretaries of State at the meeting of 19 December 1960. This report outlines the future convention on a European trade mark; it was submitted to the Co-ordinating Committee on industrial property rights and approved by the Under-Secretaries of State on 11 December 1961. A preliminary draft convention will be put in hand in 1962 on the basis of the decisions taken.

55. *Designs and models*: a general report of the main problems involved in the preparation of a system of European law in this field has been drafted. It is shortly to be distributed to the Member

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(1) See Chap. III, secs. 115 and 119.

(2) See Fourth General Report, Chap. I, sec. 59.

States' delegations and will be examined at a special session of the Co-ordinating Committee.

#### *Public contracts*

56. *Public contracts*: the comparative legal studies concerning systems for letting public contracts in force in the member countries have been completed by the Working Party on public contracts (approximation of legislation), which includes national experts.

The work at present under way concerns the co-ordination measures laid down by the Council in the programmes for liberalizing establishment and services. These measures are designed to complete the abolition of de jure and de facto restrictions in the field of public contracts. Measures are now being prepared to organize proper publicity for the various types of contracts and to provide for the application of objective criteria to the allocation of contracts, and the selection of firms tendering.

This Working Party co-operates closely with the sub-group dealing with freedom of establishment and services in connection with public works. The task of the sub-group is to implement the other provisions concerning public contracts in the general programmes.

#### *Administrative and technical obstacles to trade*

57. The European Commission has continued work on the elimination of technical or administrative obstacles to trade stemming from discrepancies from country to country between legal requirements governing, inter alia, the composition, presentation and quality control of certain products.

Before framing a programme for removing these obstacles, the Commission has sent out a questionnaire on existing obstacles, which does not, however, cover the food, veterinary, plant health and pharmaceutical fields, for which working parties have already been set up.

Pending receipt of the replies from certain Member States to the inquiry, the European Commission has embarked on work for the

harmonization of legislation in two specialized sectors: motor vehicles and farm tractors. These have been given priority because of their importance for the economy of the Six.

On the initiative of the Commission a panel of experts has been set up to deal with the approximation of regulations in the six countries concerning the production and distribution of pharmaceutical products. The problems involved in the definition of a medicine and of a proprietary product, in the formalities for registering proprietary products, and in their packaging and presentation were examined; the preparation of the legal instruments for the approximation of laws in this sector will be undertaken in 1962.

The progressive establishment of a common market with the consequent emergence of new requirements will of itself determine the fields in which the approximation of laws is advisable. Certain national delegations have already drawn the attention of the European Commission to the advisability of harmonizing national legislation against fraudulent methods in the preparation and sale of products. The study of this question has been undertaken in the light of the results already obtained in other economic groupings, notably Benelux.

Lastly, in the field of transport, the Commission has set to work on the problem of reducing technical obstacles stemming from the frequently difficult conditions obtaining for frontier crossing. This work is entrusted to the Commission under Article 81 of the Treaty; the purpose is to achieve cuts in the actual costs incurred by carriers on crossing a frontier, and it is also the logical extension of operations for the improvement of the Community's major transport arteries. The aim of the work is to work out with the national experts and granting the present national legislation all practical measures which may be taken to improve frontier crossing conditions for rail, road and inland waterway transport linking the Member States.

*Recognition and execution of judicial decisions; law of bankruptcy*

58. The work of the Committee of experts on matters connected with the application of the fourth clause of Article 220 has made further

progress. Two preliminary draft conventions have been prepared, one concerning the execution of judicial decisions, the other bankruptcy. These conventions will ensure the necessary minimum of co-operation between civil legal authorities within the Community. The convention on execution will enable a creditor whose claim is duly recognized in one country to obtain execution of it in all other Member States.

The aim of the preliminary draft convention on bankruptcy is that only one bankruptcy declaration will be required in future against a debtor, even if his assets are located on the territory of more than one contracting State. All the creditors irrespective of nationality or place of residence would take part in the bankruptcy proceedings on a footing of equality.

*Recognition of the legal personality of companies,  
transfers of registered offices and company mergers*

59. The European Commission has considered how far the mutual recognition of companies extends and how far the transfer of a registered office from one country to another and the merger of companies incorporated in different Member States are possible as is called for by Article 220, third clause. This question, which may require work on the approximation of company law, will be discussed with the government experts.

FISCAL PROVISIONS

60. The committee of experts examining how far disparities between the tax systems of the member countries are likely to hamper the establishment of the Common Market <sup>(1)</sup> has completed its work. Its report has passed the first reading and will be examined with the competent Under-Secretaries of State and then with the heads of tax

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<sup>(1)</sup> See Fourth General Report, Chap. I, sec. 63.

administrations in the Member States before being presented in final form.

Meanwhile, the European Commission has continued its work on the harmonization of turnover tax systems with a view to implementing Article 99.

The solutions proposed are: to replace actual physical controls on goods at the frontier by a check of firms' invoices, to collect a single general tax at the stage prior to retail trade or to levy a common tax at the production stage plus a common tax on added value, the two to be combined with a tax at the marketing stage. Details of these proposals were given in the Fourth General Report <sup>(1)</sup>.

In their conclusions, the three sub-groups describe what must be done in order to eliminate, in each of the systems mentioned above, the disadvantages stemming from the diversity of current legislation with respect to average rates in force for countervailing charges on imports and export drawbacks (Article 97) in trade between the member countries. The report also deals with the possibility of doing away with drawbacks and countervailing charges and thus abolishing the tax frontiers between the member countries. The report will be examined concurrently with the first report from the Fiscal and Financial Committee by the Under-Secretaries of State and senior officials of the national administrations.

A proposed method for calculating drawbacks and countervailing charges in connection with the turnover tax has been finalized with the government experts. It is calculated to facilitate the supervision which Article 97 requires the Commission to exercise over the measures in question and it will also provide more reliable guarantees for the member countries that the provisions of the Treaty will be observed. Such a method offers a temporary remedy for the ills stemming from the application to turnover of countervailing charges which can only be completely eliminated when the systems have been harmonized.

Experience has shown that these disadvantages are becoming more serious because the countries in which a system of cumulative

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<sup>(1)</sup> See Fourth General Report, Chap. I, sec. 65.

multi-stage taxes is applied do not intend to forego their right under Articles 95 to 97 of the Treaty to fix amount of the drawback or countervailing charge on any given product provided they do not exceed the permitted ceiling.

The Commission has therefore continued, as decided by the Member States' representatives at the meeting of the Council of Ministers on 21 June 1960, to examine the increase in countervailing charges on imports and drawbacks on exports both from the angle of general principles and in the light of various specific cases cited by certain member countries.

On the basis of a Commission proposal, the Member States reached a compromise in the question of the increases introduced by the Italian Government on 9 September 1960. It was decided that the Italian rates, which vary between 8.0 % and 5.5 % would be reduced progressively by an agreed amount.

61. With regard to indirect taxes other than turnover taxes, work on the various excise duties has continued. The Italian tax on carding frames which attracted export refunds in excess of the corresponding internal charges, was examined by the Commission. As a result the Italian Government re-established the balance required by the Treaty by cutting the refund rate.

62. At the request of the Finance Ministers of the six Member States, the Commission embarked on a study of direct taxes in the six countries. The aim is to ascertain whether any approximation of these is feasible where differences in structure and level are likely to influence the competitive position of enterprises within the Community.

The heads of the national tax administrations met for the first time on 5 October 1961 to lay down the outline plan of this study. Two working parties were set up.

The first will examine the bases of assessment of direct taxes and others of like effect levied on businesses in the different member countries. The work will deal mainly with arrangements for depreciation and special measures to encourage investment, as well as with methods

of evaluating stocks, asset appreciation and trading losses—all questions likely to have a direct impact on business investment and financing.

The second working party will attempt to ascertain whether tax arrangements in certain countries are particularly favourable to companies—both holding companies and ordinary companies—and whether such arrangements are likely to occasion disturbances which could impair the smooth working of the common market.

### THE CASE OF TRANSPORT

#### *Abolition of discrimination in transport rates and conditions*

63. By virtue of Regulation No. 11, which deals with the abolition of discrimination in transport rates and conditions, any discrimination which consists in the application by a carrier, in respect of the same goods conveyed in the same circumstances, of transport rates and conditions which differ on the ground of the country of origin or destination of the goods carried is prohibited from 1 July 1961 in traffic within the Community. Each Government has taken a number of tariff measures to put an end to such discrimination.

Regulation No. 11 imposes a number of obligations on the Member States. For example, they must advise the Commission of “suspect” transport tariffs, rates and conditions and they must introduce verification measures and fix sanctions where their present legislation falls short of what is now required. The Commission for its part must take the implementing measures for the enforcement of the Regulation.

The Commission has therefore examined with the national experts the practical problems involved in the implementation of the Regulation. On 22 June 1961 it addressed to the Governments a recommendation concerning the application of the Regulation together with an opinion concerning certain terms used in Article 8 thereof <sup>(1)</sup>.

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<sup>(1)</sup> Official gazette, No. 50, 22 July 1961.



In accordance with the obligation laid upon them, the Governments have advised the Commission of those transport tariffs, rates and conditions which seem "suspect".

In addition, they have gradually brought themselves into line with the regulations concerning verification and sanctions. Each State has had to take a number of tariff measures. Although the dates fixed were not quite observed, it would seem, therefore, that Regulation No. 11 has been properly applied.

However the application of the Regulation to Rhine transport has been held over because of practical difficulties due to the fact that a substantial part of this traffic is in the hands of carriers established in non-member countries. Talks are under way between the European Commission's staff and the member States of the Central Commission for the Navigation of the Rhine with a view to ironing out these difficulties.

#### *Ban on support tariffs*

64. There is a certain relationship between the problem of support tariffs and the abolition of discrimination. Every unauthorized support tariff in favour of an enterprise or a particular industry also constitutes discrimination with respect to other transport users.

For this reason, Article 80 of the Treaty stipulates that the application imposed by a Member State, in respect of transport effected within the Community, of rates and conditions involving any element of support or protection in the interest of one or more particular enterprises or industries shall be prohibited as from the beginning of the second stage, unless authorized by the European Commission. In accordance with Article 80 (2) the Commission shall, on its own initiative or at the request of a Member State, examine whether these rates and conditions are compatible with the principles and objectives of the Treaty and take the necessary decisions after consulting any interested Member State.

The move to the second stage has brought Article 80 into force and the Commission has taken a first series of decisions which have

been published in the official gazette. Other applications from Governments for authorization in accordance with Article 80 (2), are now under scrutiny and decisions will shortly be taken.

At the same time the Commission felt it necessary to call for further information from member Governments on various tariffs which they apply; these tariffs are now being studied. In several cases Governments have justified their action by invoking Article 80 (3) according to which the general ban on support tariffs does not apply to competitive tariffs.

### The interpenetration of the markets

#### GENERAL

65. The considerable efforts made by business circles as early as 1958 to adapt themselves to common market conditions were intensified during 1960 and at the beginning of 1961. They have been along two general lines: first new trade associations have been set up at the level of the Six, bringing together the individual national associations and accompanied by greater activity on the part of those which had been pioneers in this field; secondly, and particularly in industry, trade and handicrafts, a great many forms of co-operation have been applied. They range from technical agreements to the establishment of new companies grouping different enterprises in a single country, enterprises in several Member States, or enterprises in a Member State and in one or several non-member countries—all bent on fresh effort to penetrate the common market.

The main objective of the trade associations at the level of the Six has been to arrive at a Community on matters of common concern and they have multiplied their contacts with the European Commission. The Commission, for its part, has always welcomed the formation of trade associations at Community level and the tendency for these groupings to keep it informed of the views common to the mass of their members.

The development of the common market since the speed-up decision of 12 May 1960 and the irrevocable nature of its progress have induced enterprises to hasten the measures they are taking to adapt themselves to the new conditions which it has engendered.

They are concentrating on heavier investment to increase capacity and bring their plant up to date. Mergers and takeovers bear witness to a movement towards the larger unit; specialization is gaining ground and firms manufacturing neighbouring ranges of products are concluding specialization agreements and establishing networks of sales subsidiaries in the six countries.

The tendency to form new companies in which enterprises of two Member States or of one Member State and of one non-member country often have a holding has become stronger in the period under review.

Broadly speaking, these reactions among business circles are borne out in annual company reports. Many of these refer to the development of the Common Market as the reason for investments in hand or planned, or to explain the purpose of financial operations carried out as part of a policy of consolidation and progress within the Community.

66. The effects of the Common Market on supplies to the consumer are so varied that it would seem impossible to summarize them accurately.

What is certain is that prosperity would have grown less rapidly had it not been for the gradual implementation of the Treaty of Rome. One of the features of the adaptation of production and trade to a steadily expanding market is that thanks to the gradual integration of separate economies the consumer is offered a distinctly fuller and more attractive range of merchandise. The primary reason for this is that wholesalers, and even retailers, have sharply stepped up trade across frontiers by fresh contacts, business trips, visits to trade fairs and market research. But it has also been noted, particularly during the past year, that consumer goods manufacturers in the various countries have also shown great initiative in expanding their markets within the EEC.

Several signs confirm this impression:

a) External trade statistics in the Member States show that trade with other EEC countries has been making ever greater strides;

b) Industry is endeavouring to establish a "European style" in the widest sense of the term, this being essential if wide outlets for the production of the different countries is to be secured;

c) Although admittedly still far from complete price statistics show that producers are giving more and more attention to external markets and that with the aim of stepping up their exports, they have been exercising price restraint where these markets are concerned.

But the expansion of trade has also made it much more difficult for national industry, now that import barriers are lower, effectively to impose the price increases it wishes on the market. In this way increased trade has had a stabilizing effect on prices within the individual countries.

67. A sample survey covering several department stores in the Member States bears out these generalizations.

In the opinion of the stores managers questioned, the main effect of the establishment of the common market has been to spur on manufacturers to conquer new markets and to improve production methods. In relation with the cuts in customs duties, these factors are exerting steady pressure on prices, curbing increases and setting in train, or reinforcing, reductions; the effects of the common market on "national" prices are clearly reflected, for example, in prices for the following articles: refrigerators, nylon raincoats, Italian wines, French brandy, woollen blankets from the Netherlands and Belgium, knitwear, etc. In an exhibition "France and the Common Market", one department store has already put on display the various lines it has been able to mark down thanks to the EEC.

68. A number of new trends have emerged in recent years at trade fairs, exhibitions and shows,—often under the influence of trade associations set up at the level of the Six:

a) The noteworthy increase in the number of exhibitors and visitors from the Community;

b) A tendency to organize Community stands for products, branches or sectors;

c) The change-over from national to European exhibitions.

In a joint statement in 1960 the Union of International Fairs and the International Chamber of Commerce advocated that no new national pavilions should be put up and that the present ones should be closed, if possible before the beginning of the third stage.

#### *THE DEVELOPMENT OF INTRA-COMMUNITY TRADE*

69. Although trade flows are strongly influenced by business fluctuations, trends in intra-Community trade also afford clear evidence of the progress made in merging the markets.

In 1961, intra-Community trade in terms of value totalled nearly \$12 000 million. It was up by 16 % over the figure for 1960. This rate of progress was still very satisfactory, although it fell short of those recorded in 1959 (19 %) and in 1960 (25 %). The loss of momentum in the rate of growth of intra-Community trade in 1961, which occurred despite the progressive scaling down of customs and quota barriers, is mainly to be put down to factors connected with the business cycle, and notably to the fact that economic growth in the Community countries was less marked than in the previous years.

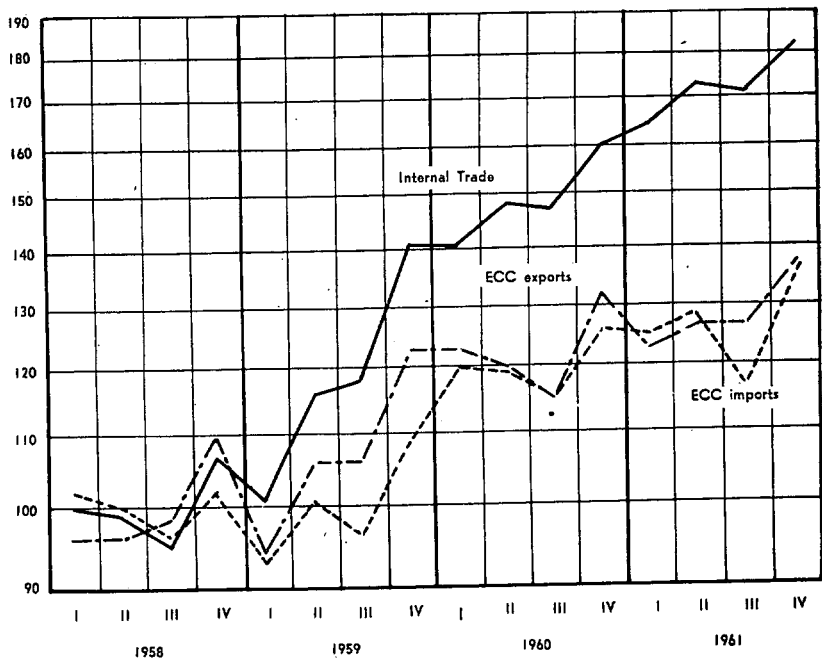
Trade among the Six, however, developed much more vigorously than did trade with non-member countries, which in 1961 totalled \$20 000 million, a 5 % increase over 1960 both in imports and exports. It is true that the long lead gained by intra-Community trade stems partly from the nature of the goods involved: the growth of investment and of consumption has boosted trade in manufactured products—which constitute the lion's share of goods exchanged between the Member States—rather than purchases of raw materials or semi-finished products, which loom large in the pattern of imports from non-member countries. Again, the discrepancy between business trends inside and outside the Community, together with the delayed effects of the American recession, favoured sales in the six countries. It is never-

theless true that the gradual establishment of the Common Market is largely the cause of this disparity. It has undoubtedly influenced the situation by providing more extensive customs preferences, but also by enabling the economic links forged to find practical expression in increasingly heavy business thanks to the prospect of untrammelled frontiers in the future. It should be noted, however, that this development has not prevented trade with non-member countries like the United Kingdom from increasing at an equivalent rate to intra-Community trade.

TABLE No. 3

*Development of EEC Trade*

Quarterly trade index, based on value  
1958 = 100



*Notes:* The index of the value of intra-Community trade is calculated on the basis of import statistics. The indices of the value of EEC exports to, and imports from, non-member countries include EEC trade with the associated overseas countries.

70. A study of trade within the Community reveals varying rates of expansion for imports and exports, but it also shows, by and large, a tendency for levels of activity in the various countries to come closer to the average.

TABLE No. 4  
Rate of growth of trade between member countries  
in 1961 compared with 1960 <sup>(1)</sup>

Importing country \ Exporting country	Germany (F.R.)	France	Italy	Netherlands	B.L.E.U.	EEC
Germany (F.R.)	—	+ 17	+ 23	+ 19	+ 16	+ 19
France	+ 18	—	+ 21	+ 32	+ 16	+ 20
Italy	+ 23	+ 19	—	+ 25	+ 23	+ 22
Netherlands	+ 10	+ 11	+ 3	—	+ 11	+ 9
B.L.E.U.	+ 1	+ 11	+ 7	+ 16	—	+ 10
EEC	+ 13	+ 15	+ 19	+ 19	+ 15	+ 16

(1) Based on the average of the customs returns on both sides of the frontiers. The unit used to calculate the growth rates is the U.S. dollar (unit of account). Because of the revaluation of the mark and the guilder, the rates are higher for West Germany and the Netherlands—except where trade between the two countries is concerned—than they would be if calculated on the basis of the national currencies.

Progress, then, was fairly vigorous in imports of finished products into countries like the Netherlands and the Federal Republic of Germany, where the main features of the business situation were over-employment, a relatively steep increase in costs and a degree of price strain in various sectors of the home market. The revaluation of the florin and the mark has certainly already had some effect on Dutch and German trade with the other member countries. Moreover,

imports into Federal Germany were stimulated in 1961 by fresh cuts in duties (prior to that date the level of German customs duties had scarcely changed because of the time-lag before Community reductions could overhaul those made in 1957 by the Federal Republic in the light of the economic situation). But the steep increase in orders for capital goods from abroad recorded in previous years was still making its effects felt in the first half of 1961. As a result the surplus on Federal Germany's trade balance with the other member countries showed a further appreciable increase in 1961. However, there were distinct signs of a downturn in the second half of the year. The Netherlands' trade deficit with other member countries increased considerably: exports expanded only slightly, whereas imports were up by a noteworthy margin. By contrast, in Italy and in France, where factors working to curtail supply were not so strong, exports to Community countries made more rapid progress than in the other Member States. The result was an increase in the French surplus and stabilization of the Italian deficit, since Italian imports developed considerably in response to an upsurge in home demand. The trade of the Belgo-Luxembourg Economic Union with the other member countries increased relatively little and the Union's trade balance remained more or less in equilibrium.

71. The figures for intra-Community trade broken down by groups of products show wider variations than in 1960. Broadly speaking, the growth tempo for trade in raw materials, fuels and semi-finished products slackened considerably in 1961; by contrast, the increase in finished industrial goods, especially capital goods and transport equipment was only a little less than in 1960. From the second quarter onwards there was a distinct recovery in sales of agricultural products abroad.

Trade in foodstuffs, where variations depend even more on the harvests than on the opening of the markets, was relatively low during the early months of 1961, but there was a definite recovery thereafter. This was due mainly to an increase in exports of products of which there are usually surpluses in certain member countries, such as grain in France and fruit and vegetables in Italy. Intra-Community trade in



TABLE No. 5  
 Movement of trade between member countries  
 by main categories of products (1)

	1959	1960	1961	Increase in 1961 over 1960
	<i>(in millions of u.c.)</i>			<i>(in %)</i>
Food, beverages and tobacco	753.6	942.3	1 030.1	+ 9 %
Fuels	547.0	616.1	603.3	- 2 %
Other raw materials	550.0	733.9	767.7	+ 5 %
Chemicals				
Machinery and transport equipment	417.4	548.5	622.2	+ 14 %
Miscellaneous manufactured articles	2 110.3	2 895.6	3 283.9	+ 13 %

(1) On the basis of import statistics; categories of products based on S.I.T.C. sections. Totals and rates of growth refer to the first three quarters of the year only.

agricultural products was up by about 9 % in value in the first three quarters of 1961 over the figure for the same period of 1960. French and B.L.E.U. exports and Dutch and German imports were the outstanding factors in this overall increase.

Trade in raw materials between the member countries was only about 5 % up in the first three quarters of 1961 on the corresponding 1960 figure. In particular, the drop in output of iron and steel had an unfavourable influence on trade in iron ore, which was down 7 % on the previous year. On the other hand, trade in textile fibres was somewhat higher, mainly because of the rapid growth of purchases by Italy where the steep increase in private consumption and in exports has boosted output in the garment industry. France's growing share in the supply of sulphur to the Community should also be noted.

Intra-Community trade in fuels was effected less than in previous years by the structural disequilibrium of the coal market, and there was even a slight recovery in sales in this sector. On the other hand, trade in petroleum products hardly progressed beyond the 1960 figures. In all, then, trade in energy products between the six countries did not exceed the 1960 level.

The rise in trade in chemicals levelled off appreciably: in terms of value, the increase was only 13 % in the first three quarters of 1961, as against 30 % in 1960. This loss of momentum was due to the slow-down in production and to price reductions in certain sectors of the chemical industry, mainly as a result of sharper external competition. The heavy increase in trade in artificial fertilizers was not enough to offset the decline completely.

On the other hand, the steady and particularly steep increase in investment in the Community led to an even greater expansion of intra-Community trade in capital goods than in 1960. As a growing share of private consumption expenditure for road vehicles, trade between the member countries under the heading "machinery and transport equipment" was up 33 % in the first three quarters of 1961 on the corresponding 1960 figure. For the machine group alone, the increase did not vary much from product to product; for electric machines (including household appliances), non-electric machines and motor cars it was about 30 to 35 %. Exports of motor cars from B.L.E.U., where many assembly firms have stepped up capacity, Italy and especially Federal Germany were appreciably higher, whereas from the Netherlands and France they barely exceeded the 1960 figure.

The rate of growth of trade in the other manufactured products—at about 13 %—was distinctly lower than in the previous year. However, this group includes semi-finished products such as iron and steel goods, which have been affected by the marked running down of stocks in the Community, and also finished consumer goods, sales of which on the other hand have increased vigorously in the main because of the very lively and persistent expansion of private consumption in the member countries. Clothing exports from all the member countries have grown, and this is particularly true of Italy, where they rose nearly 70 % in the first three quarters of 1961.

72. A longer period must, however, be considered in order to bring out the basic trends in intra-Community trade and to appraise the progress made in establishing a large market in Europe. Figures for the whole of the first stage are more instructive in this respect.

The salient feature of the first stage was, without any doubt, the development of more intense trade relations between the Member States. The rate of trade development which, with a 1954-1957 average of 14 %, was already high before the Treaty of Rome came into force, increased distinctly after the lull in 1958 to reach an annual average of 21 % for the years 1959 to 1961. During these two periods, the overall increase in intra-Community trade in terms of value was 53 % and 73 %. The corresponding figures for trade with the outside world were 44 % and 30 %. In every Member State there has been a distinct shift of external trade towards the Community countries.

The Community's dynamic energy has had a favourable impact on international trade. But expansion has been even more remarkable within the Community than without. The recovery in economic activity almost certainly goes far to explain this development.

These facts taken together show that there is a general tendency within the EEC towards a fuller interpenetration of the markets, which both technical and psychological factors, the measures already applied and the prospects offered by the completion of the Common Market have all helped to promote. This trend has so far worked in the direction of expansion. Despite its growth, however, trade between the member countries still accounts for only a relatively small share of total production, save in the Benelux countries. When industrial markets are fully opened and the common organization of agricultural markets completed, we must expect more far-reaching effects in the various branches of the economy, and it is to be hoped that this will lead to the rationalization of activity at Community level: this is a proper objective of economic integration and it is necessary if expansion is to continue.

## CHAPTER III

### TOWARDS A COMMON POLICY

#### Policy on economic trends

##### *THE ECONOMIC SITUATION OF THE COMMUNITY IN 1961*

73. Economic activity in the Community continued to expand in 1961, although—chiefly as a result of labour shortages—at a slower rate. However, the growth of overall demand was also weaker, particularly in the second half of the year.

##### *Demand*

Overall demand in the Community increased somewhat less in 1961 than in 1960; the growth of exports to non-member countries was smaller than in the previous year, and internal demand at current prices advanced at much the same rate as in 1960, though the real increase—at constant prices—was certainly rather less. These results, based on a comparison of averages for the two years, do not give a true picture of the real trend during the year. External demand, which had already ceased to be a factor in expansion by the second half of 1960 and which had continued relatively weak at the beginning of 1961, then recovered till the end of the third quarter; towards the end of the year, however, certain signs of weakness reappeared. The growth rate of internal demand, on the other hand, declined somewhat after the middle of 1961 as fixed investment and—more serious—the accumulation of stocks levelled off. Meanwhile public and private consumption continued to grow rapidly.

The Community's exports in 1961 exceeded the 1960 figures by 5 % in terms of value and some 4 % in terms of volume; the rises recorded in 1960 had been 13 % and 11 % respectively. The recovery recorded during the year was mainly a reflection of the upswing of economic activity in the United States. Developments in Great Britain, on the other hand, did much less to encourage the export trade of the Community. The outstanding feature of business in most of the other EFTA countries was steady and substantial growth. The Community's exports to these countries therefore once again increased substantially as compared with 1960.

After falling off towards the middle of 1960, the Community's exports to the developing countries recorded only a modest growth in 1961. The purchasing power of these countries was, however, fairly limited in 1961, chiefly as a result of the fall in their foreign exchange income in the previous year.

Although the growth of internal demand lost some of its momentum in 1961, it developed faster than did exports.

Fixed investment increased almost as vigorously in 1961 as in 1960; at 9.5% in terms of volume, its growth rate was once again considerably better than that of the gross national product, so that there was further increase in the ratio between investment and gross national product.

Gross fixed asset formation in industry rose somewhat more slowly in relation to the preceding year than in 1960. This was due mainly to the tendency for growth to level off in the second half of the year: investment early in 1961 was still mainly the outcome of industrial investment schemes elaborated and partially implemented during the first phase of the boom—1959 to the middle of 1960; in some countries these schemes had even been revised upward. But various factors emerged later in the year to slow down the pace of investment: the slower growth of profits and less rosy expectations in this field; the effects produced by the revaluation of the mark and the guilder; the rapid growth of capacity in certain branches; and, last but not least, the physical obstacles continuing to hamper growth in certain countries, particularly in the building and construction sphere.

Public consumption and investment expenditure continued to increase in 1961, though on the whole its growth seems to have been somewhat less than in 1960.

Unlike the trend of investment, the growth rate of private expenditure on consumption did not slacken in 1961, and the figure for the full year shows an increase over 1960. Since, however, consumer prices rose rather more rapidly, the rate of progress in terms of volume was about 6%, or about the same as for 1959-1960.

The expansion of private consumption is mainly due to an increase in the disposable income of households, which in turn stems very largely from a substantial rise in total wages and salaries paid. Transfer income in general once again moved up. These factors making for higher incomes for households were more than enough to offset certain effects produced by the smaller margin of profits noted in certain member countries. In agriculture, too, incomes suffered, save in Italy, from the poorer 1961 harvests; in several countries, however, effective support measures were taken by the authorities.

### *Supply*

74. Gross national product in the Community rose by approximately 5.5% for 1961, whereas the corresponding figure in the previous year had been some 7%. The slowdown of the growth rate in 1961 was partly due to inadequate production capacity, but mainly to shortages of manpower in certain countries although demand began to play a rather important part in some sectors in the second half of 1961.

The growth rate of agricultural production was down on 1960. In all Community countries except Italy, yield from crops fell appreciably. By contrast animal products, particularly dairy produce, increased once more.

Industrial production expanded much less than in 1960. The index of the Statistical Office of the European Communities showed a 6.5% increase in 1961 over the 1960 total; in 1960 the growth rate was still 13%.

Growth during the year was also considerably slower. After allowance has been made for seasonal variations, the quarterly figures in 1960 still show an average advance of 2%, but by 1961 the average was only 1.5%. The loss of pace stems mainly from the flattening of the rate of growth in the Federal Republic of Germany since the spring of 1961 and from an actual fall in output in the middle of the year in the Netherlands.

The growth of production slowed down in almost all branches of industry, though for very different reasons.

In some branches, particularly coal mining and shipbuilding, the structural difficulties which had already been in evidence for a long time continued to exert a depressive influence on activity.

In other sectors, a weakening of demand led to a slower rate of growth, or even, as the year advanced, to an absolute fall in output. For example, the cautious attitude to stocks adopted by steel users was the main reason for the downturn in the output of the steel industry since the summer. The growth in the output of textiles was also slowed down by reductions in the stocks held by distributors.

Production in the motor industry, which for the Community as a whole only slightly exceeded the 1960 level, was hit by the very substantial weakening in external demand. The extent to which production suffered varied from country to country, but the growth of internal demand in all the countries taken together was also less vigorous than in 1960.

In the capital goods industries physical obstacles—labour shortages and the high rate at which capacity was being used—acted for the greater part of 1961 as a brake on the growth of production. Towards the end of the year, however, the slowdown in receipts of new orders, already apparent for some time, also seems to have been exerting some influence on the rate at which production was growing, particularly in the Federal Republic of Germany, although there was still a heavy backlog of orders.

Chemicals were affected by some slackening of demand caused in part by stiffer competition from external producers on Community

markets. Output was none the less 7% above the figure for 1960, which itself had shown the exceptional rise of 20% over the 1959 figure.

For the first time for almost ten years, the contribution to the domestic product made by the services sector grew more rapidly than that of industry. This development certainly stems from the fact that on the supply side of some services fields noteworthy progress has been made in mechanization and rationalization of work, and from the fact that others could offer more attractive working conditions than industry, so that they succeeded in securing a bigger share of the available manpower.

Undoubtedly, the exceptionally vigorous growth of the demand for services was also important. It is clear, too, that the structural trend towards a greater share for services in total expenditure on private consumption has gathered pace.

The number of hours worked appears to have increased only slightly. It is true that the number of wage-earners again rose by about 2%—roughly as much as between 1959 and 1960—but slightly fewer hours per worker were recorded. In some member countries—Netherlands, Federal Republic of Germany and to an increasing extent even in France—manpower shortages presented an obstacle to any more vigorous growth of output.

The strain on the labour market made companies reluctant to dismiss staff in the sectors where demand had weakened. This was the main reason for a less marked improvement in productivity than in 1960, particularly in industry. Here output per manhour rose by approximately 4%, whereas the rise in 1960 had been 7%. Since, however, the number of hours worked in industry increased only 2% in 1961, two-thirds of the increase in output was none the less due to the rise in productivity.

Migration within the Community and immigration from outside made a substantial contribution to the increase in the total number of persons employed and to a further appreciable reduction of unemployment in those countries where this was still possible. Italy in particular benefited, although here the leading factor in the decline of unemployment was the growth of national production.



*The balance of the markets*

75. Partly as a result of the weakening in the growth of overall demand—in particular of stock accumulation—and partly because of the slowdown in the progress of internal production, the Community's imports rose a good deal more slowly in 1961 than in 1960. Purchases from non-member countries were only 5% in value and 6% by volume above those of 1960, a year in which they had been 20% by volume and 21% in value above the 1959 figures.

Trade between Community countries tended, generally speaking, to increase supplies and once more helped to reduce the gaps between levels of economic activity in the Community. There again, however, the slowdown in the economic expansion of the Community made itself felt. In terms of value intra-Community trade in 1961 was some 16% (in terms of volume some 15%) above the 1960 figure. The year-to-year figures for 1959 to 1960 were 25% in value and 24% by volume <sup>(1)</sup>. None the less, the expansion of trade between Community countries was again substantially greater than that of external trade. At the same time the ratio between the growth of internal trade and the increase in industrial production within the Community was again considerably higher than in the years before the Treaty of Rome came into force.

Despite the appreciable improvement in the terms of trade, the Community's trade position (calculated from customs returns) deteriorated a little: there was a deficit in 1961 of \$29 million, where there had been a surplus of \$59 million in 1960.

Though the surplus on services improved in France and Italy, it declined in the Federal Republic of Germany and, to a lesser extent, in the Netherlands and the Belgo-Luxembourg Economic Union.

All in all, however, it would seem that the Community's surplus on current account was much the same as in 1960.

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(1) Growth figures for 1959 to 1960 have been adjusted in order to make allowance for the statistical effect of the economic reunion of the Saar with the Federal Republic of Germany.

The surplus on the overall balance of payments declined appreciably in 1961 as a result of heavy exports of capital. Though the influx of short-term capital already noted in 1960 continued at the beginning of 1961, the end of currency speculation and the maintenance of a policy of moderate interest rates in the Community halted this trend later in the year. In addition, political events in Germany in the summer of 1961 led to a certain outflow of capital and official exports of capital were appreciably higher than in the previous year, because of further advance repayments of debts to non-member countries, of an increase in development aid and of the participation of Community countries in the International Monetary Fund's credit for Great Britain.

In 1961 the Community's money and capital markets benefited very considerably less from transactions abroad than in 1960, when the inflow of funds had been particularly strong. At times, particularly in the second half-year, there was evidence of shortages, especially in the Netherlands, Italy and the Federal Republic of Germany, and this led to a strengthening of interest rates. In these countries, with the exception of the Netherlands, these temporary shortages were also due to the activity of the public authorities, whose transaction sometimes had the effect not of increasing the supply of funds but rather of mopping it up or at best of not affecting it, while the industrial demand for credit rose sharply because of the growth of investment, of sales and of the considerable rise in wages, which in some member countries tended to narrow profit margins.

In the other member countries market trends, particularly balance-of-payments surpluses, continued to increase liquidity, with the result that interest rates tended downward. In the autumn the pressure which had been affecting the employment market and prices led the monetary authorities in France to request the banks to exercise restraint in making advances, and towards the end of the year they reinforced this step by raising the liquidity ratio with effect from 28 February 1962. In Belgium, where the balance-of-payments situation, unlike that in other countries, continued in the first half-year to provide an argument for a relatively high rate of interest, a gradual scaling down of Bank rate began towards the end of the year, when there had been an improvement in the balance of payments.

In 1961 Community prices, which by and large had been reasonably stable in 1960, moved upward despite the slowdown in the growth of overall demand and the continued weakness of raw material prices. An increase in agricultural prices played an important role in this trend.

In some member countries the prices of industrial goods increased rather more than they had done in 1960. There is much to suggest that the upward movement in costs per unit of output was very much responsible for the rise in prices at a time when the rate of growth in demand was slowing down. At any rate the rise in wages in almost all the member countries outstripped the concurrent growth of productivity.

In the services sector, too, prices rose once more, though here the rise is in part the result of a long-term trend.

#### THE OUTLOOK FOR 1962

##### *Demand*

76. The economic outlook for the Community in 1962 indicates fresh growth, but also that the pace will continue to slacken. There might well be a slight weakening in the expansion of overall demand.

External demand is not likely to increase much faster than in 1961, despite better sales prospects in the United States. Undoubtedly orders from abroad might again gather some momentum, and exports may very well be boosted by a slackening in the growth of internal demand, particularly for capital goods, and by the expansion of production capacity in the Community. It must on the other hand be remembered that the relationship between wages and productivity has in some countries been developing less favourably than in leading non-member countries and tending to reduce the competitiveness of Community industries, with the result that exports may suffer.

Domestic demand might well slacken in pace, especially in the fixed investment sector. A somewhat lower rate of expansion may also be recorded in private consumption.

Gross fixed investment by enterprises will as a whole advance more slowly than in 1961. The decline will be particularly marked in Germany. In France investment by publicly-owned undertakings will rise more rapidly than in 1961, but this will not fully balance the slower expansion that is expected in investment by private enterprise.

Several factors may lie at the root of the weaker expansion in private investment activity, their influence varying from one country to another. Factors with an adverse effect include the pressure on profit margins in certain countries, stemming from wage rises which exceeded the improvement in productivity in the same period, and from the progressive incidence of direct taxation. Another factor in some branches was the steep rise in investment and capacity despite the fact that the proportion of idle capacity in 1961 was already higher.

On the other hand, the propensity to invest is still being influenced by other positive factors: the outlook for goods and services for private consumption is set fair; activity should again be stimulated by better export prospects in the USA; the common market offers expanding markets, but also keener competition. Yet another factor is the shortage of manpower and the effort required to combat the rise in unit labour costs by rationalization.

Investment in building and construction will in 1962 more or less maintain its slow growth rate. This is limited in most member countries not by demand but rather by the physical factors governing supply. The number of building permits issued in certain countries during the second half of 1961 suggests some slackening in the demand for industrial and commercial buildings, comparable with the reduction to be expected in fixed investment by enterprises. But in housing the increase in effective and future demand shows little sign of slackening, while the volume of public investment in building and construction is certainly going to rise considerably.

Private consumption may advance rather less briskly than in 1961. Although wages will, continue to rise substantially, this movement will probably lose some momentum if the Community is taken as a whole. Moreover employment, expressed in the total number of hours worked, will rise much more slowly, since the total of persons in employment

can hardly move up as sharply as in 1961, while further slight cuts may well be made in the number of hours worked per person. Finally, the continuing pressure on profit margins cannot fail to have some effect on the disposable incomes of private households, which on balance should advance more slowly than in 1961, although transfer incomes (pensions, annuities and allowances) once more show a considerable rise. This means that, if there is no great change in the rate of savings by households, the year-to-year growth rate might well be 5% by volume, as against fully 6% in 1961.

Finally, public expenditure on investment and consumption, according to the budget estimates for 1962 now available, will again be stepped up considerably, probably at a somewhat faster rate than in 1961.

### *Supply*

77. Growth of industrial production <sup>(1)</sup> for 1962 is estimated at roughly 5.5%, which would be a little less than in 1961. Physical limitations, above all labour shortages, will continue to act as a brake on output in some countries and sectors. Moreover, the trend in demand will have an even more decisive influence than in 1961. In view of the probable weakening of demand a slower rate of growth can be expected in the capital goods industry and its ancillaries. The slowing down in the rate of industrial output as a whole may well affect the consumption of energy. On the other hand, growth rates similar to those of 1961 will probably be recorded in the consumer goods industries.

In view of the considerable further rise expected in consumption and the estimated increase in trade with non-member countries, the growth of activity in the services sector should be only slightly less than before.

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<sup>(1)</sup> Based on the Index of the Statistical Office of the European Communities; excluding foodstuffs industries and building and construction; the contribution of industrial production to the gross product of the Community will certainly decline in volume.

In these circumstances and under normal weather conditions, which would bring about a steeper rise in agricultural production than in 1961, the total real gross national product in the Community would be up on the previous year by 4.5 to 5%.

Such growth should be possible not only because of the future development in total demand, but also in the case of overall productivity increasing at a rate similar to that of 1961. Employment in the Community as a whole in 1962 can hardly be stepped up more rapidly than in 1961. For one thing there will be a smaller natural increase in the working population, while labour reserves have sunk so low in some countries that it will hardly be possible to achieve any further reduction of importance. These difficulties will be most pronounced in West Germany, where no increase in the working population can be expected from the natural demographic trend and where further cuts will probably be made in the working week. In the other member countries, on the other hand, it is still possible for the numbers in employment to be increased, sometimes more, sometimes less.

#### *The balance of the markets*

78. Community imports from non-member countries will in all likelihood continue to grow at about the same low rate as in 1961. On the assumption that managements will still follow a fairly cautious stock-building policy in the first half of 1962, imports of industrial raw materials will probably still be rather modest. Even if these later show a recovery, the total for 1962 is not likely to exceed the 1961 figure by very much. Purchases of foodstuffs and agricultural products in the first half of 1962 are, on the contrary, sure to be well above those for the corresponding period of the previous year. The slackening in the growth of internal demand will probably entail a loss of momentum in imports of industrial products, but these represent only a third of the Community's imports from non-member countries.

Trade within the Community will continue to have a salutary effect on the equilibrium of particular markets and on the differences

in level of economic activity between the various member countries, while at the same time boosting investment and output. It may well continue to advance, but again more slowly than in the previous year.

From the point of view of general equilibrium, a reduction in the pressure on prices seems possible in 1962. However, since the rise in costs registered in 1961 can be expected to continue in 1962, while agricultural prices are also expected to advance, the general price level will still tend to rise, although the increase may turn out to be less than in the previous year.

The prospects outlined above for exports and imports of merchandise indicate that the Community's balance of trade is likely to deteriorate slightly. This is based on the assumption that the terms of trade will not improve as much as in 1961. Nevertheless, the overall balance of current transactions should continue to show a definite surplus, but this may be smaller than in 1961.

It seems fairly certain that the Community's overall balance of payments will again show at least an appreciable surplus in 1962. As for movements of private long-term capital, hardly any decisive change in trend can yet be expected, despite the measures envisaged in the United States to encourage capital investment at home and to curb the tendency to export private capital to the industrial countries.

The balance should again be in the Community's favour. However, the "basic balance" may be offset, as in 1961, by more or less artificial public exports of capital—artificial because they result from special government decisions and are in part financed by credits from the Central Banks. It looks, however, as though such transactions in 1962 might be on a smaller scale than in 1961. Exports of capital as part of development aid will, on the other hand, probably be stepped up.

#### *ECONOMIC POLICY*

79. In 1961 the member countries of the Community endeavoured to advance further towards the economic and political aims set out in Articles 2 and 104 of the Treaty of Rome and especially to do so by

means of a closer co-ordination of their economic policy. Although they were successful on the whole, certain countries found it difficult to achieve some of these aims, falling short of the objective of price stability in particular.

Considerable growth was recorded in the economic activity of the Community as a whole; in 1961 the Community gross "national" product rose by about 5.5% in real terms. This was less than in the previous year, but it should not be forgotten that the cause was not any lack of dynamism, but to a large extent the scarcity of the factors of production. In the Netherlands the relatively slight increase in the gross national product (2.5%) is particularly attributable to labour shortage and the reduction of the working week.

In B.L.E.U., whose economy is engaged to a very large extent in foreign trade, the slowdown in exports to countries outside the Community made itself more keenly felt than in the other member countries, so that the gross national product in Belgium and the Grand Duchy of Luxembourg rose by only 3.5%. In France, West Germany and Italy, on the other hand, expansion was again very marked and the gross national product in these countries went up by between 4.5% and 5%, 5.3% and 7.5% respectively.

Moreover the economic growth and the increase in the share of private consumption in total expenditure in 1961 fostered an appreciable rise in consumption by private households. As in the previous year this rose by 6% in terms of volume, while per capita consumption went up by about 5%. The cost of living, measured in goods and services, rose considerably, while at the same time there was a further fall in the number of hours actually worked in some Community countries.

Nearly all member countries managed to attain full employment and West Germany and the Netherlands even experienced overemployment once more, as in the previous year. The labour market in France, where a high level of employment was reached as early as 1960, began to show marked signs of strain. Unemployment fell appreciably in Belgium which now has almost full employment, and in Italy which still has large reserves of manpower, and of unskilled labour in particular, in the southern regions.



After remaining more or less stable in 1960 prices rose in the Community as a whole, although to a varying extent from country to country. However the rises can partly be put down to the trend in agricultural prices. In the second half of 1961 these suffered as a result of indifferent harvests in all the countries with the exception of Italy.

Although the rise in prices had unfavourable effects from the point of view of the domestic economy, higher costs, on the other hand, tended to bring down the surpluses on the balance of current transactions, particularly in Federal Germany and the Netherlands.

The balance of payments took a turn for the better in 1961. Although the surplus recorded on the balance of current payments in 1960 fell by only a little, the balance of capital transactions was much less than in the previous year. Consequently the gold and foreign exchange reserves held by the monetary authorities in the Member States rose by only 1 200 000 million dollars in 1961 as against 3 300 000 million dollars in 1960. At the same time there was on balance a slight fall in the net foreign assets of banks as compared with an appreciable increase in 1960.

The favourable economic trend undoubtedly made it easier to attain certain of the Treaty's objectives, but at the same time it also caused some difficulties, particularly as regards payments, balances of prices and employment.

80. The economic policy measures taken in 1961 to cope with these difficulties were, of course, mainly adopted on the initiative of the Member States, but the actual principles of this policy were frequently discussed at meetings of the relevant bodies of the Commission, particularly the Monetary Committee and the Economic Policy Committee. In some cases the Commission recommended action on a Community basis which was then carried out by the countries concerned.

With production capacity limited and labour in short supply, the expansion of demand, particularly in the first six months, engendered a strain on the domestic markets of several countries, especially West Germany and the Netherlands.

The revaluation of the mark and the guilder helped to ease this strain and to curb rising prices, while making it easier to reduce the current payments surplus.

Despite these measures the strain on the labour market in these countries hardly eased while in other Community countries, such as France and the Grand Duchy of Luxembourg, it even became more intense. It therefore proved necessary to stimulate migration of labour within the Community on a greater scale and to speed up vocational training. This was done largely on the basis of recommendations made by the Commission. Fresh efforts were therefore made from two quarters to strengthen movements of labour. The entry into force on 1 September 1961 of Regulation No. 15 and of the Directive on the free movement of workers now make it possible to study these problems from a Community point of view. <sup>(1)</sup>

In the Commission's opinion, as expressed on several occasions steps to curb the expansion of internal demand would not have been wise, despite the continued existence of economic strain, since they would have swollen the Community's balance-of-payments surplus—already considerable in 1960—with consequent adverse effect on international liquidity. In general the Member States' monetary policy did not deviate very far from this line.

With the exception of Belgium, where the trend in the balance of payments in the first half of 1961 caused the authorities to maintain rather high interest rates (these were lowered towards the end of the year and at the beginning of 1962) the Community countries followed a policy of relatively easy credit which helped to counter the inflow of short-term capital. The Member States' budgets, on the other hand, had by and large a more restrictive effect on the flow of income than in 1960, since the budget balances rose mainly as a result of the increase in fiscal revenue stemming from greater economic activity. However, income was not affected on a scale large enough to slow down the expansion of demand to any great extent.

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<sup>(1)</sup> See also further details on the free movement of persons, services and capital (sec. 27 to 45) and on social policy (sec. 142 to 155).

Rather than adopt a policy to curb demand, the Member States sought to encourage the expansion of supply, chiefly by using the above-mentioned measures with regard to employment. A similar effect was obtained through the measures pursuant to the decisions to speed up implementation of the Treaty of Rome, in particular those which took effect on 1 January 1961: the reductions in customs duties between the member countries and the approximation towards the common customs tariff reduced by 20%. In April and September 1961 France supplemented these measures by introducing before the due date reductions in customs duties to be set against the reductions between the Member States on 1 January 1962.

81. The prospects sketched in this report reveal certain problems arising from the present economic situation and from the developments expected in the rest of 1962.

These problems are:

- i) A tendency for demand to lose momentum in some countries and some branches of industry;
- ii) Combined with the above, a continued shortage of labour—especially of skilled manpower—which may incline to diminish in some countries, but become more significant or acute in others;
- iii) An almost general, though not evenly spread, tendency towards higher prices;
- iv) A continuation of the tendency towards balance-of-payments surpluses.

82. The slower expansion of overall demand in most Member States undoubtedly has, when the drop is not excessive, certain favourable aspects in some of them. This is particularly evident in those countries where the pressure on prices is in the last resort due to high balance-of-payments surpluses and the resultant over-encouragement of investment in this last few years. The pressure on costs already visible in some countries in 1961, and which is likely to continue in 1962 is in greater or lesser degree a direct consequence of this development. If in these countries external trade surpluses and the expansion of internal demand both show a tendency to decline, as they do particularly in West Ger-

many, this is to be welcomed from the point of view both of the international balance-of-payments situation and of the domestic economic situation.

With the usual time lags the quieter strain, and continued expansion in the other Member States, will work for a better harmonization of the level of business activity throughout the Community.

Great care should however be taken that the expansion of investment does not slow down too much or even come to a halt. Otherwise, and in particular if such a combination of circumstances were to prevail in one or more major countries of the Community, important economic stimuli would be lost, not only for other countries of the Community, but also for the non-member countries; the main reasons for this would be that in such a case the Community's imports would not rise enough and that with productive capacity not fully used to supply domestic needs, there might be renewed emphasis on exports.

It is therefore not possible to counteract labour shortages and excessive increases in incomes and prices by general measures of restraint in the financial and credit fields; these measures would moreover have a direct and undesirable effect on the balance of payments. This does not exclude prudent guidance, or even the imposition of restraints in individual sectors such as building, but on the whole financial and credit policy must contribute to an adequate expansion of overall demand or create favourable conditions for such expansion. It can be said that current trends in the cash position of the public authorities, future developments in this field, as far as they can be deduced from the budgets for 1962, as well as the monetary and credit policy pursued by the monetary authorities of the Member States are in general fully consistent with these requirements.

Should it in the course of the year appear that in one or other of the Member States the cash position of the public authorities does after all have unduly restrictive effects—perhaps because of delay in executing public investment programmes—the appropriate corrective measures would have to be taken in good time.

83. As to the labour market the outlook for the various member countries keeping in mind the trend towards a better balance in the

levels of business activity points to a slight easing of the manpower situation in West Germany and the Netherlands. On the other hand, the situation may well tend to become more acute in France and also in Italy, though here perhaps the shortage may be largely confined to skilled workers. Despite the tendency for the shortages of labour to level out, it is evident that they are still a fairly general problem, by which the northern areas of the Community will continue to be the most affected. It should be countered by a further increase in internal migration and especially by a considerably broader and more active development of vocational training. (1) Obviously measures to increase the availability of labour also tend to check the rise in prices, which in present conditions is in part due to the persistent rise in unit costs and to the fact that firms are endeavouring to keep up their profit margins as much as possible.

Under present circumstances, the problems of wages policy cannot be left out of any discussion on economic policy. Any wage increase which appreciably exceeded the concurrent rise in productivity could set in train developments which may not only cause prices to rise, but may have a generally depressing effect on economic activity—the results will depend on the reactions of employers and developments on the capital markets. Rising prices may lead to a reduction of real demand, and where price increases are ruled out by stiffer competition, especially from foreign competitors, there will be direct pressure on profit margins.

84. It is true that in the boom of 1959 and 1960 profits rose appreciably and that in industry at least wages for a time lagged behind. Another aspect of this development was the higher ratio of investment to consumption in the Community; this in turn has been a decisive factor in the vigorous economic expansion of recent years. It was consistent with the ratio between the increase of productivity and increases in wages that self-financing should have accounted for a considerable part of the rapidly rising investments.

85. It is, however, possible that businessmen, many of whom have throughout the period of post-war reconstruction been used to ample

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(1) See Chap. III, sec. 152.

facilities for self-financing, might in time react to any narrowing of the profit margin on sales by slowing down the expansion of their investments or even by making actual reductions. There is a chance of this happening even if profits do not fall in absolute terms but rise more slowly than before and more slowly than wages.

The threat of an excessive squeeze on the growth of investment will be particularly serious if the outlook abroad is assessed with less optimism because of the economic trends prevailing throughout the world and of changes in the sphere of costs, if the expansion of capacity is felt to have been perhaps too rapid after all and if competition from abroad increases appreciably. Of course businessmen may even so be ready, despite the more limited possibilities for self-financing, to go ahead with investments that have been put in hand or decided on, using more borrowed funds both in absolute terms, and in relation to the degree of self-financing. An example of this is to be found in the figures from the Federal Republic's national accounts for 1961, which show that despite the increased share of wages in the national income, there was a considerable growth of investment by enterprises in which the amounts of borrowed money rose considerably in both absolute and relative terms. At the same time a perceptible reduction of the propensity to invest is reflected in the volume of domestic orders received by firms manufacturing capital goods and in the number of permits issued for industrial and commercial building.

The information available in the other countries is less complete, but there are signs that similar, if in some cases less pronounced, tendencies might be developing in some of them.

Whether businessmen will, despite reductions or the threat of reductions in their profit margins, continue to plan for increased investment must, of course, depend on the conditions and the outlook on the capital market. These are not everywhere particularly favourable. In many cases the banking system has ample funds at its disposal and the prospects of obtaining short-term or medium-term advances are not at all bad. But as an alternative to the use of one's own money this form of credit leaves much to be desired. What managements will prefer is cheap, long-term capital, in other words genuine savings. The present

outlook scarcely suggests that the supply of such capital will increase enough for managements to maintain an appreciable expansion of investment by using borrowed funds of this sort. In fact it is perfectly possible that certain strains may develop on the long-term capital markets. In countries such as Germany, where interest rates on the capital market are for "structural" reasons relatively high—one of the reasons being the methods used to finance part of the residential building done—this gives rise to difficulties which are far from negligible.

It may be possible to deal satisfactorily with these problems if workers are ready to increase their present level of savings by adding that part of any wage increase which exceeds the concurrent rise in productivity and diverting the money to the capital market, and if at the same time managements are ready to accept the ensuing (relative) reduction in the growth of their own wealth in favour of the growing wealth of the workers without making large-scale reductions in the expansion of their investments. It could then be argued that the wage increases concerned were neither detrimental nor beneficial to economic growth. There would probably be occasions where they would be thoroughly welcome from the angle of greater justice in the distribution of wealth.

Faced with such a trend, it might seem advisable to encourage saving by workers through state action in the form of tax reliefs or savings bonuses. Such action is advisable not only in order to obtain better distribution and higher levels of investment, but also for reasons of price policy—in view of the expansion of total incomes and the possible trends in prices to the consumer. In view, however, of the savings habits of workers and of obstacles which in certain countries prevent the capital markets from absorbing rapidly enough the increase in workers' savings, it is likely that the results obtained would be limited.

It will take some time before these conditions—readiness of managements to use a larger proportion of borrowed capital and of workers to increase their savings—are sufficiently realized. Correspondingly it will during this time be advisable to recommend a certain degree of moderation in wage increases; this would restore the balance between

increases in pay and the rise in productivity, and so assist in maintaining adequate growth both in investment and in the national product as well as reasonable developments in the price field. It will seem preferable to have a comparatively rapid economic expansion combined with a reasonable stability of prices rather than stagnation or even recession, coupled with either underemployment of the factors of production or a period of comparatively rapid price rises, or both; this would seem to be true even if the distribution of wealth were not as satisfactory as one could wish. Care should of course be taken to see that the restraint exercised by wage-earners is also observed as regards the income of other social groups. It is especially to be desired that increased expenditure on consumption out of revenue from business and property should be kept strictly within bounds so that the share of profits ploughed back into business, and other forms of saving, would benefit and that such increased expenditure would thus foster investment.

Nor is it possible entirely to ignore the limits placed on price increases by the need to be internationally competitive. The margin offered by the surpluses in the balance of payments is still considerable, but it is already showing distinct signs of shrinking. Anything which reversed the present situation would quickly be followed by a contraction in the economic growth of the Community.

It is, however, hardly possible to confine co-operation in wage matters entirely to questions of pure wage policy. In view of the interdependence of economic phenomena such an attempt would be meaningless. There might therefore be meetings between both sides of industry and the Government, as is already the practice in the Netherlands and as is being attempted in France; at these meetings the range of possibilities and the decisions to be made in the whole field of income policy and growth policy is defined and discussed in relation to the national accounts and to relevant material concerning the economic outlook and the policy envisaged by the Government. Such meetings might produce agreement on a line for wages which, in the circumstances of today, might be reasonable for all concerned and for the economy in general; this would be a line which succeeded in preventing excessive price rises without hampering economic growth.



86. Of course the tendency for price levels to move slightly upward is not exclusively due to the fact that wages have been rising faster than productivity; in part it stems from decisions taken by Governments or parliaments in such fields as agriculture, adjustment of controlled rents and public services, in particular transport rates.

Action can and should be taken to counter rises in the level of prices by increasing the supply of imported goods. Advantage should be taken of any chance to increase imports from other member countries. For the Community as a whole this will certainly not be detrimental to business activity, and in particular markets it can eliminate tendencies for prices to rise. In this connection attention should be drawn to the impact on prices of the speed-up in the general removal of barriers to trade within the Community, and to the possibility of individual countries deciding in their own interest to take "advance action" on a substantial scale.

In addition, it seems advisable to continue and intensify the liberal policy for imports from non-member countries. This seems to be not only feasible but even desirable from the angle of the balance of payments too, where the outlook suggests a continued high level of Government transfers of capital abroad. The slower increase in the total official gold and foreign currency reserves of the Member States which occurred from 1960 to 1961 was largely due to special Government payments, such as advance debt repayments or the credit granted to Great Britain through the International Monetary Fund. If Government transfers of capital abroad were in 1962 to be considerably lower than in 1961, reserves might rise again, despite the small decline that is likely to occur in the Community's surplus on current account.

There is no conflict between these suggestions for more active encouragement of savings by workers and the line along which it is hoped the balance of payments will develop. Clearly, it is only a matter of a changing share in the formation of monetary wealth, such a policy supporting on the whole the expansion of investment demand and thereby of economic activity in the Community.

The new stage which the Community has entered in its advance towards economic integration implies that further progress in various

fields covered by the Treaty of Rome must go hand in hand with closer co-ordination of economic policies.

87. In this respect the primary need is for further progress in the work of analyzing economic developments, especially the prompt publication of complete and comparable statistics, including the national accounts *ex post*. In these matters action should be taken to hasten the establishment of closer and more effective co-operation between the appropriate departments of the Commission on the one hand, in particular the Statistical Office of the Communities, and the authorities in the member countries on the other.

In collaboration with the appropriate authorities and institutions in the Member States the Commission has already made considerable progress in the analysis and forecasting of economic developments by means of business trend surveys: a joint survey has been introduced, which puts five questions every month, with an additional question once a quarter. The use of the EEC trend survey has been formally agreed or accepted in principle by five Member States.

It has been in operation in the Federal Republic of Germany and in Italy since the beginning of 1962. France, where certain technical factors are holding up the arrangements somewhat, will follow suit in the spring, when it should be possible to introduce the survey in Belgium also. In Luxembourg, however, the survey will be breaking entirely new ground, whereas in the other member countries it can be grafted into existing practice. Only in the Netherlands has it not yet been possible to secure the co-operation of the appropriate services.

Clearly such trend surveys, carried out from a common standpoint and in a comparable manner, are extremely useful; not only do they improve the quality of this form of analysis in the Community, but they also help the participating firms themselves, which in return for the information they supply, obtain figures covering their branch of industry in each participating Member State and in the Community as a whole. This usefulness will increase when in the course of time the questionnaire is expanded and subdivisions are made, referring to particular products. The results of the survey will be published by the

Commission in due course, after they have been operating for a while and some experience has been gained—and subsequently at regular intervals in summarized form.

88. Further considerable progress is also in sight in the co-ordination of economic policies. Early in 1962 the Commission proposed that the practice of preparing each year a general economic forecast, already adopted by the Governments of some Member States, should be extended to all Community countries in the form of detailed estimates covering all parts of the economy. The Economic Policy Committee welcomed and supported the proposals made by the Commission. There has already been a meeting of experts to discuss the technical problems involved and agreement has been reached on a framework for the forecasts to be made by each country. Although further efforts are required before the results are really comparable—progress here depends largely on the success in the endeavours to harmonize statistics *ex post*—it will probably be possible to have such general economic forecasts for 1963, covering each of the member countries, available by about the end of 1962. Later, preliminary estimates for the most important sectors are to be prepared each April for the subsequent year. The general economic forecasts are to be brought up to date every six months.

These general forecasts will contain not merely estimates in the form of figures, but also comments on existing policy in connection with the estimates, or on any plans or possibilities for policy in this connection. They are therefore more than just a valuable means of improving the analysis and prediction of economic developments; they will facilitate the domestic co-ordination of economic policy in the individual Member States and make it easier for them to co-ordinate the joint action to be taken in the economic field. Obviously the confrontation of general economic forecasts of this sort will make it easier to see what practical effects will be produced in the other countries of the Community, in the Community as a whole and in non-member countries by the economic developments occurring in each of the Member States and by the economic policy it pursues; it will also make it easier for the Member States to align their policies more and more closely on a common policy. At a later stage the preparation of harmonized fore-

casts will make it possible to draw up forecasts for the whole Community, and these in turn can supply the technical basis for a more effective co-ordination between the Community and the major non-member countries.

Unlike the general results of business trend surveys, the general economic forecasts are not, for the present at least, to be published.

89. It is becoming more urgent to devise, develop and install machinery for influencing economic developments as further progress is made in other sectors of economic integration and common policy, for which the Treaty generally provides in more concrete and more mandatory terms. The Monetary Committee and the Economic Policy Committee have for some time been studying the weapons available in the field of liquidity and credit policy, and, at the Commission's request, the policy that could be followed in the event of a recession. The Economic Policy Committee is also dealing with the problem of price increases and the means by which undesirable trends towards higher prices could and should be countered.

All these studies are important from the point of view of the present economic situation and for further developments in 1962. In this context a few remarks on anti-recession policy may be called for. As the outlook for 1962 given in this report shows, the Community has, it is true, to expect some little decline in expansion, which may be rather more marked in some member countries than in others; but the conditions which are typical of the present situation and will, probably, remain typical of 1962 as a whole, are such that action should be taken to prepare for all eventualities. It should be noted that "eventualities" does not necessarily mean recessionary trends only, but may include protracted stagnation or a much too sluggish economic expansion, leading to regrettable underemployment of the factors of production.

Not all these studies have yet been completed by the Committees referred to. Nevertheless the knowledge gained so far of the weapons available to carry out economic policy, the conditions in which they can be used, and their importance for a common policy has already begun to bear fruit. Several Member States have found it necessary to extend

or improve the weapons at their disposal, and on the basis of the information already available the Commission is in a position to suggest further appropriate measures.

90. The Parliament held several debates on the economic situation of the Community and economic policy.

At its session from 26 to 29 June 1961 it formulated a resolution inviting the Council, the European Commission and the Governments of the Member States to bring about as soon as possible the conditions necessary for an effective co-ordination of economic policy and requested the Commission to submit a report stating how far the recommendations contained in the resolution of 17 May 1960 <sup>(1)</sup> on the economic, regional and structural aspects of the Community's long-term policy had been taken into account.

As its session from 20 to 22 February the Parliament held an important debate on the economic situation of the Community in 1961 and the outlook for 1962 following a statement by the Commission on this subject at the previous session from 22 to 25 January 1962. It adopted a resolution on the Commission's statement inviting the Commission to submit a report to it on the consequences for EEC of the economic expansion envisaged by the OECD <sup>(2)</sup> and looks to the Commission to study from the angle of co-ordinating national economic policies, wage policies in the Member States, the demand for investment goods and the effects of oligopolistic markets in order to work out any necessary re-orientation of wages and price policy. The Parliament recalls its frequent requests that forecasts on economic developments be improved and standardized in form by Community services established for this purpose and that a long-term economic policy be worked out for EEC. It asks the Commission to note that any active regional policy pursued by the Community must cover agriculture as well as industry and contribute towards remedying the shortage of manpower. Finally, it stresses that in its economic policy the EEC has a certain responsibility with regard to economic progress in the developing countries.

<sup>(1)</sup> Fourth General Report, sec. 218.

<sup>(2)</sup> See below, Chap. V, sec. 214.

## Development policy

### *STUDY OF STRUCTURES AND LONG-TERM ECONOMIC PROJECTIONS*

91. In order to acquire the information necessary for a harmonious development policy on the structural and regional planes the European Commission has made various studies covering long-term economic projections and the problems of the different sectors of economic activity.

The primary need of the various specialized services preparing a common agricultural policy, studying manpower problems or framing a co-ordinated energy policy is for reasonable forecasts of growth in all six Community countries over the next ten years. Speaking more generally it lies with the Commission to study the problems that the gradual implementation of the Common Market may set for firms and for the framers of economic policy. The nature and importance of these problems are directly bound up with the Community's future rate of expansion.

Hence the European Commission has therefore, with the aid of independent experts, been studying general forecasts of expansion. In an initial phase the experts put forward figures for their respective countries based on estimates of the trend in the labour force and productivity. These figures were then collated to obtain growth forecasts for the Community as a whole. As the work stands at present these forecasts indicate that the gross national product in the Community will rise over the 1960-1970 period by between 53 and 60% according to the initial premises accepted.

Structural policy should be based not only on reliable forecasts of future expansion but also on a more accurate assessment of trade between the productive sectors. The European Commission has endeavoured to have the methods used in the Community more completely standardized for analyzing trade between industries. It has also decided to draw up tables at the structure of sales and purchases in some sixty industries.

All this work must now be geared to the overall 50% expansion target for 1960 to 1970 which the first Council of Ministers of OECD decided to set for the member countries of that Organization. (1)

The European Commission, whose studies are already being used in apportioning the OECD target over the different countries will pay close attention to the implementation of the Ministers' resolution by the various OECD institutions.

In addition the studies of the sectors of industrial activity have been carried out in accordance with the method described in the previous General Report. The internal study groups set up to prepare monographs of these sectors and to study the specific problems of the different industries have made considerable progress.

#### ENERGY POLICY

92. The European Commission's work on energy matters has proceeded on two different lines. In the first place the Commission is going ahead with the gradual implementation of the common market for crude petroleum and petroleum products, in accordance with the provisions of the Treaty. Secondly, in co-operation with the Executives of the ECSC and Euratom, it is seeking to define the aims of the common energy policy which in the long run is to replace the policies now followed by the various governments.

##### *Implementation of the common market in petroleum*

93. In 1961 the Commission continued its appointed tasks in the petroleum field, where it aims at securing the free movement of crude petroleum and petroleum products within the Community.

Here its work assumed several forms.

A first obstacle to free movement is the existence in France of a system of importing petroleum which empowers the Government to supervise the way petroleum concerns arrange their supplies and

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(1) See Chap. V, sec. 209.

sales. Whether this system should be considered a monopoly in the sense of Article 37 of the Treaty or not—the question still has to be finally settled from the legal point of view—France is required progressively to open its frontiers to products refined in the other Member States so that at the end of the transition period all obstacles to the movement of petroleum products will have been removed. French imports went up from 300 000 metric tons in 1958 to 900 000 tons in 1960 following the opening of a global quota available without discrimination to all Member States. This quota was not widened in 1960 or 1961; the Commission therefore addressed a recommendation to the French government that it increase import quotas for petroleum products and enable advantage to be taken of the fresh opportunities this would bring by stepping up the quantities that importers are allowed to place on the domestic market.

Another problem concerns the elimination of restrictions on the freedom of establishment. It was decided at the negotiations on this subject in 1961 to classify refining and distribution with the sectors due for liberalization before the end of the second year of the second stage. Liberalization of prospecting and drilling is set for the second year of the third stage.

The Treaty also provides for gradual harmonization of commercial policies. Imports of petroleum from the Soviet Union are the special problem here. In 1961 they amounted to 10.3 million metric tons for the Community as a whole and represented 7.2 % of available resources. In 1960 the Member States had imported 8.1 million tons—6.5 % of available resources. At present such imports are subject to quotas in five countries while remaining free of such restrictions in the sixth and this leaves a loophole for the diversion of trade which, if it should develop, could lead to the application of safeguard measures and the isolation of the markets. The European Commission has sought to remedy this state of affairs, with due regard to the legitimate interests of the various countries. A first result was obtained in the framework of the general agreement reached in the Council on 25 July 1961. This provided for consultation prior to the conclusion of any trade agreement with non-member countries.



94. Another question which arose on the subject of petroleum was whether the rapid construction of refineries and pipelines in the Community would not be liable to step up production capacity beyond market requirements. In agreement with the Government the Commission set up a system for exchanging information on investment in the petroleum industry and this is now a regular service. The aim is not to supervise investment at Community level but solely to keep each Member State abreast of the projects of the other States.

With the same purpose of fostering the unification of Member States economic policies by better exchange of information, the Commission, with the aid of petroleum experts from the six Governments, set about tabulating the legislative and administrative provisions and every kind of practice used by the States to organize or supervise the market for petroleum products. The results of this enquiry will become available in the course of 1962.

*The general lines of the common energy policy*

95. Besides its work on the petroleum market the Commission, in co-operation with the High Authority of ECSC and the Commission of Euratom, has continued to examine, in the Inter-Executive Working Party on Energy, the problems raised by the co-ordination of energy policies <sup>(1)</sup>.

In January 1961 the Working Party submitted to the special Council of Ministers of ECSC a programme of action on the general lines suggested in the "Interim Memorandum" of May 1960 <sup>(2)</sup>. This programme consists of a first series of measures for co-ordinating national policies and a safeguarding agreement laying down the immediate steps to be taken should the coal crisis become worse. In 1961 there were bilateral talks on this programme between the administrations of the Member States and representatives of the Inter-Executive Working Party.

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<sup>(1)</sup> See also Chap. VI, sec. 275.

<sup>(2)</sup> See Fourth General Report, sec. 257.

Following these talks, the Working Party in October 1961 submitted a preliminary scheme to the special Council of Ministers of ECSC for the co-ordination of policies on coal imports from non-member countries.

The Working Party also continued studying the problems raised by the harmonization of the rules governing competition between coal and petroleum. It was suggested in particular that the arrangements for applying the provisions of the ECSC Treaty on coal schedules should be made more flexible by authorizing the alignment of coal prices on those of petroleum products in competition with them. At the same time public information machinery would be set up to supply details of prices ruling in the petroleum market.

96. The European and Euratom Commissions jointly consulted the Economic and Social Committee on this programme. In an opinion delivered on 15 December 1961 the Committee approved the broad lines of the proposals and supported the Executives' efforts to co-ordinate national energy policies.

In an important debate on the co-ordination of energy policies in the Community at its sessions of 22 to 25 January and 20 to 22 February 1962, the Parliament expressed its desire that the Member States would soon work out concrete measures in this field. The Parliament adopted a resolution in which it notes that the objectives and principles for a common energy policy are low-cost and reliable supplies, a smooth and gradual process of substitution, long-term stability of supplies, free choice for consumers and the unity of the common market. In order to arrive at this result it calls for the ratio of Community energy to the necessary imports to be carefully determined. The Resolution also stresses the need for normalization of competition amongst the different forms of energy and recommends that the Governments and the Community expedite the establishment of a common commercial policy in the energy sector. While recognizing that for geological reasons, and because of the social burdens weighing upon the European collieries, many of these may not be able to become competitive, it requests that the question be studied of a Community coal subsidy paid out of the Community's public funds. Such a subsidy

ought to cover the costs of the rationalization needed to reach the desired state of competitiveness and the costs of retraining and resettling workers. The Resolution also calls for imports of petroleum products to be brought within the ambit of the commercial policy of the Treaty of Rome and urges the Institutions of the Community to bring about a common market in the energy sector, whilst bearing in mind the results of such an action on the social situation (stability, recruiting and manpower). Finally, it considers that the advisability of maintaining the measures recommended in the Resolution should be periodically reviewed on the basis of Article 118 of the Treaty.

97. A new milestone on the road to the co-ordination of energy policies was reached at an "informal" meeting of the Ministers of the six Community countries in Rome on 5 April 1962. The Ministers discussed the current situation on the energy market at length and reviewed the general principles that should guide the Community energy policy in the future. At the end of their discussions the Ministers entrusted the three European Executives with the task of presenting, in two months' time, a detailed study of these problems in the light of the discussions at this meeting.

98. Acting on these instructions, the European Commission prepared certain proposals with special reference to the petroleum sector, on the basis of a detailed analysis of the current state of the market.

The Commission for its part fully backs the long-term objectives for a common energy policy defined by the Economic and Social Committee and the Parliament, i.e. such a policy should ensure that energy is provided as cheaply as possible, while at the same time ensuring the minimum conditions necessary for uninterrupted supplies.

The Community is an area where energy is relatively expensive. Coal—the only fuel which it possesses in large quantities—costs three times as much to produce as coal of equivalent quality in the United States. It has only small resources of natural gas: the price of the petroleum, which the European countries could at present obtain on the world market under conditions more or less similar to those of the American market is high because of taxation or import restrictions.

This leads to considerable differences in prices to the user. Hence the average cost of fuel supplies to thermal power stations in the United States and in Europe are in a ratio of 1 to 2 while the American rates for electricity are on average 10 to 30 % cheaper than the European. Moreover, the Community has a comparatively low consumption of energy: 2.4 metric tons of coal equivalent annually per head compared with 7.7 in the United States, 4.6 in Great Britain and 3 in the USSR.

Up till now the Member States' policy has generally been to align the lowest energy prices on the highest. This method could be regarded as normal when coal provided the lion's share of supplies but it becomes less and less warranted as other forms of energy are developed. While coal covered 70 % of total requirements in 1950, its share represented less than 50 % in 1961 and in all probability will not exceed 35 % in 1970. In the same period petroleum consumption went up from 10 % in 1950 to 30 % in 1961 and will probably approach 50 % in 1970.

The price of energy is only one of the factors in the competition that European industries can offer their rivals in America or elsewhere but, as with all raw materials, it is in the Community's undoubted interest to obtain its supplies from the cheapest sources.

The need to bring down the price of energy to the consumer should not of course obscure the fact that other considerations play a part in an energy policy: assured supplies, social effects, and economic and political equilibrium within the Community. But even if these factors seem to require the maintenance of a sizeable coal output, it does look as though this will have to be achieved by means which do not affect the general price level.

99. The Commission's proposals for the implementation of a policy on these general lines provide for action by stages to be completed at the end of the transition period of the Common Market. The following are the principal measures proposed for petroleum:

i) *Free movement of crude petroleum and petroleum products within the Community:* Free movement is being implemented and definite

stages are laid down by the Treaty of Rome for the abolition of customs duties. As for quantitative restrictions the only important problem still to be settled is that of the French import system;

ii) *Abolition of restrictions on imports from non-member countries other than those of Eastern Europe:* Generally speaking imports of crude petroleum or petroleum products from non-member countries outside Eastern Europe are free. It is proposed that what restrictions still exist be abolished by the end of the second stage at the latest for crude petroleum and by the end of the transition period for petroleum products;

iii) *Community quotas for imports from Eastern Europe:* The above-mentioned Council decision of 25 July 1961 provides for consultation prior to the conclusion of any trade agreements. The next step should be for the Council to fix each year, on a proposal from the Commission, a global quota which would be broken down in relation to current conditions and such new requirements as might emerge;

iv) *Determination of the common external tariff for petroleum products:* The common external tariff for refined products (List G) is due to be introduced very soon on the basis of the Commissions' proposals under Article 20.

v) *Consumption taxes:* Consumption taxes on petroleum products for industrial uses should be reduced by stages in order to attain by the end of the transition period a uniform rate throughout the Community. This rate should be as low as budgetary considerations allow. At the same time taxes on motor fuels should also be gradually harmonized at the level chosen for the final period. Total or partial exemption from these taxes could be provided for products from crude petroleum of Community origin or for products from other sources the marketing of which the Community wished to encourage;

vi) *Stocking policy:* The Member States should adopt common rules for stockpiling. These would include the fixing of a minimum level of stocks and joint methods for financing them;

vii) *Rules of competition:* It is proposed that a system of a posteriori publicity of prices charged on the petroleum market be

put into effect, with simultaneous relaxation of the rules on the alignment of coal prices. Articles 85 and 86 of the Treaty require the Commission to examine practices which have as their object or result the prevention, restriction or distortion of competition within the Common Market;

viii) *Permanent consultation on market trends*: It is proposed to set up a standing committee composed of representatives of the Member States and the Commission to follow market developments as regards both price trends and security of supplies;

ix) *Consultation on investments*: It has already been pointed out that a system exists for exchanging information on investments for refining, transport and distribution in the petroleum industry. On the basis of this information the Commission could make recommendations to the Governments if it thought there was danger of certain cases of duplication of work recurring.

This petroleum policy will have consequences for the other forms of energy, particularly coal. These will have to be discussed with the Executives of the other two Communities so as to formulate general proposals on the Community's energy policy, as requested by the Ministers.

#### REGIONAL POLICY

100. In 1961 the Commission continued to deal with problems of the harmonious development of economic activity in the Community as a whole, in particular the question of raising living standards in the less-favoured areas.

In this field 1961 saw a Conference on regional economies organized by the Commission in Brussels from 6 to 8 December 1961. The Conference, which was attended by 300 people, heard twenty papers read by contributors particularly qualified in matters of regional development. Problems studied included frontier areas, areas in decline, outlying regions mainly dependent on agriculture and the various methods used to stimulate their development.

The first aim of the Conference was to establish close relations between those responsible in each country for planning and carrying out regional policy and to bring out clearly the lessons derived by each Member State from its own experience. In this connection it emerged that the means employed to deal with such matters were very similar from country to country, despite differing backgrounds.

There is a growing tendency for regional policy to form an integral part of national economic policy, whereas hitherto it had rather been a sort of corrective measure to offset the centralizing effects of the policies followed in other fields. Economic policy as a whole must therefore be considered from the angle of its regional effects. The conference also stressed the importance of housing, education, recreational facilities and social life in general in the development areas.

Another aim of the conference was to throw light on the Community aspect of regional problems. A glance at an economic map of the Community reveals a contrast between the highly developed central area and the peripheral areas which are generally less advanced. In order to attain the objective set in the Preamble to the Treaty of reducing the differences existing between the various regions, firms must be offered incentives to move from the centre to the peripheral areas. There is all the more call for such a policy as technical progress is gradually eliminating the drawbacks which led to the relative decline of these areas. Migration of labour to the more developed areas has been and still is sometimes necessary but wherever industry can move to the workers, this is the best answer.

Finally, the conference was also intended to help the European Commission to work out the principles by which it will be guided in advising the Member States on matters of regional policy. The co-operation already established between the group of senior officials responsible for regional policy will be intensified.

101. The study of the regional implications of the common policies which it is the Commission's task to propose to the Governments will be continued. Care must be taken that these common policies foster more rapid development of the less favoured regions.

The common agricultural policy is primarily concerned: the modernization of agricultural structures, which the European Fund set up by the Commission for this purpose can further, will contribute to the development of those Community areas whose economy is dominated by backward agriculture.

An important part will also be played by the common transport policy, chiefly by influencing the choice of the main arteries of communication. The development and modernization of the networks serving outlying areas can help to secure more balanced distribution of economic activity throughout the Community.

Energy policy cannot fail to have important regional repercussions. The growing share of petroleum products in the Community's energy supplies makes it possible to surmount the handicap under which industries in remote areas laboured until recently but it also raises problems of rationalization and conversion in coal-mining regions.

102. The Commission has decided to undertake studies with a view to implementing concrete schemes in certain regions of the Community.

A series of studies will first be made on the creation of a "pole" of development in Southern Italy. These studies should make it possible to select a group of industries with which a definite start could be made on developing the area in question. Two other studies will deal with possible co-operation between the North of Lorraine and the South of Belgian Luxembourg and the development of the Eifel-Hunsrück area. Other studies could be put in hand if the necessary finance is forthcoming.

The Commission's staff, with the help of experts from the Member States, have produced a paper on "Regional delimitation in the EEC" which should provide a framework for the analysis of regional problems, the study of the Member States' regional policies and their co-ordination at Community level. This document lists some 31 "large socio-economic areas" which go to make up a set of complementary activities and administrative centres. The regional delimitation made in this way—a compromise between economic requirements and administrative factors—provides a setting for research which the Commission's staff intend to improve as they go along.



The Commission has given its opinion on the applications for financing submitted to the European Investment Bank; when formulating these opinions it took into account its obligation under Article 130 of the Treaty to devote special attention to projects for developing less developed regions and for the modernization or conversion of enterprises called for by the progressive establishment of the Common Market.

The joint Working Party on the industrial reconversion of mining areas which includes members from EEC, ECSC and the European Investment Bank met several times to study schemes for financing industrial concerns in certain coalfields.

#### *THE ACTIVITIES OF THE EUROPEAN INVESTMENT BANK (1)*

103. In 1961 the European Investment Bank continued to pay special attention to schemes for developing the less advanced regions or for reconverting declining areas. Its Board of Directors approved ten financing operations for a total amount of 66.2 million units of account.

Four loans, for a total of 24.4 million units of account, concern Italy while four others, totalling 12 million, were granted to French projects. One project for 25 million was financed in Germany and one for 4.8 million in Belgium.

From its foundation till the end of 1961 the European Investment Bank has granted finance to the tune of 160.2 million units of account. This corresponds to investments for over 1 000 million units of account.

#### *The common agricultural policy*

#### *THE COUNCIL'S DECISIONS ON THE COMMON AGRICULTURAL POLICY*

104. On 14 January 1962 the Council adopted a number of regulations, decisions and resolutions which open the way for the effective applica-

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(1) See the Annual Report of the European Investment Bank for further details.

tion of the common agricultural policy provided for under Article 43 of the EEC Treaty. These texts were approved in the four Community languages by the decision of 4 April 1962.

The measures concerned are, on the one hand, arrangements with direct bearing on common agricultural policy (these are by far the most important) and on the other, decisions more especially affecting questions of agricultural trade within the Community and competition. The first group includes six regulations on the gradual introduction of a common market organization for individual products or groups of products and a regulation of general application on Community financing:

- i) Regulation on cereals;
- ii) Regulation on pigmeat;
- iii) Regulation on poultry;
- iv) Regulation on eggs;
- v) Regulation on fruit and vegetables;
- vi) Regulation on wine-growing together with a decision on wine quotas for Germany, France and Italy;
- vii) Regulation on the financing of the common agricultural policy, at present applicable to cereals, pigmeat, poultry and eggs;
- viii) Regulation on rules of competition pursuant to Article 42.

In addition, two resolutions were adopted:

- i) Resolution on dairy produce;
- ii) Resolution on beef and sugar.

These lay down the time-limits within the European Commission is asked to transmit the draft regulations to the Council and specify the dates of entry into force (1 November 1962 for dairy produce and beef; 1 January 1963 for sugar) and also certain principles in the case of dairy produce.

Other decisions were taken which will contribute to the progressive introduction of a common market in farm products:

i) A decision under Article 235 concerning goods processed from agricultural products, and a second decision pursuant thereto listing products on which an import charge may be imposed under certain conditions;

ii) A decision under Article 44 (1) on objective criteria for the establishment of minimum prices.

#### *Preparation of Council decisions*

105. With a view to decisions in matter of common agricultural policy, the European Commission has prepared and transmitted to the Council a number of draft regulations based on its outline proposals of 30 June 1960, on the Council resolutions of 20 December 1960 and on the opinions expressed by the Economic and Social Committee and by the European Parliament. The texts in question are the draft regulations on cereals and pigmeat forwarded to the Council on 31 May 1961, and the four draft regulations on eggs, poultry meat, fruit and vegetables and wine forwarded on 31 July 1961.

The Special Committee for Agriculture set up by the Council in July 1960 to examine the Commission's proposals and to prepare the decisions which the Council is called on to take has met once or twice monthly during the period under review.

The technical details of the measures proposed by the Commission have been examined and finalized thanks to the co-operation of the various groups of government experts convened by the Commission.

As recommended by the Agricultural Conference of the Member States held at Stresa in July 1958 in pursuance of Article 43 (1), the European Commission has maintained close and continuous co-operation with organizations of the agricultural and food industries grouped at Community level. In preparing the regulations on individual product the Commission regularly consulted experts nominated by the

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(1) For details of these decisions see Chap. II "Establishment of the Common Market".

organizations of producers, agricultural co-operatives, the trade, the agricultural and food industries and the workers' unions.

106. The Parliament and the Economic and Social Committee studied the Commission's drafts. At its 18th meeting, on 15 December 1961, the Economic and Social Committee took note of its Agricultural Section's report on the draft regulations on cereals and derived products which broadly approved these proposals.

After debating agricultural questions at its session of 16 to 20 October 1961 the European Parliament formulated the opinions requested by the Council on the proposed regulations for the introduction of a system of levies and the gradual establishment of common market organizations in the cereals, pigmeat, poultry and eggs sectors.

The opinion on the cereals regulation expresses the Parliament's agreement with the Commission's proposals subject to a few procedural amendments (these concern the minimum intervention price and the action of the Guidance and Guarantee Fund).

The Parliament also rendered its opinion on the proposed regulations concerning pigmeat, poultry and eggs, advocating more solid guarantees for producers and uniform arrangements for these three products. The Parliament also proposed certain amendments to restrict the possibility of reducing levies autonomously.

At this same session the Parliament rendered an opinion on the Commission's revised proposal concerning objective criteria for fixing minimum prices. It approved this proposal with the addition of certain provisions to allow for technical progress and the trend of agricultural incomes.

#### *Some basic principles*

107. With effect from 1 July 1962 the implementation of the regulations on various products will generalize the free movement of the latter without quantitative restrictions or measures equivalent in effect.

The Community system nevertheless takes into account in relation both the intra-Community trade and trade with non-member countries, the differing price levels existing for the time being between Member States and between the Community and non-member countries. For cereals, pigmeat, eggs and poultry, a system of import levies will therefore replace all national protection measures at frontiers, i.e. customs duties, quotas, long-term agreements, minimum prices and import charges. The aim of this system, which is definitive in respect of third countries and transitional as between the Member States, is to provide adequate guarantees for the farming population and effective support for agricultural markets, while ensuring free movement and reasonable prices.

So that this new system may not introduce grave disturbance into the markets of the Member States, the latter will be allowed, when necessary, to take safeguard measures, for instance by closing their frontiers. But a Community procedure for the possible revision or abolition of such measures has been introduced so that resort to the safeguard clause shall not have an adverse effect on Community interests.

Although domestic systems of cereal prices are modified in the direction of a Community system from 1 July 1962 onwards no immediate approximation of these prices is planned. For the first year of application an upper and lower target price limit has been fixed by the Council in such a way as to avoid widening the existing gaps. Limits expressed in figures were actually fixed on 4 April 1962. But in April 1963 the Council will determine, on the basis of criteria to be submitted by the Commission in September 1963, the prices valid for the marketing year beginning on 1 July 1963, when prices will be fixed by the Community for the first time.

108. These decisions are of vital importance: they make possible the progressive introduction of a common market in the agricultural sector by using a general framework which is equivalent to basic legislation. The common agricultural policy will lead to better development of agricultural trade under healthier conditions of competition, in particular the suppression of aids for exports to member countries.

It will also protect producers in Member States, particularly by means of a system of levies on cereals and animal products.

Certain Community arrangements will be submitted for national market measures. The result will be that, despite the impression of complexity which they may give, the measures that have been adopted by the Council are a simplification in comparison with the complex of measures in force in each Member State. In fact, no country has ever adopted concurrently and as an organic whole such a body of regulations for the national market organizations were created and expanded as necessity arose and in most cases to meet emergencies.

Thanks to the Council's decisions the agricultural affairs of the six Member States will from now on be a matter for the Community. The Community institutions now have before them a vast programme to implement and amplify these decisions, which are an encouraging indication of the progress made towards the final goals of the Treaty.

By going beyond the customs union and laying the foundations of an economic union in the agricultural sector, the Community has avoided the risk of agriculture lagging behind in the establishment of the Common Market.

*Statutory procedure  
for the implementation of the common agricultural policy*

109. The regulations and decisions adopted by the Council, which will make agricultural policy entirely a Community matter by the end of the transition period (7 1/2 years), transfer wide powers to the Community institutions with effect from 1 July next:

A great part of these powers will be vested in the Commission itself. The Council has the power of decision in the most important matters. In other cases it may revise decisions which the Commission is entitled to make. It will be possible to make some Council decisions

by qualified majority once the regulations are in force, and all will be by majority vote from the beginning of the third stage onwards. The decisions to be made by the Community institutions may be classed in three categories:

*a)* For a certain number of important questions such as the approximation of prices, the decision lies with the Council acting on a proposal from the Commission. The voting procedure in the Council is that laid down in Article 43 of the Treaty, i.e. unanimity during the second stage and qualified majority thereafter.

*b)* Implementing decisions of a certain importance (the intra-Community rebate on wheat, the fixing of quality standards still to be determined for certain fruits and vegetables etc.) have been left to the Commission in consultation with a "Management Committee", subject to possible review by the Council.

*c)* As to implementing measures and certain safeguard clauses the European Commission has sole powers of decision.

The object of these rules is to prevent the system envisaged being hampered by excessively rigid voting procedures. This explains the very great number of decisions entrusted to the Commission, with the Council retaining the power of revision in a limited number of cases. With the same object all decisions will be made by majority vote even before the time when the common agricultural policy has become a purely Community matter.

110. The functioning of the "Management Committees" mentioned above calls for some explanation. These Committees are set up for each of the categories of products coming under different regulations (cereals, pigmeat, poultry, etc). They are composed of representatives of the Member States presided over by a representative of the European Commission. They act by a majority of 12 votes, the votes being weighted as provided for in Article 148 (2) of the Treaty (France, Germany, Italy: 4; Belgium, Netherlands: 2; Luxembourg: 1). The chairman has no vote.

The Management Committee deals with questions referred to it by its chairman, either on his own initiative or at the request of a Member State. It proceeds in the following manner:

The Commission first submits a draft decision. The Committee formulates its opinion. If this accords with the Commission's decision, the latter is immediately applicable and is not subject to revision.

If the opinion is at variance with the Commission's decision, the latter is none the less operative, but it is referred to the Council, which may amend or annul it within a month by qualified majority vote. The Council's intervention does not mean that the Commission's decision is suspended unless the Commission agrees to this course (if, for instance, the matter is not urgent).

### *Community financing*

111. In order to enable the common organization of agricultural markets to attain its objectives and to fix without delay financial responsibility for common agricultural policy, at Community level, certain common rules for financing which do not appear in the regulations on various products are embodied in a general regulation applying to the common agricultural policy as a whole. This regulation establishes a European Agricultural Guidance and Guarantee Fund which is part of the budget of the Community.

The first part of the regulation defines receipts and expenditures at the single market stage. Thus, "revenue from levies charged on imports from third countries shall be the property of the Community and shall be appropriated to Community expenditure; the budget resources of the Community shall comprise such revenue together with all other revenues decided in accordance with the rules of the Treaty as well as contributions of Member States in accordance with Article 200 of the Treaty".

As regards expenditure, the Council has decided that the financial consequences of the common agricultural policy shall be borne by the Community, for at the single market stage price systems will be unified and agricultural policy will be on a community basis.



In this way the Fund will finance drawbacks on exports to non-member countries, action for the stabilization of markets and joint measures to achieve the aims of Article 39 (1a) of the Treaty. It will not, however, encroach on the activities of the Investment Bank and of the European Social Fund.

112. The second part is concerned with provisions for the transition period. Eligible expenditure under the Fund covers:

i) Refunds on exports to non-member countries calculated according to the rate of refund of the Member State with lowest average refund.

ii) Sums spent on the internal home market with the same aim as such refunds or by virtue of Community regulations.

iii) Action under Community regulations with a view to achieving the objectives of Article 39 (1a), including structural changes made necessary by the development of the Common Market.

In the case of numbers ii) and iii) the Commission will submit proposals to the Council by 1 October 1962 with a view to determining which expenditure is to be borne by the Community.

On the basis of a report from the Commission the Council will review annually the consequences of Community financing on the general pattern of production and on the development of outlets in the case of export refunds and on the common agricultural policy in the case of intervention on the internal market or of structural policy measures.

Contributions from the Fund in respect of expenditure for the organization of agricultural markets have been fixed at one-sixth for the first year, two-sixths for the second year and three-sixths for the third year. Structural expenditure will as far as possible constitute one-third of Community expenditure in favour of markets.

During the first three years the receipts of the Fund will consist of financial contributions from the Member States, one part being calculated according to the scale laid down in Article 201 of the Treaty, and the other proportionately to the net imports of each Member

State from non-member countries. The percentages chosen are such that the bulk of the money will come from the scale under Article 200 (1) of the Treaty with the share of the second scale increasing as shown below:

	<i>in %</i>		
	1962-1963	1963-1964	1964-1965
According to the scale laid down in Article 200 (1)	100	90	80
Proportionate to net imports	—	10	20

On this point the regulation is amplified by a Council declaration under which it is understood that for the first three years the financial contribution to the Agricultural Guidance and Guarantee Fund from each of the Member States may not exceed a certain percentage of the total receipts fixed as follows:

Federal Republic of Germany 31 %;

Netherlands 13 %

B.L.E.U. 10.5 %;

France and Italy: on the scale laid down in Article 200 (1).

The Council will thus have to make a decision on the timing for taking over the expenditure and on the breakdown of contributions in relation to the two scales in 1965, in such a way as to determine expenditure and receipts for the period from the fourth year of operation of the regulation to the end of the transition period. For this purpose it will carry out, on the basis of a report of the Commission, an overall examination covering among other things the trend of all operations of the Fund, the nature of its expenses, their justification, the breakdown of receipts, and progress in implementing the common agricultural policy.

The financial regulation will apply to the cereals, pigmeat, eggs, and poultry markets with effect from 1 July 1961, to the dairy produce market from 1 November 1962 and, as necessary, to other markets on date to be fixed by the Council.

## THE COMMON ORGANIZATION OF MARKETS

*The regulation on cereals*

113. The grain regulation applies to the following products:
- a) Wheat, rye, barley, oats, maize, buckwheat, millet, etc.;
  - b) Hard wheat;
  - c) Meal and groats of wheat, rye, etc.;
  - d) Processed products.

With effect from 1 July 1962, intra-Community trade and trade with non-member countries on all these products is liberalized, i.e. customs duties, quotas, long-term contracts, import charges, and minimum import prices are abolished. All these are replaced by the levy, an amount representing the difference between the prices applied in the importing country and the offer price (generally lower) of the exporting country.

The amount of the intra-Community levy is equal to the difference between the price of the product coming from the exporting Member State delivered free-to-frontier to the importing Member State and the threshold price of the importing Member State, less a standard amount.

The price of the product from the exporting Member State is determined on the basis of the prices prevailing on the most representative markets of that State for exports to the importing Member State in question adjusted in the light of possible quality differences in relation to the quality standard for which the threshold price is fixed.

The threshold price is fixed in each Member State in such a way that the marketing centre of the area with the largest deficit is taking into account the standard amount, equal to the basic target price.

Prices on the domestic markets will be formed around the target price of the region with the greatest deficit by the operation of the law of

of supply and demand. There will also be a minimum price known as the intervention price (i.e. target price less a minimum of 5% and a maximum of 10%). This will constitute the main guarantee for farmers, since it is the price at which the authorities will intervene and buy any surpluses.

As regards the price level the Member States will gradually reduce during the transition period the differences between target prices in such a way that there will be a unified target price for the whole Community by the end of the transition period.

Acting in accordance with the voting procedure laid down in Article 43 of the Treaty, the Council will decide on the measures that will be needed to approximate cereal prices to a single price system for the Community when the common market stage is reached: a basic Community target price for each product, a single threshold price and a single method of determining intervention prices.

The amount of the levy on imports from third countries is equal to the difference between the most favourable cif price for the product and the threshold price of the importing Member State.

For a number of products of grain processing listed in Article 1 d of the Regulation (gluten, bran, feeding-stuffs etc.) the levies applied to imports from non-member countries contain two components: a variable component corresponding to the incidence of the levies on the basic products used in their manufacture or fixed in the light of market conditions for similar products and a fixed component representing protection for the processing industry.

The intra-Community levies as well as those vis-à-vis non-member countries are collected by and credited to the importing State. All import and export is subject to the submission of an import or export certificate issued without any limitation by the Member State on application from the person concerned.

The intra-Community levies will disappear and the levies vis-à-vis non-member countries will level out as prices become approximated.

*Regulations on pigmeat, poultry and eggs*

114. The Regulation on pigmeat (sausages, preserved meat and other derived products), the Regulation on poultry and the Regulation on eggs contain parallel provisions.

Intra-Community levies for these three products contain one component which corresponds to the difference between feeding costs in the importing and exporting countries resulting from the difference in the price of fodder grains. As the gap between these grain prices narrows during the transition period, this component will gradually disappear.

A second component is added. In the case of pigmeat this amount is limited in that the sum of the two in no case exceeds the difference between certain average market prices recorded during the reference period. For eggs and poultry this second amount corresponds to the customs duties at present applied in the Member States for these products. In the poultry sector it is nevertheless possible in exceptional cases to calculate this second amount in the same way as the second amount for pigmeat. The second component will gradually and automatically disappear during the transition period.

Levies applicable to imports from non-member countries are fixed in the same way as intra-Community levies. They too represent differences in the cost of feeding-stuffs and the second component referred to above, plus a third component equal, in the first year, to 2 % of the average offer price on importation. This third component, which represents the preferential element, will gradually be raised to 7 % in the course of the transition period.

The levies with respect to non-member countries will evolve in step with differences between feeding costs in the member countries and on the world market resulting from the differences in fodder grain prices in the Community and on the world market. At the end of the transition period there will be a single Community levy for each product from non-member countries.

The levies will ensure EEC producers the possibility of continuing production under normal conditions. Should offers at abnormal

prices from non-member countries affect normal price formation in the EEC, sluice-gate prices, applied at the common frontier, are provided to prevent disturbance to internal markets. If offer prices fall below the sluice-gate prices, the levies will be increased correspondingly. This arrangement also applies to intra-Community trade in pigmeat during the transition period.

*The Regulation on fruit and vegetables*

115. The Regulation on fruit and vegetables establishes a common market organization in the sector on the basis of common rules for competition, including common quality standards. These standards will apply from 1 July 1962 to the majority of products in intra-Community trade and will be gradually applied to the markets of the producing countries. Products classified according to these standards may not be subject to quantitative restrictions or to the measures referred to in Article 44 of the Treaty after the following dates:

“Extra” class by 1 July 1962;

Class I by 1 January 1964;

Class II by 1 January 1966.

However, in the event of serious disturbances and with effect from the dates shown above for the various classes of products, safeguard measures are provided for in intra-Community trade.

The Regulation makes Articles 92 to 94 of the Treaty applicable to fruit and vegetables with a view to eliminating any possibility of distorting competition and affecting trade between the Member States. Supplementary regulations on the functioning of markets and on commercial transactions will be made by the Council on a proposal of the Commission before 1 July 1964.

Customs duties between Member States will be progressively reduced until they are totally abolished by 1 January 1970.

Protection vis-à-vis non-member countries will be ensured by the progressive introduction of the common customs tariff which will be fully in operation on 1 January 1970.

However, should imports from non-member countries at abnormal prices create serious disturbance on the market of the European Economic Community, a safeguard clause is provided which includes a countervailing duty in such imports or the temporary closing of the frontier to products from non-member countries.

During the transition period the import systems applied by the member countries to non-member countries will be harmonized.

The European Parliament rendered an opinion on the draft regulation establishing a common market organization in this sector at its session of 20 to 24 November 1961.

*The Regulation on a common market organization in the wine-growing sector*

116. The object of this Regulation is to have available as soon as possible statistical data on the extent of the Community vineyards, on the quality of their products and on the relation between available resources and demand.

The Regulation is accompanied by a decision on quotas, which explain why it was felt necessary to lay down the essentials of Community regulations on quality wines.

The Regulation provides, inter alia, for:

- a) The establishment of a register of vineyards by 30 June 1963;
- b) The introduction of a system of declaration of harvests and stocks;
- c) The drawing up of annual forecasts;
- d) The adoption before 1 January 1963 of Community regulations on quality wines from specified areas; the essentials of these regulations are already laid down.

The decision on quotas, this fixes the quantity of wine admitted in trade between the Federal Republic of Germany, France and Italy.

The quantities are as follows:

a) 1 200 000 hl. for the Federal Republic of Germany, of which 400 000 hl. basic wine for making sparkling varieties and 800 000 hl. table wine;

b) 150 000 hl. for France and the same for Italy.

The same decision fixes the respective share of white wines and red wines and the quality wine produced in specific regions included in the quota of the Federal Republic of Germany. Pending the introduction of the Community regulations on quality wine produced in specified regions and referred to in the above-mentioned regulation, it also lays down the conditions which wines must fulfil to be imported into France or Italy, and, in the case of quality wines, into the Federal Republic of Germany.

The Member States will be responsible for the quality control of the wines under the quotas thus opened and will decide upon arrangements for increasing these quotas.

#### *Safeguard measures*

117. Safeguard measures may be taken in respect of any product for which a common market organization has been established. If a Member State suffers or is threatened with market disturbances likely to jeopardize the objectives laid down in Article 39 of the Treaty, it may, during the transition period, take the necessary safeguard measures as regards the entry of the products likely to cause disturbances. Where necessary, this may include the suspension of imports. The suspension of imports from a member country is immediately extended to non-member countries. It is governed by the special regulations, including those on fruit and vegetables and in principle must operate in the following way:

a) The Member State or States concerned must notify the other Member States and the Commission of these measures at the latest on their entry into force. When applying these measures they make the necessary arrangements so that goods in transit shall not be affected. When the frontier is closed, a period of grace of not less than three



days must be allowed. The States must be ready to open negotiations immediately to seek temporary arrangements to avoid excessive or unnecessary loss to exporters. Such arrangements must be notified without delay to the Commission and the other Member States.

b) After consulting the Member States in the Management Committee the Commission decides, by urgent procedure and within a maximum of four working days from the notification, whether the measures are to be maintained, amended or abolished. The Commission may also decide on measures to be applied by the other Member States.

The Commission's decision is notified to all the Member States and is immediately applicable.

c) Any Member State may refer the Commission's decision to the Council within a maximum of three working days from the notification. The Council meets without delay. It may amend or cancel the Commission's decision by qualified majority.

The appeal to the Council does not suspend the decision.

Two exceptions are provided for: one gives more and the other less freedom of manœuvre to the Member States.

*Exception for "Extra" class fruit and vegetables:* Taking into account measure appeals to the Council against the Commission's decision. Such appeal suspends the decision. The Council then has ten days in which to give a ruling.

*Exception for "Extra" class fruit and vegetables:* Taking into account the measures already applied for "Extra" class products, in the event of serious and lasting disturbance to the vegetable market, the Commission may authorize safeguard measures when requested by the Member State concerned. The Commission fixes the implementing conditions and details without delay and in the light of the measures already applied.

*The effects of the common market organizations on commercial policy*

118. The regulations establishing the common market organizations provide for the introduction and development of a common commercial

policy for the agricultural product considered. This policy will come into operation when the system of import levies on products from non-member countries is applied (1 July 1962).

As the system of levies for cereals, pigmeat, poultry, and eggs replaces all protective measures so far applied vis-à-vis non-member countries and has to be applied in a uniform manner, it excludes any possibility of applying other national protective measures.

At the same time the Member States are required, save possible exceptions, to abolish all quantitative restrictions and bilateral quotas. Imports must be made without discrimination, purely at the discretion of the trading partners as to the market situation and requirements. The levy, being the difference between the target price of the various Member States and the world market price, acts in such a way that the internal production of each Member State and—as a result of the application of the flat-rate reduction—the internal production of the Community will benefit by a priority on the market whenever the market price is below the target price.

When the internal market price is equal to or above the target price, internal production faces truly free and unlimited competition from non-member countries whose price level is in principle equal to the target price.

In this respect the future margin for imports, which results essentially from the difference between internal consumption and production, will play a decisive role. Thus the future common price level, which is among the factors determining the volume of production, will assume vital importance for commercial policy.

*REGULATION APPLYING CERTAIN RULES OF COMPETITION TO THE  
PRODUCTION OF AND TRADE IN AGRICULTURAL PRODUCTS  
(ARTICLES 42 AND 43, SEC. 2)*

119. This Regulation lays down that Articles 85 to 90 of the Treaty (understandings and dominant positions) shall apply to all agreements, decisions or practices covered by Article 85 (1) and Article 86 of the Treaty. Nevertheless, Article 85 (1) (understandings) does not apply

to agreements, decisions and practices which are an integral part of a national market organization or are necessary for the achievement of the aims defined in Article 39 of the Treaty.

This exception extends in particular under certain conditions to federations of farmers, for instance to co-operatives which fulfil the said conditions.

The European Commission has sole powers, after consulting the Member States, to rule as to which agreements, decisions and practices fulfil the conditions for exemption.

As regards dumping, Article 91 (1) is applicable to trade in the products listed in Annex II of the Treaty. But the Commission must judge all the causes of the practices complained of, in particular the prices at which imports from other sources are effected on the market in question.

The provisions of Article 93 (1 and 3 first sub-paragraph) concerning the inventory of existing aids and the notification of proposed new aids are applicable to aids granted in order to further production of or trade in agricultural products.

At the same time as they establish a common market organization, the product-by-product regulations provide for the application of the provisions of the Treaty concerning aids, with due regard to the requirements of the levy system in each sector.

#### *POLICY ON THE IMPROVEMENT OF AGRICULTURAL STRUCTURES*

120. The Commission's proposals on the common agricultural policy transmitted to the Council on 30 June 1960 envisaged the following measures of agricultural structure policy:

- a) The co-ordination of the structural policy of the Member States;
- b) The establishment of a Fund for the improvement of agricultural structures.

A thorough knowledge of the social and economic circumstances of structural defects in agriculture seems to be necessary. For this reason the Commission has collated the laws and regulations on the improvement of agricultural structures in the Member States and information on the resources applied and the results obtained.

Account has been taken in this work of the close link existing between agricultural structure policy, the development of agricultural markets and regional economic development.

On 9 February 1962, the Commission transmitted to the Council a draft decision on the co-ordination of agricultural structure policies which advocated:

a) The establishment of a Standing Committee on Structure to ensure close co-operation with the Member States and to discuss national policies on agricultural structures and the schemes introduced by the States to improve those structures. This Committee would thus be responsible for the exchange of information in the field of agricultural structures and would comprise delegates from each of the Member States and from the Commission, the latter providing the chairman.

b) The submission to the Council of an annual report on structures which would include a survey of the position as regards the structure of agriculture, the measures taken to improve it and examination of the policies on agricultural structures pursued by the Member States. The report would also contain information on the action taken to co-ordinate these policies and on the results of this action at Community level.

c) The submission to the Council of proposals in the framework of Article 43 for the intensification of technical and financial measures relating to structural policy.

This co-ordination will also be facilitated by:

i) A regular survey of the situation regarding structures, the general lines of Member States' policies in this field and the information required for the Commission's report on "Structures",

ii) The submission of drafts to the Commission of statutory and administrative measures or regional programmes so that it can express an opinion on them,

iii) The establishment of an Advisory Committee on Structures consisting of representatives of the trade organizations grouped at Community level and concerned in the improvement of agricultural structures. Whenever it thinks necessary, the European Commission will thus be able to consult trade circles on all the problems and in particular on the measures it takes to co-ordinate member countries' policies on structure.

This draft decision was forwarded to the European Parliament and the Economic and Social Committee for their opinions.

The Parliament adopted a resolution giving the opinion requested. Considering that structural policy is an integral part of the common agricultural policy, the Parliament advocates the establishment of a fund for the improvement of agricultural structures and proposes some amendments to the Commission's draft.

The Economic and Social Committee transmitted a report for information.

The draft decision was also communicated to the organizations of agricultural producers and workers and consultations on it have taken place at two meetings.

The European Commission is also studying ways of utilizing the European Fund for the improvement of agricultural structures. The purpose of this Fund will be to intensify the efforts of the Member States by means of financial aid from the Community.

#### *THE SOCIAL ASPECT OF THE COMMON AGRICULTURAL POLICY*

121. On 30 June 1960 when it made its first general proposals defining the general principles and the essential aims of an agricultural social policy, the Commission stated its intention of amplifying these proposals later. To this end a conference to consult agricultural

employers' and workers' organizations was held in Rome from 28 September to 4 October 1961. The Governments of the Member States sent observers and four working parties studied matters relating to:

- i) The social situation of family farms;
- ii) The social situation of wage-earning farm workers;
- iii) Occupational mobility, migration, free movement, share-cropping;
- iv) Education, vocational training and cultural life in country districts.

This conference, which paid due regard to the interdependence of social and economic action both in the agricultural sector and for the economy as a whole, included that all discrimination on the social plane between agriculture and the other sectors should be abolished, that farming circles should participate actively in framing social policy for the agricultural sector and that domestic social policies should be harmonized and extended to all agricultural workers.

The conference noted the present lack of information on the social situation in agriculture and recommended effective measures for research and study in the field of social problems.

The conference also issued conclusions and recommendations on the measures to be put in hand by the European Community, in particular with regard to:

- a) The improvement of living conditions on family farms;
- b) The remuneration of wage-earners and independent farmers;
- c) The extension of social security to all farm workers, if necessary with financial aid from the States;
- d) The balanced development of all economic sectors and optimum conditions of manpower supply, thanks to increased mobility;
- e) The improvement of general education in rural areas and agricultural vocational trainings;

- f) The encouragement of mutual and co-operative action;
- g) Help for young people to enter the profession and to rise to managerial positions;
- h) The provision of adequate rural centres under plans for general and regional economic development;
- i) The part played by women in the life of the farm;
- k) Study of problems arising from unemployment and under-employment in Italy;
- l) Study of the social implications of share-cropping and possibilities of adapting it to the present-day requirements of agriculture.

In a resolution on the social situation of family farms passed at its session from 26 to 29 June 1961, the Parliament urged the European Commission to carry out an inquiry into the application of family allowance regulations to farmers and drew its attention to the importance of vocational training and the part which the Social Fund could play in retraining and re-employment. Finally, the Parliament pronounced itself in favour of establishing the Fund for the improvement of agricultural structures proposed by the Commission.

#### *APPROXIMATION OF LAWS, REGULATIONS AND ADMINISTRATIVE PRACTICES IN THE FIELD OF FOOD AND AGRICULTURE*

122. Work on the approximation of legislation has continued. In addition to the working parties and sub-groups established in 1960 to deal with regulations on foodstuffs, veterinary law, plant health and the regulations applying to agricultural and sylvicultural seeds, further sub-groups were established and committees of scientific experts convened to deal with specific questions.

Numerous meetings have been held and have already yielded satisfactory results. The Commission has submitted to the Council proposals for a directive on the approximation of Member States' regulations on colouring matters permitted in food products and a Council directive on the campaign against bluemould in tobacco.

At its session of 22 to 25 January 1962 the Parliament adopted the opinion requested of it on the Commission's proposal concerning the approximation of regulations in the Member States on the use of colouring matter in food for human consumption. This opinion suggested certain amendments.

At its 18th session on 15 December 1961 the Economic and Social Committee rendered its opinion on this question. It approved the Commission's proposal and hoped that measures to be taken in this field would be shortly worked out.

In the course of the same session the Parliament also adopted an opinion recommending that Member States prohibit any reproduction or multiplication of tobacco bluemould cultures.

On 15 December the Economic and Social Committee gave an opinion approving the Commission's proposal.

Apart from these matters preparatory work has begun on:

a) Health problems in relation to intra Community trade in fresh meat;

b) Problems of health supervision in trade in live cattle and live swine between the Six;

c) Harmonization of legislation on cocoa and chocolate in the Member States;

d) Establishment of common quality standards for tinned peas;

e) Harmonization of regulations in the Member States concerning permitted substances in foodstuffs;

f) Harmonization of provisions on wine (methods of analysis, definitions of grapes, of wine and other beverages derived from grapes) and methods of wine making;

g) Rules for intra-Community trade in animal feeding-stuffs;

h) Seeds and seedlings for silviculture;

i) Seed potatoes;



- j) Forage seed;
- k) Beet seed;
- l) Community rules concerning plant health in trade between States.

Draft directives on veterinary law will be worked out before July 1962 and in the course of the year other drafts for common regulations will follow in the spheres of foodstuffs, plant health and seeds.

Collaboration between the Commission and the trade organizations at the level of the Six has helped in the work of harmonization.

#### *THE OUTLOOK FOR 1962*

123. A great deal has already been done but further provisions are still needed. Many implementing provisions still have to be decided on by the Commission in conjunction with the Management Committees. The Council will also have to take complementary decisions, in particular regarding criteria for the fixing of grain prices in 1963. The Member States will have to take measures expressly laid down which lie within their competence and also adapt certain of their laws and regulations to make possible effective application of the regulations.

124. A further task of the Commission is to complete the common policy on agricultural markets by working out draft regulations for products in respect of which there have so far been no decisions.

The Council has invited the Commission to forward by 1 May 1962 draft regulations concerning dairy produce and beef, and by 15 July 1962 a draft regulation on sugar.

As regards rice and fats (with the exception of butter) advance drafts have been prepared. The representatives of the trade organizations grouped at the Community level were consulted.

On 22 February 1962 the European Parliament rendered its opinion, in the form of a resolution, on the common policy in the rice sector.

The Economic and Social Committee, to which the matter had been referred by the Commission in July 1961, gave its opinion at its 17th session on 25 and 26 October 1961. The Committee approved the Commission's proposal for a common policy in the rice sector and, at its 19th session on 25-26 January 1962 gave its opinion on fats. It accepted the Commission's draft subject to a few comments, and proposed that the Stabilization Fund for the fats market should be financed by the public exchequer and not through the system of contributions planned by the Commission.

Other proposals will later be submitted in respect of the following sectors: fish, potatoes, raw tobacco, alcohol and non-edible horticultural products.

125. As regards forestry questions, studies are going on concerning the trend and outlook in forestry production, statistics, markets for wood from state-administered forests, the right of establishment and the harmonization of certain regulations. This work is being done with the participation of the Directors General of Forestry administrations in the Member States, who meet periodically with a view to gradually co-ordinating their policies.

126. Action to achieve the social aims of the common agricultural policy will be progressively stepped up. In particular the Commission will have to define its doctrine in this matter and take steps to see that it is applied.

The Advisory Committees for grain, pigmeat, eggs and poultry, fruit and vegetables and wine provided for in the Commission proposals of 3 June 1960 and 19 July 1961 must be set up before July 1962. This system of consultation will also extend to the sectors for which the Council will have to take decisions on proposals from the Commission (dairy produce, beef, sugar, rice, fats).

The establishment of these Committees will make it possible systematically to consult the agricultural trade organizations on the implementation of the common agricultural policy.

The proposed Standing Committee on agricultural structure will have to begin work when the Council has adopted the Commission's proposals in this field.

### The Common Transport Policy

#### *THE COMMISSION'S MEMORANDUM ON THE GENERAL LINES OF A COMMON TRANSPORT POLICY*

127. The Fourth General Report set out the main points of the Memorandum on the general lines of a common transport policy <sup>(1)</sup>, which was published on 10 April 1961 by the European Commission; the Commission considered that there was a need for it to make known its general views on the application of Articles 3, 74 and 75 of the Treaty.

The Memorandum was submitted to the Council and examined at the sessions of 26 June and 28 November 1961, and of 27 February 1962.

Initial discussions at these meetings afforded a fairly clear picture for the state of opinion. Agreement was reached on certain general principles, and on a number of questions divergent views were brought closer together.

The Ministers agreed unanimously that the measures to be taken with regard to the essential elements of the common transport policy should be studied and discussed concurrently. This would make it easier to harmonize viewpoints in a spirit of mutual understanding.

The European Parliament has been consulted on the Memorandum; it has considered a report from its Transport Committee, and will render the opinion requested early in May 1962.

The EEC Economic and Social Committee has also been consulted and gave an opinion on 28 February 1962.

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(1) See Fourth General Report, Chap. II, sec. 122.

This Committee's discussions laid emphasis on the members' desire for harmonization of ECSC and EEC provisions with respect to transport policy, and their feeling that a more competitive system than the present one should be introduced. The Committee stressed the importance of levelling upwards the social conditions of transport workers. The opinion gives two opposite views on problems of publicity. In addition, the Committee approved the time-table presented with the Commission's proposals.

Apart from consulting Community institutions and bodies, the European Commission has arranged to have the principles of its Memorandum widely discussed in transport circles. In September, October, November and December 1961, meetings were held with the representatives of a number of transport organizations: the European Liaison Committee of forwarding agents and transport ancillaries (CLECAT) on 18 September 1961, the Transport Workers' Committee of the Community (ITF) on 26 October 1961, the International Transport Committee (IFCTU) on 27 and 28 October 1961, the Community Group of the International Railways Union (UIC) on 7 November 1961, the Liaison Committee of road hauliers in EEC (set up within IRU) on 5 and 6 December 1961, the Transport Committee of the Union of Industries of the European Community (UNICE) on 12 December 1961, the Committee of European Transport Users of the International Chamber of Commerce (CCI) on 14 December 1961, and the International Union for Inland Navigation (UINF) on 9 January 1962.

The discussions were very fruitful and the organizations consulted subsequently informed the Commission of their views on the Memorandum.

The Commission's staff has studied these carefully and considers them very helpful for the further development of the common transport policy.

*FIRST MEASURES TAKEN BY THE COMPETENT AUTHORITIES**Procedure for prior examination and consultation  
on Member States' provisions in the field of transport*

128. After consultation with the European Parliament and the Economic and Social Committee, the Council approved on 28 November 1961 a decision proposed by the Commission. This first measure is intended to set on foot a common transport policy. It institutes a procedure for examination and consultation regarding certain laws, regulations and administrative practices envisaged by the Member States in the field of transport.

Its purpose is to enable the Member States and the Community institutions to be kept informed of, and to discuss in the Community context, the measures each Member State is contemplating in matters of transport. This will ensure close co-operation between the Member States and the Commission and will prevent national transport policies from developing along diverging lines.

The Council's decision sets up a procedure by which a Member State must advise the Commission and the other Member States when, in the field of rail, road and inland waterway transport, it intends to adopt legislative or administrative provisions likely to affect materially the attainment of the common transport policy. Where necessary there can be consultation at Community level, and an emergency procedure has also been provided for.

Even before this decision became effective, the Government of the Grand Duchy of Luxembourg transmitted to the Commission for an opinion, on 11 January 1962, a road transport bill which it had tabled in the Chamber of Deputies on 19 December 1961.

The European Commission gave its opinion on 31 January 1962. It considered that, subject to a further examination of the texts, the bill was in its essentials consistent both with the Treaty and with the ideas set forth in the Memorandum, and that there was no need for it to arrange consultations at Community level; it did however request that certain changes should be made to allow for future developments in the

common policy. The Grand Duchy amended its bill in accordance with this request.

### *Harmonization in the field of taxes*

129. The Commission has undertaken a survey of transport taxation. It felt that the first question to be examined should be the avoidance of double taxation for motor vehicles in international transport. A solution in this matter would facilitate transport within the Community and could be found without drastic changes in present taxation arrangements. The Commission has referred to the Consultative Committee on Transport a proposal on the subject.

In other fields of taxation peculiar to transport—taxes on vehicles, fuel, tyres and transport services—the European Commission is pressing forward its studies with a view to guiding transport systems in harmony with the rules of the Treaty, with general tax measures and with the objectives and principles of the common policy. Harmonization in transport taxation is linked with other work on determining and analysing the expenditure entailed in the use and development of infrastructure with a view to apportioning the burden among the various users.

### *Harmonization of social conditions*

130. The harmonization of social conditions in transport must be in line with the Community's general policy of harmonization in the social field and must also combat distortions of competitive situations.

The European Commission first undertook a study of such matters as time spent on the road and certain other conditions in international road transport. A questionnaire was addressed to Governments, trade unions and employers' associations on the following points: physical fitness, qualifications, hours worked, time off, arrangements for women and young workers, shorter working hours and longer rest periods, supervision, actual conditions, etc.

With the replies to this questionnaire as a basis the Commission drafted a paper on present situations in the six Member States and on measures to improve them and bring them into alignment. This will shortly be submitted to a committee of government experts and experts from both sides of the industry.

#### *Major Community routes*

131. After considering the present situation of national transport networks and improvement schemes, the Commission, in co-operation with the member governments, began work in 1960 on a blueprint for a network of major arteries for each mode of transport and on plans to improve this network.

This first stage in this work took the form of recommendations addressed to the six governments in June 1960 <sup>(1)</sup>, of which the Council took note at its meeting of 6 December 1960.

In the light of the Council's comments and of the wishes of the European Parliament, the Commission amplified its 1960 plan for the major Community arteries in co-operation with the member governments. Meetings of experts on the various modes of transport began in 1960 and issued in a supplement to the recommendations of 21 June 1960 addressed to the Governments on 8 August 1961.

The Commission has kept itself informed, in meetings with the national experts, of the progress of schemes which had been the subject of recommendations in 1960 and 1961.

#### *Regional infrastructure*

132. In accordance with the programme set out in its 1960 recommendations, the Commission has also undertaken an examination of the problems involved in the improvement of the regional transport infrastructure, with particular reference to the needs of Community

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(1) See Fourth General Report, sec. 234.

areas where industrial activity is declining or where development is lagging behind. The studies will cover various matters connected with transport referred to in the reports submitted to the Conference on Regional Economies (1) and the discussions arising from these reports.

### *Financing*

133. The European Commission has assisted the national administrations in studying the economic aspect of certain projects and in seeking additional sources of finance.

On this point the European Commission expressed an opinion, as provided for in Article 21 of the relevant Protocol, on the granting by the European Investment Bank of substantial loans to the Italian, French and German railways covering two schemes included in the recommendations: improvement of the France-Italy railway sections (Chambéry-Modena-Genoa), and the electrification of the German North-South line ( $\frac{\text{Hamburg}}{\text{Bremen}} - \text{Hanover-Flieden} - \frac{\text{Hanau}}{\text{Gemünden}}$ ). The Commission is also studying other forms of finance to supplement the Member States' own resources and the aid from the Investment Bank.

### *Transport equipment and traffic rules*

134. Current disparities in technical regulations applicable to transport constitute obstacles to international transport and its development. The European Commission has embarked on studies with a view to harmonization. These have dealt with traffic rules and rules governing vehicle specifications.

For road transport, the studies have dealt with weights and dimensions of vehicles and problems connected with the harmonization of the specifications for approved parts and equipment for road vehicles.

In addition, the European Commission has taken part in the work undertaken by the European Conference of Ministers of transport (ECMT) on the establishment of a European highway code.

(1) See Chap. III, sec. 100.



To deal with equipment used on inland waterways, the European Commission has set up a Committee on "rationalization and standardization in European inland waterways" comprising representatives from the relevant government departments, from builders' and users' associations and from institutions active in this field. The first task attempted by the Committee—concerning the design of a standard vessel with standard equipment—gave encouraging results.

*Problems involved in the development of transport by pipeline*

135. The Commission has drafted and submitted to the Council a working paper on the problems involved in the development of pipelines for liquid fuels. The Council took note of this paper on 26 June 1961. The experts have held several meetings and useful progress has been made.

*Uniform goods nomenclature for the purposes of transport statistics (NST)*

136. The work done in various fields, particularly in statistics, has revealed the need for a uniform goods nomenclature for the six countries and for the three forms of internal transport. The Commission has therefore brought together a panel of government experts who have been joined by representatives from the Economic Commission for Europe (ECE), from the European Conference of Ministers of Transport (ECMT), from Switzerland and from Austria, and from organizations active in the transport field. The experts have agreed on the establishment of a uniform goods nomenclature, which has also been accepted, saving a few slight differences, by the competent body of the United Nations Economic Commission for Europe.

Consequently, on 26 July 1961 the European Commission recommended the Member States to adopt this nomenclature and on this basis to transmit regularly statistics on national and international transport by rail and inland waterway and on international transport by road.

The Member States agreed to transmit this information to the Commission as from 1 January 1962.

*Study of transport costs*

137. A Committee of government experts set up for this purpose by the Council on 6 December 1961, under the chairmanship of a representative of the Commission, began work in March 1961. In accordance with suggestions made in the course of ministerial discussions, the Committee gave priority to two problems, the importance of which as part of the common transport policy is nowadays universally acknowledged: the apportionment of infrastructure costs between the various forms of transport and a comparative study of the burden of expenditure actually borne by the different forms of transport and by individual firms. Both studies have been undertaken with the same end in view—that of bringing competitive conditions between firms and between means of transport nearer together, both within member countries and at Community level.

Good progress is being made. The work on infrastructure costs is being carried out in four stages, each of which comprises a theoretical study of the methods and principles to be applied and their effects expressed in figures. The four stages cover the determination of total infrastructure costs, the apportionment of these costs as between actual transport and other purposes for which means of communications are used, the apportionment of actual transport costs between the form of transport concerned and other users, and lastly, the apportionment of costs within a given form of transport between various categories. It is also planned to carry out a census of the receipts of all kinds arising from the use of means of communication, so that actual balance-sheets can be established, showing how costs are covered or more than covered.

The comparative study of the competitive positions of forms of transport and transport firms aims at bringing out the effects on the transport sector of intervention—mainly through taxation and social legislation—by public authorities. It will reveal more clearly the extent of differences between national systems in this field, and will yield valuable and in some regards essential information for the planning of harmonization measures in building up the common transport policy.

*The Parliament and the Economic and Social Committee*

138. The European Parliament has held several debates on transport and has adopted a number of opinions and resolutions on this subject.

In particular, it approved at its session of 16 to 20 October 1961 the proposal concerning a prior examination and consultation procedure with respect to the laws, regulations and administrative practices of Member States. The Parliament took the view that the consultation procedure should also apply to long-distance pipelines for gases, liquids or solids.

At its session of 19 to 21 December 1961, it adopted a resolution on the problem of air transport in the framework of the Community; on the view that a common air transport policy for the Six should be one of the EEC's essential objectives, the Parliament set out the basic principles for such a policy and proposed that the Council places this item on its agenda.

Another resolution concerns the fact-finding mission on the Rhine and in the ports of Rotterdam and Amsterdam: it expresses the hope that the main principles of a common transport policy, embracing sea and inland waterway transport, will be defined.

At its session of 20 to 22 February 1962, Parliament adopted an opinion requesting, inter alia, that each Member State should liberalize not later than at the end of 1962 all transit transport on its territory coming from or going to another Member State. The opinion also suggests that licensing and quota arrangements should be abolished by the end of 1962.

139. At its session of 27 to 30 March 1962, the European Parliament adopted a resolution on a highway code in the EEC. It notes with satisfaction the progress already made towards uniform road traffic rules by the European Conference of Ministers of Transport (ECMT), invites the six governments to bring into force the rules framed by the ECMT and suggests that a working party should be set up to deal with various matters, in particular to promote Community action to reduce road accidents. The Parliament recommends that the European Com-

mission should be represented in discussions on problems of road safety.

140. The Economic and Social Committee has rendered two opinions on transport questions: at its 17th session (25 to 26 August 1961) it expressed an opinion, as requested by the Commission on 26 July 1961, on the proposed decision concerning the prior examination of Member States' regulations in the field of transport and concerning procedure in this connection.

This opinion, which was unanimous, entirely approved the consultation procedure proposed by the Commission: the Committee considers that such consultation will only be fully effective after the principles of the common transport policy have been agreed. It voices the hope that this procedure may also be applied to the regulations of the Member States concerning long-distance pipelines for gases, liquids and solids.

At its 24th session (28 to 29 March 1962) the Committee adopted an opinion, as requested by the Council on 23 January 1962, on the directive concerning the establishment of certain common rules for international goods transport by road.

The Economic and Social Committee is in favour of the directive, considering it as a measure preparatory to the framing of the common rules provided for in Article 75 of the Treaty. However it expresses misgivings as to the advisability of taking piecemeal measures in anticipation of the future common transport policy. In addition, the Committee feels that the Commission ought to give a clear indication in the directive that existing arrangements in the Member States on the admission of their own nationals to international transport activities, including international transport on own account, are not affected by the directive.

#### THE WAY AHEAD

141. At its session on 27 February, the Council continued discussion of the Commission's Memorandum on the general lines of a common transport policy.

The Council invited the Commission to draft, in co-operation with the government experts and in the light of the results obtained, general proposals for the introduction of the common transport policy and to submit to it for 25 May 1962 an overall programme for co-ordinated action, accompanied by a time-table, for the three modes of transport—a long-term programme having regard to the stage in approximation already reached.

The European Commission began this task at once. Most of the proposals it will table in the Council will be the outcome of studies its staff has been engaged on for some time concerning access to the market, a policy for freight rates, harmonization and the co-ordination of investment.

The programme to be submitted to the Council on 25 May will constitute a general programme going as far as the end of the transition period for the implementation of the common transport policy. When this programme has been adopted by the Council, proposals for concrete measures drafted with the aid of government experts will be submitted.

Furthermore, it should be added that as early as 1960 the Commission had already taken a number of practical measures without waiting for this programme to be drawn up. These measures have borne their first fruits and their development will fit into the general framework of the programme now under consideration.

### Social policy

142. At the end of the first stage, the European Commission is armed with a number of Community instruments (regulation on the social security of migrant workers, regulation on the European Social Fund, and a regulation on the free movement of workers) <sup>(1)</sup> in the implementation of which it has certain well-defined duties, which it is carrying out in association with government departments in the Member States. Of particular interest in the field of social policy is the adoption

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<sup>(1)</sup> See Chap. II, sec. 27 et seq.

by the Member States in advance of the transition to the second stage, of a resolution on the progressive equalization of wages for men and women workers (Article 119 of the Treaty).

Apart from the implementation of these regulations and action to give effect to Article 119, the Commission has pressed forward its work on various matters <sup>(1)</sup> such as employment policy, harmonization of social systems, social security, vocational training, and wage surveys, which are discussed below.

#### THE EUROPEAN SOCIAL FUND

143. In 1961 the European Social Fund began operations, having been endowed with its legal, administrative and financial status in 1960. Its main task was to scrutinize application for refund of expenditure submitted by five of the Member States (there were no applications from Luxembourg).

The first of the applications concern vocational retraining and resettlement schemes carried out between 1 January 1958 and 20 September 1960, date of the entry into force of the relevant regulation. The sums applied for add up to 21.048 million units of account; applications for retraining are for 13.772 million u.a. and those for resettlement 7.276 million u.a. The distribution of claims as between countries shows substantial disparities. Almost all the applications have been examined by the Commission's staff and submitted for an opinion to the Committee of the Social Fund. On this basis, the Commission has appropriated from the 1961 budget, totalling 20 million u.a., funds to an amount of 12.045 million u.a., which has been carried over to the 1962 financial year. The carry-over of the unexpended balance of 1961 appropriations—7.955 million u.a.—has also been requested. This figure is to be added to the sum of 29.027 million u.a. earmarked for the Social Fund in the 1962 budget. Decisions on the above-mentioned applications are expected in the first half of 1962.

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(1) For the social aspects of the common agricultural policy, see Chap. III, sec. 121.

The applications submitted for operations carried out since the entry into force of Regulation No. 9 (20 September 1960) until the end of 1961 total 5.872 million u.a. (4.788 million for retraining and 1.084 million for resettlement). This second set of applications will also be examined in the course of the year.

A first group of statutory bodies have been accepted for the list provided for in Regulation No. 9 and further applications for inclusion on this list are being examined.

The Regulation concerning Member States' contributions and the technical conditions for the Fund's financial operations came into force on 1 April 1961. The notification to each Member State of its financial standing with the Fund, as provided for in this Regulation, will be made each quarter beginning with the second quarter of 1962. Also under this Regulation, the European Commission will fix the totals of transfers to be made, in the light of the positions of each Member State on 31 December of each year.

144. The Committee of the Social Fund held four sessions in 1961. Apart from rendering opinions on applications for refunds, it established its rules of procedure (approved by the Council on 5 February 1962), and approved the draft budget for 1962, a considerable number of applications for inclusion on the list of statutory bodies and lastly the proposed form for applications for refunds drawn up by the European Commission.

#### EMPLOYMENT POLICY

145. Continuing its studies with a view to planning a long-term employment policy, the Commission has turned its attention to employment in agriculture, analyzing the causes and circumstances of its decline in the last ten years and gathering material for an estimate of future trends, to employment in the building trades and to under-employment in Italy and Belgium.

A comparative study of the Member States' employment services has been begun in conjunction with national experts. The object is to

improve knowledge of organization, working methods and experience in order to improve co-operation between the national services, which is particularly necessary in every aspect of the free movement of labour, and in order to facilitate the gradual harmonization of the systems in force. Lastly, the European Commission has made a comparative study of vocational guidance and its relationship with employment and the placing of workers in the Member States.

146. In the shorter term, the Commission made in the spring of 1961 a new survey of the current situation of the labour market in the Community countries. Its findings were transmitted to the Council on 12 July 1961. Noting that manpower shortages were tending to become more severe over a great part of the Community, notably in the Netherlands and in the German Federal Republic, the Commission expressed the opinion that the Community operation launched in 1960 with the aid of the Social Fund, to further the vocational training of unemployed Italian workers willing to take jobs in other countries <sup>(1)</sup> should be pressed forward, accompanied by appropriate action in the matter of housing.

The Advisory Committee set up under Regulation No. 15 on the free movement of workers is an intermediary through which the Commission can go into problems of movement and employment with a view to co-ordination on Community lines the Member States' employment policies. This Committee will have an important part to play vis-à-vis the Commission.

#### *HARMONIZATION OF SOCIAL SYSTEMS*

147. The Commission has continued its work on the harmonization of social systems (Articles 117 and 118). Progressive harmonization in this field constitutes an important factor in development designed to level living and working conditions in an upward direction. The Commission sees harmonization not as a standardization nor as the mere

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<sup>(1)</sup> See Fourth General Report, sec. 154.



alignment of the various regulations and practices on those of the member country which would seem the most advanced in these matters, but rather as a progressive narrowing of differences between them in a common effort to make social progress within each country first of all and then in an integrated Europe, through co-operation of all the social forces in the six countries. In 1961 ways and means of attaining these ends were sought in consultation with representatives of trade unions, employers' associations and member governments. The first subject dealt with was a list of the features of member countries' social policies to be given priority in discussion.

Working Parties composed of employers' and workers' representatives in equal numbers or including Government representatives have been set up to examine problems of collective bargaining, protection at work for women and young workers, the length of the working week and wages. The Working Parties on the first two subjects met several times in 1961.

Debating social harmonization at its session of 20 to 24 November 1961, the European Parliament passed unanimously a resolution calling for the promotion of close co-operation between the Member States and workers' and employers' organizations, and suggesting that the European Commission and both sides of industry set up joint committees with equal representation.

148. In the field of social security, the European Commission co-operated with the ECSC High Authority in publishing comparative tables of the social security arrangements in force in the Member States, and has undertaken, with the trade unions and associations a study on complementary systems of social security in certain sectors: building, chemicals, textiles, motor vehicles, paper and printing.

Arrangements have been made for the special training of officials in social security institutions to familiarize them with the application of the Regulation on the social security of migrant workers: 20 persons have spent a training period of six weeks to three months partly in departments of the Commission or the High Authority, partly in an institution in a country other than their home country. This first experiment has had useful results.

Finally, the Commission is gathering together documentary material of a legal, financial, economic and demographic nature with a view to a Consultative Conference planned for the end of 1962 for the purpose of examining the main issues arising as regards the ends and means of harmonizing national social security systems.

149. In the field of industrial health and safety, the Commission has continued the execution of its harmonization programme. Further to the suggestions made by the Parliament and Government experts as well as the representatives of trade unions and associations, it has given priority to an examination of problems of safety for those working in compressed air caissons, in building and civil engineering and in agriculture. Several studies have been carried out or are under way, chiefly in the field of accident prevention. The Six are co-ordinating their attitudes in these matters in connection with the drafting of an ILO convention on machines not fitted with safety devices, which is to be discussed in Geneva in June 1962.

In the field of health protection for workers the European Commission has drafted a recommendation to the Member States proposing the adoption of a uniform European list of occupational diseases, to be used in connection with prevention and compensation and for statistical purposes. This draft is a first experiment in harmonization, concerning both national insurance against occupational diseases and the protection of workers. Another draft recommendation to the Member States concerns industrial medicine and is based on recommendation No. 112 of the ILO.

Both drafts were referred to the Economic and Social Committee, which expressed a favourable opinion on them at its session in March 1962.

The European Parliament's Social and Health Protection Committees are also examining the drafts.

At its session of 20 to 24 November 1961, the Parliament had passed a resolution urging that the EEC set up a body similar to that of the ECSC to study and harmonize arrangements concerning industrial health and protection.

In the field of social service, the Commission organized in co-operation with the Belgian Government, the European Office of the UN and the International Labour Office a European seminar on the relationship between social security and social service.

150. In the field of policy on family welfare, a European Secretariat in which the six countries are represented has been set up within the International Union of Family Organizations to facilitate relations with the Community. A meeting of representatives of government departments and of family and workers' and employers' associations was held on 13 and 14 March 1961 on the initiative of the Commission, to examine the development of family welfare policy in the six countries and note what was common ground. Similar meetings are being held on housing policy, its financing and special problems of rural housing.

#### WAGES IN INDUSTRY

151. The most important work carried out in the field of social statistics has been the study on wage costs, which was published in the third 1961 number of "Statistiques sociales" (1). This study sets out and analyses the results of a survey of fourteen branches of industry made in 1960. The survey dealt with wage costs and with the employers' contribution to marginal benefits expressed in work units, i.e. in hours for workpeople and in months for salaried staff. Account was taken of all expenditure borne by the employer as the ILO had recommended at the time (social aspects of European economic co-operation, Geneva 1956, page 3). Methods and definitions used in the survey were worked out jointly with the national experts, with the result that the degree of comparability achieved is unusually high for international studies of this kind.

The main conclusions are that the geographical factor plays a less important part in wage costs than the structural factor, i.e. that there is a closer relationship between the costs of the same industry in different countries than between those of different industries in a single

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(1) Not available in English.

country. In all the Member States, the composition of the labour force, in particular the proportion of women workers, has a considerable influence on the level of wage costs. Finally, one of the most significant points brought out by the study was that the structure of total wage costs does not directly affect their level. This is clear, for example, from the fact that in the Netherlands, where overall wage costs stand at a level practically equal to that of Italy, the wage structure is similar to that of Germany or of Belgium, while in France, where overall manpower costs are relatively high, the breakdown into direct and indirect wage costs shows a structure similar to that of Italy.

The results of this survey, which have so far been studied from the point of view of cost prices, are now being resifted for the information they give on incomes. Last year, a similar survey was made of eight other branches of industry and the results are now being collated. A third and a fourth survey are being planned.

#### VOCATIONAL TRAINING

152. On 3 October 1961, the European Commission referred to the Council proposals concerning general principles for a common policy on vocational training (Article 128), comprising the establishment of a Community framework into which the Member States' activities in this field can be fitted. Thus the Council's decision will commit the Member States to taking the measures necessary for the application of the general principles adopted.

The Commission's proposals stress that vocational training is one of the essential factors making for economic and social progress, which is a fundamental objective of the Treaty of Rome. Training will enable workers to adapt themselves to the requirements of an expansionary economic policy. Consequently, the common policy on vocational training must aim at securing for the Community's economy, with due regard to population trends, the labour force needed, particularly in terms of quality, and at adapting workers to technological advances, at the same time promoting an enrichment of personality.

The progressive approximation of standards of vocational training must equip workers with equivalent skills so that they can pursue their trade in any country of the Community.

Joint financing of training in agriculture, as provided for in Article 41 of the Treaty, will help to solve the problems involved.

The European Commission has the task of making concrete proposals to the Council in this field, of taking any other appropriate steps and of following the course of the work undertaken. It will be aided by an Advisory Committee for vocational training comprising on a basis of parity, representatives of Government departments, of employers' associations or institutions officially responsible for vocational training, and of the trade unions.

The European Commission has suggested to the Council that the European Parliament should be consulted, although Article 128 lays down obligatory consultation only in the case of the Economic and Social Committee. At its session of 23 to 25 October 1961, the Council decided that both institutions should be consulted. They gave a favourable reception to the proposals on 1 and 30 March 1962 respectively.

With a view to the implementation of these proposals, the Commission had made several studies of vocational training systems in the Six and had begun the preparation of an occupational training glossary (first part: Federal Republic of Germany).

The Commission has concluded an agreement with the International Information and Research Centre on vocational training set up in Geneva by the Council of Europe and with the International Labour Organization to take part in their work in 1962.

153. The Commission has submitted to the representatives of the Member States meeting in the Council a draft decision concerning measures to encourage the exchange of young workers as part of a joint scheme. These measures will mark the beginning of the application of Article 50 of the Treaty; priority has been given to trainees, i.e., young persons who have already reached certain standards and who

wish to go abroad to improve their qualifications. The proposal provides for the establishment of national advisory committees to assist the authorities responsible for these exchanges, and for Community financial aid to supplement expenditure by the Member States and increase the number of scholarships.

#### *EQUAL PAY FOR MEN AND WOMEN WORKERS*

154. The Member States' representatives meeting in the Council at its last session of 1961 adopted a resolution under Article 119 for the gradual introduction of equal pay for women. This decision bears witness to the Member States' determination to reach an agreement despite real difficulties in this matter.

A great deal of work had been done before this decision was taken. In June 1961, a special panel had been set up to examine the extent to which the principle of equality was being applied in each country, and to make an exact assessment of the actual situation at the end of the first stage in the six countries (1).

In its report to the Council, the Commission noted that in this field appreciable changes were taking place and progress had been made in certain countries. It also pointed out that progress had been hampered by the fact that the interpretation set on Article 119 had not everywhere been the same.

At its session of 16 to 20 October 1961, the European Parliament approved, at the close of a debate on the gradual introduction of equal pay for women, the Commission's interpretation of Article 119; it drew the Council's attention to the importance of this problem and stressed the point that the time-limit of 1 January 1962 must be complied with.

155. In the resolution adopted on 30 December 1961, the Member States' representatives, though fully aware of the value of uniform and

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(1) See Chap. VI, sec. 283.

harmonious implementation of Article 119 in the six countries, none the less took the view that the change should be made by stages.

For this purpose, the Member States will set in motion at once, with due regard to their own systems of wage settlements, appropriate procedures, by way of laws, regulations or collective bargaining (made compulsory), to give effect to the principle of equal pay for women in accordance with the following time-table:

a) By 30 June 1962 any difference in wages exceeding 15%, to be reduced to 15%;

b) By 20 June 1963 any difference in wages exceeding 10%, to be reduced to 10%;

c) By 31 December 1964 all discrimination to be abolished.

The Member States also acknowledge that the implementation of the principle is intended to abolish all discrimination based on sex in the fixing of wages, and a number of practices are quoted which the Member States have pledged themselves to abolish in accordance with the same time-table.

It is understood that the Commission will arrange for consultation between the Member States if a government reports specific cases of firms or economic sectors which appear to be placed at a disadvantage by reasons of discrepancies in men's and women's wages.

The Member States have undertaken to co-operate with the Commission in various tasks so as to make possible the fulfilment of the commitments laid down in the time-table. This clause concerns, in particular, statistical inquiries into the wage structure, into wages paid to men and women workers, and the qualitative investigation of methods of job classification used in the six countries.

## CHAPTER IV

### THE COMMUNITY AND THE DEVELOPING COUNTRIES

#### The Community and the associated States

156. The past year, the first of independence for the majority of the African associated States and Madagascar, has been a period of intense activity in developing the relationship between these countries and the European Economic Community.

The establishment of direct relations between the Governments of the new States and the Community is a testimony to the desire for association which these countries expressed in 1960 on becoming sovereign States. The problems of the form which association should take at the end of 1962 have been studied. Finally, the application of Part IV of the Treaty and the present Implementing Convention has led to many steps being taken which confirm the desire both of the Six and of the associated States to continue the association according to the letter and spirit of the Treaty.

#### POLITICAL DEVELOPMENTS

##### *Relations between the Community and the overseas associated States*

157. The last general report gave a list of the first associated States to accredit representatives to the Community. At present 14 African States including Madagascar are so represented.

They are, in the chronological order in which they appointed representatives, the Republics of Senegal and Gabon, the Ivory Coast



Republic, the Republic of Togo, the Islamic Republic of Mauritania, the Republics of Somalia, Chad, Niger, the Congo (Leopoldville), Madagascar, the Upper Volta and Dahomey, the Central African Republic and the Federal Republic of Cameroun.

The appointment of these representatives has facilitated the holding of periodical meetings between the Committee of Permanent Representatives of the Member States and the representatives of the associated States, in which the European Commission takes part. Two meetings took place at this level, in June and November 1961, for the purpose of preparing business for the first ministerial meeting between the associated States and the Council. After a broad exchange of views a list was drawn up of the questions to be settled under the new form of association.

In the course of the year the European Commission has held many discussions with the Ministers of the associated States during which special problems have been studied. Finally, the European Commission has convened a number of meetings of experts.

#### *The future system of association*

158. One of the Community's key tasks throughout the year 1961 was to plan the future system of association, and the progress made augurs well for the satisfactory conclusion of the work.

The future of the association has been studied by the various institutions of the Community and by the African States and Madagascar.

159. From the outset the European Parliament, and more especially its Committee on co-operation with the developing countries, has shown its interest in this matter.

During its session from 8 to 10 May 1961 the European Parliament held a full debate on the political, economic and social aspects of the association of overseas States. It adopted a resolution which emphasized, in particular, "that the association should not form a closed circle but should endeavour to broaden the framework of co-operation between Europe and Africa"; it drew the attention of the Commission

and the Council "to the importance which should be attached to a reorganization of the Development Fund in order to make its operations more rapid and efficient". The Parliament believed it essential that the overseas associated States should have permanent representatives to the Community, and that the Community should help to diversify and broaden the economic structures of these States. It expressed the wish that the Community's financial assistance should be directed more towards the professional and technical training of personnel, education and social services. Finally, the Parliament noted that these questions would be discussed with the African and Malagasy parliamentarians at the conference arranged for 19 June 1961.

This conference took place in Strasbourg from 19 to 24 June 1961. At the European Parliament's invitation 103 parliamentarians of the African States and Madagascar were enabled to exchange views with their colleagues of the six Member States. The European Commission took an active part in the discussions. These centered upon a number of principles designed to intensify institutional, economic, commercial and technical co-operation between the Community and the newly independent associated States.

On the institutional side, the parliamentarians of the associated States recommended that relations should be established on a basis of parity, a view which the European parliamentarians shared.

In the economic sphere, the representatives of the African and Malagasy Parliaments asked for the retention within the framework of the Community of guaranteed outlets for certain products such as the associated States had enjoyed in the former metropolitan countries.

Turning to the question of the Development Fund, the African and Malagasy parliamentarians were of opinion that the associated States should help to finance it and share in its management, and that the Fund should assist in the various development plans according to priorities fixed by the African States.

At its session from 19 to 24 June, the European Parliament adopted a resolution supporting the recommendations of this Afro-European conference and urging the Executives and Councils to take all steps to achieve these objectives.

Furthermore the European Parliament proposed to the Council that the future system of association should be one of the subjects discussed at the annual symposium of the Institutions.

During this symposium, which took place in Strasbourg on 20 and 21 November 1961, the discussion on the association of the African States and Madagascar ended in agreement on a number of matters on which resolutions were adopted. The President of the European Commission made known the Commission's attitude and welcomed the identity of views which existed between the Parliament and the Commission on this matter.

#### *THE COMMISSION'S MEMORANDUM TO THE COUNCIL*

160. On 13 July 1961 the European Commission addressed a memorandum to the Council on the future system of association between the overseas States and the Community. This document was also transmitted to the European Parliament and to the Governments of the Member States.

In its memorandum the European Commission urged that, subject to necessary adjustments, the Community should develop the association in the same spirit as that in which it had originally been conceived, and went on to suggest certain basic principles for the new system:

*a)* The association must be founded on the voluntary and unqualified adherence of all its members and on effective co-operation between them;

*b)* No new arrangement would be acceptable unless it offered the associated States benefits which, taken as a whole, were comparable to those of the Implementing Convention at present in force;

*c)* The essential aim of the association was to raise the standard of living of the associated peoples.

The document reviewed the juridical, economic and commercial and institutional aspects of the association.

As the association had been established for an indefinite period (Article 240) the Commission took the view that the existing agreement had not lapsed on the accession of the associated overseas countries to independence. So long as the Member States had not expressed an unanimous desire to revise the Treaty, the problem would have to be dealt with according to its terms and especially those of Part Four. It was for the Council to determine, before 31 December 1962, the arrangements to be made for the future system of association, but the position adopted would commit only the Council; it would provide the substance of an offer to be made to the overseas States. The new ties of association which, as they required the approval of the associated countries, would establish a contractual relationship between them and the Community, would be based partly on Article 136 and partly on Article 238.

The particulars of the implementation for a further period of Part Four of the Treaty would be governed by agreements between the Community and the associated States acting jointly or severally.

As to the economic and commercial aspects, the system of trade to be established would remain substantially that set out in Part Four of the Treaty.

Products exported by the associated countries would be exempt from customs tariffs in the Member States: the tariff reductions would be made in step with those for intra-Community trade; in the same way the exports of the Member States would enter the associated States without discrimination as to country of origin. Customs duties and charges having equivalent effect would be abolished on 1 January 1965.

Quantitative restrictions would be abolished by 1 January 1963.

The Community and the overseas associated States would decide their respective commercial policies and external tariffs.

A number of measures would be adopted to benefit tropical products: loans would be made to tide over temporary difficulties; the European Commission would take part in the international agreements regulating prices, and direct assistance would be given (especially for coffee, bananas and cotton). The funds that became available would

be credited to special accounts for each product. A common production fund with an annual income of \$25 million would be established, to which the associated States and the Six would contribute; its object would be to help in diversifying the economy and especially in making agriculture viable without outside support.

The Commission's message proposed various measures to promote trade in and consumption of tropical products. Thus the level of the common customs tariff on cocoa would, from 1 January 1965, be fixed at 4.5% ad valorem, at 8% for unroasted coffee and at 10% for bananas. Finally, the excise duty on coffee and cocoa would be reduced by 50% on 1 January 1963 and abolished by 1 January 1965.

The Commission raised in this message the question whether in principle the Community could not broaden the assistance given through the European Development Fund by making its methods more elastic so that its operations may correspond more closely with the multiplicity of situations and problems: Planning, private investment and public investment were three fields in which the Community should assist the development of these countries.

In the matter of technical co-operation the European Community proposed an annual expenditure of \$25 million on the training of specialists and also the assignment of experts to the associated countries where required for their investment projects; finally a joint development institute could set up teams able to work in a number of spheres and could assist in the training of qualified personnel.

The Commission's memorandum recommended the establishment of machinery for the functioning of the Executive, for settling any matters in dispute and for the necessary inter-parliamentary co-operation. The policy-making body of the association would be a joint Council of Ministers, composed of an equal number of representatives of the Community and of the associated States, whose decisions would be taken by unanimous vote. Under the authority of the Council an Association Committee, composed on a basis of parity, would supervise the working of the association.

By submitting this document, which has been used extensively as a basis for discussion, the Commission has played an active part in the negotiations. Though certain Member States put forward other suggestions or proposals, the European Commission's memorandum has greatly contributed to the reconciling of points of view—in which there was already a substantial measure of agreement.

#### *Start of the negotiations*

161. The first meeting between the Council of the Community and Ministers from the African countries and Madagascar took place in Paris on 6 and 7 December 1961, with the European Commission taking part. Its aim was to define in clear terms the principles and objects of the new Association Convention.

The representative of Madagascar, expressing the general view, said that the association was a political organism and that "it would be unreal and dangerous to obscure this profound truth by the technicalities of economic machinery; it is political because it confirms and fortifies our ties with Europe and because economic development is the most imperative political need of the associated countries".

The meeting approved a document setting out the principles and aims of the new convention of association. This states that the association is based on a mutual desire for co-operation freely expressed by sovereign States, negotiating on a footing of complete equality; its aims are the expansion of co-operation and trade, the diversification of the economy, the industrialization of the associated States and the strengthening of both their economic independence and of inter-African trade. The new convention would take the form of a standard agreement capable of adaptation, to which protocols would be attached. Its duration would be 5 to 7 years.

The Paris meeting drew up a procedure and time-table for the negotiations, and it provided for the formation of a steering committee and three working parties to deal with institutional and administrative matters, financial and technical co-operation, and trade and sale of goods respectively (this last being broken up into sub-groups for each product).

The steering committee, which is responsible for organizing and co-ordinating the activities of these working parties has held two meetings.

The Working Party on trade has begun a study of the pattern of trade in and marketing of a score of tropical products. With the help of statistical data it has already succeeded in working out methods for seeking practical solutions in a co-operative spirit.

The Working Party on technical and financial co-operation has studied problems connected with the European Development Fund, and especially the diversification of its operations (grants, loans, guarantees, etc.)

It has also studied the financial aspects of the system of trade and problems of technical co-operation in the training of qualified personnel.

Finally, as regards measures to encourage private investment, the Working Party has received copies of the investment codes already in force in nine of the associated States.

The Working Party on institutions and administration will meet shortly.

The structure of the steering committee and the working parties is such as to ensure the widest co-operation between the Six and the associated States and an equal footing for all parties to the discussions. The overseas States and the Member States will fill the offices of chairman and rapporteur in rotation. On the Community's side the Member State presiding over the Council provides the chairman of the steering committee, while a rapporteur representing the whole group of African States including Madagascar replaces the chairman in his absence. The chairman of the three working parties act as advisers to the steering committee. The European Commission acts as the spokesman of the Six in the working parties.

162. The second meeting at ministerial level between the African States and Madagascar and the Community took place on 9 and 10 April 1962 with the representative of France in the chair; the

sixteen associated States took part as well as the Kingdom of Burundi and the Republic of Rwanda. After discussing various questions introduced by the rapporteur (the Senegalese Governments' representative to the European Community), and noting the results of the work of the steering committee and the working parties, the meeting agreed on the main provisions to be included in a new Implementing Convention valid for a period of five years.

As regards the system of trade, the Ministers retained, subject to a number of adjustments, the system based on Part Four of the Treaty. On 1 January 1963 customs duties will be abolished on a number of tropical products imported from the associated States, and at the same time these products will become subject to the common external tariff reduced by a percentage to be determined and accompanied by compensatory measures. Steps will be taken to enable exporters of coffee and bananas to find outlets in the Community markets equivalent to their existing outlets. The Community and the associated States will be able to have recourse to safeguard clauses (tariffs and quotas to assist the industries of the associated States). The protocol concerning tariff quotas for unroasted coffee and bananas will be reviewed as well as measures benefiting certain products. Discussions will be held between the Community and the associated States for appropriate action on outlets and marketing for tropical products; account will have to be taken of the interests of the associated States where their products meet with competition from similar products of European agriculture.

In the sphere of economic and financial co-operation, the Ministers agreed that for the time being the existing Development Fund should continue to be drawn upon until entirely expended. In the future, after consultation with the associated States, the Member States will fix a ceiling for the Fund's resources and allocate them among the associated States on the basis of objective criteria. A decision will be taken on the new endowment of the Fund for the period of the new Convention and on ways in which the Community's financial assistance will be diversified.

In the fields of structural policy and investment, grants and loans will be made on special terms for purposes of economic and social



infrastructure and for productive schemes of general interest. Help will be given in strengthening economic structures and diversifying production. Ordinary loans will be made for viable projects, with provision for interest rate subsidies.

Assistance will be given to the associated States in palliating temporary price fluctuations through existing or newly-created machinery for price stabilization.

Investment schemes will be preceded, accompanied and followed up by technical co-operation; the scholarship and training programme will be continued and enlarged.

Efforts will be made to fit the production of the associated States to command a better market; finally, means will be sought of attracting private capital.

The next meeting of Ministers will take place on 20 and 21 June 1962.

#### *THE ASSOCIATION OF THE NETHERLANDS ANTILLES AND SURINAM*

163. The Netherlands has submitted requests for the association with the Community of the Netherlands Antilles (20 July 1960) and Surinam (7 June 1961).

Agreement was reached that these two territories should be included in Annex Four to the Treaty, which with the Implementing Convention, will consequently be applied to them. For Surinam a "belated ratification procedure" has been adopted by which the Government of the Netherlands, after ratification by the Netherlands Parliament, will notify the Community of the addition of this territory to the Protocol to the Treaty concerning the non-European parts of the Kingdom of the Netherlands.

In the case of the Antilles, the Treaty will be revised to include a Protocol concerning the Community's imports of petroleum from this area, which will be annexed to the Treaty and have the same legal force.

The procedure for revising the Treaty will be set in motion after discussions on the draft agreement between the Netherlands Government and the Government of the Netherlands Antilles. The Council will then consult the European Parliament, and after it has given its approval the permanent representatives of the Governments of the Member States will draft the alterations required in the Treaty in order to apply to the Netherlands Antilles the special system of association laid down in Part Four.

#### TRADE DEVELOPMENT POLICY

164. The six countries of the Community and the associated States have continued to apply during 1961 the tariff and quota measures provided for in the Treaty and the Implementing Convention.

The Member States extended to their imports from the associated States, on 1 January 1962, the third reduction of customs duties applied in intra-Community trade.

Thus on 1 January 1962 the tariff reductions in force on the imports of the Six from the associated countries were as follows: 40% on non-agricultural products, 35% on non-liberalized agricultural products and 30% on liberalized agricultural products.

The first steps towards alignment on the common customs tariff and the advent of the second stage of the Treaty, on 1 January 1962, have the effect of giving the products of the associated States a preference in some Member States and increasing it in others where it already existed. However, they also involved the putting into effect on the same date of the two protocols concerning the importation of bananas into Germany and of unroasted coffee into Italy and the Benelux countries. Finally, the European Commission, in pursuance of Article 35 of the Treaty, has granted to a number of Member States, after consultation with them, tariff quotas for other products (in particular tropical woods and tea).

Three of the associated States (Ivory Coast, Dahomey and Niger) have independently reduced for the benefit of the Community their discriminatory import duties by an additional 10%.

As regards quotas, when the Member States put into effect the fourth increase of 20% in their global quotas, those for the tropical products of the associated countries were increased by 10 or 15% depending on whether the products came under paragraph 1 or paragraph 2 of Article 33 of the Treaty. These measures only affect imports into France from those of the associated countries which do not belong to the franc area, since France is the only Member State applying to tropical products quantitative restrictions which are not applicable to the associated countries of the franc area.

Apart from tropical products, there remains the problem of agricultural products which are subject to a market organization in the Member States of the Community and of which the associated countries are exporters, such as sugar, rice and oleaginous products. So far no quotas for these products have been allocated to the associated States and territories. This question is bound up with the implementation of the Council's regulations and decisions on a common agricultural policy.

#### *EFFECTS ON TRADE; ACTIVITY OF OTHER BODIES*

165. The available statistics for the first quarter of 1961 show that the favourable trend in trade between the associated countries and the Community already noted in 1960 appears to have continued. The value of the Community's imports from the associated countries rose by 6% over that for the first quarter of 1960, which was 3% above that of 1959. The Community's exports to the associated countries increased by 11% in the first quarter of 1961 over those for 1960, which had been 13% above those of 1959.

It may be hoped that this upward trend which is still on a modest scale will gain momentum if the proposals on trade which the European Commission has submitted to the Council and to the governments with a view to the new convention of association are adopted and put into effect.

However, the Commission is aware that future developments depend very largely on the solution of world-wide problems of market

organization for certain tropical products. Obviously stabilizing measures applied on a world-wide scale will lighten the task of establishing the systems advocated for the narrower framework of the association of the overseas countries with the European Community. Hence the attendance of Community observers at the Accra Conference on cocoa market organized in April 1961 by the FAO study group, and at a meeting in Washington in September of the International Coffee Study Group.

#### *RIGHT OF ESTABLISHMENT*

166. A number of the associated States have informed the European Commission of their intention of removing all discrimination between nationals or companies of the different Member States, in accordance with the directives laid down by the Council on 23 November 1959 in pursuance of Article 8 of the Implementing Convention.

Some problems remain in applying these directives within the time-limit set; these arise from bilateral agreements, and from administrative changes in the associated countries on their accession to independence.

The Commission believes that implementation of the right of establishment would be an incentive to investment in the associated countries where it is most needed. It is therefore keeping a watchful eye on the execution of the directives of 1959.

#### *THE EUROPEAN DEVELOPMENT FUND (1)*

##### *General balance sheet at 30 April 1962*

167. Up to 30 April 1962, the associated countries and territories had submitted 640 projects to the Commission involving expenditure of over 1 000 million units of account; of these, 252 projects (320 million

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(1) See the statistical tables on the operations of the European Development Fund at the end of this Chapter.

units of account) had been rejected or were withdrawn, and 257 projects (over 300 million units of account) had been approved by the competent authorities (Commission and Council).

It is not without interest to compare the commitments approved by the Commission and the Council up to 31 December 1961 with the allocation of expenditure from the Fund for the first four years as set out in Annex B to the Implementing Convention.

TABLE No. 6

Overseas countries and territories which have or had special relations with :	Credits provided for in Annex B of the Implementing Convention (u.a.)	Commitments provisionally authorized (u.a.)
Belgium	18 450 000	12 509 000 or 67.8 %
France	314 418 000	220 630 000 or 70.2 %
Italy	3 075 000	4 760 000 or 154.8 %
Netherlands	21 525 000	12 487 000 or 58.0 %
<b>TOTAL</b>	<b>357 468 000</b>	<b>250 386 000 or 70.0 %</b>

168. If 12 projects (26 498 000 units of account), the examination of which was completed in December 1961 and which on 1 January 1962 were awaiting the approval of the Commission or the Council, are included, the figure of 70% becomes 77.6%.

The shortfall (22.4%) of the total of commitments or proposed commitments on the allocations laid down in Annex B is explained by the need for sound administration. There must be a reserve to meet possible differences between provisional commitments and the cost of contracts awarded as well as deficits that may arise from price increases. The above figures show that the initial delay in committing the Fund's resources has been made up.

169. The breakdown into social and economic projects approved was at 30 April 1962 as follows:

a) 144 social projects to a total of 128 million units of account:

Education and vocational training	17.1%
Public Health	12.1%
Water supply	3.8%
Municipal administration and town planning	2.7%
Surveys and studies	4.5%
Miscellaneous	2 %
Total:	<u>42.3%</u>

b) 107 economic projects to a total of 175 million units of account:

Transport and communications	40.4%
Agriculture and stock-raising	17.1%
Surveys and studies	0.2%
Total:	<u>57.7%</u>

### *Speeding up the Fund's operations*

170. The Commission's efforts, made in co-operation with the Governments of the overseas countries and territories, to intensify the Fund's operations are reflected in the following figures:

Of the total provisional commitments, 14% were undertaken in 1959, 26% in 1960, 44% in 1961 and 16% in the first four months of 1962.

Of the total financial conventions signed, 4% in value were signed in 1959, 25% in 1960, 55% in 1961 and 16% in the first four months of 1962.

Of the total amount of tenders invited, 1% fell in 1959, 30% in 1960, 49% in 1961 and 20% in the first four months of 1962.

Finally, of contracts let: 1% in 1959, 3% in 1960, 70% in 1961 and 26% in the first four months of 1962.

The Commission's provisional commitments amounted to 132 million units of account for the year 1961 alone (the overall allocation laid down for the fourth year in Annex B of the Convention was 131 mil-

lion units of account), and to 50 million units of account for the first four months of 1962. This was effected by improvements in internal procedure.

In order to facilitate the preparation of files for the projects to be submitted, the Council has authorized the expenditure of up to 3 million units of account from the Fund to finance surveys by the associated countries. A certain flexibility has, moreover, been introduced.

Thus projects are examined, approved and carried out more expeditiously and the Fund may now be said to be operating satisfactorily.

#### CO-OPERATION WITH THE ASSOCIATED STATES IN MAKING STUDIES AND IN TRAINING SCHEMES

171. The European Commission continues to co-operate in these fields. Although its activities can as yet be only on a modest scale, the Commission believes that this is one of its most important tasks, because it demonstrates the human aspect of the association and because the need for it is felt both by the authorities in the associated countries and by responsible quarters in the European Community.

##### *Studies undertaken on the problems of the associated States*

172. The studies not financed by the Fund but from the ordinary budget are of two kinds:

a) Expert opinions and investigations: hydrological and geological surveys, studies on rice growing, stock-raising and on numerous projects submitted to the European Development Fund.

b) General or regional studies, for example the importation, processing and consumption of coffee, cocoa and bananas in the member countries; soil conservation and re-forestation; standardization in low-cost building; a macro-economic planning model for the development of the associated countries, etc.

*Training for nationals of the associated States: scholarship schemes*

173. *The scholarship programme:* the interest shown by the Governments of the associated States in the first scholarship programme for the academic year 1960-61 led the European Commission, anxious to meet their needs on a larger scale, to offer a large number of scholarship.

For 1961-62 350 scholarships were awarded, as against 70 in the previous year. Applications are centralized in each country and submitted to the Commission through the Governments.

They provide for a year's study or training course in one of three fields: economics and finance (university and secondary school levels); agriculture (advanced, intermediate and elementary levels); and technical work (all branches and levels), the method here being training within industry.

The Commission has made a selection of educational and training establishments in the six countries to which scholarship-holders can best be sent. It has also asked specialized bodies in some countries to supervise on a permanent basis the courses of study or training and arrangements for residence. An attempt has been made, despite difficulties of language and teaching method to distribute scholarship-holders as equally as possible among the Member States. Rapid and practical language courses have been arranged for fellows whose mother tongue is French and who are assigned for training to non-French speaking countries.

174. The Commission has approved the scholarship programme for the academic year 1962-63 and has submitted it to the Council. It is on the same lines as those of previous years, but the number of awards has been increased from 300 to 1 000. In response to the repeated requests of the Governments of the associated States, applications may now be put forward for women to study establishments providing more especially for women students.

Scholarship-holders may also be placed in centres or establishments in the associated States.



175. *The programme for trainees:* the training programme for young civil servants of the associated countries in the Commission's work has been enlarged. The first (from 1 October 1960 to 30 June 1961) in which 12 trainees took part included several study tours in the Member States of the European Community and they attended the Conference of European, African and Malagasy parliamentarians at Strasbourg from 19 to 24 June 1961.

After this first programme, the European Commission decided, in order to provide for a larger number of trainees, to shorten the training periods and hold two in each academic year; the first period now runs from 1 October to 31 January, and the second from 1 March to 30 June. The Commission plans to have 12 civil servants for training in each period, i.e. 24 a year. The first of these programmes ended on 31 January and the second is in progress.

#### INCREASE IN DIRECT CONTACTS, MEETINGS AND SYMPOSIA

176. The number of meetings arranged by the European Commission has increased during the last year. Over 1 500 nationals of the associated countries and territories in different walks of life have attended lectures on problems connected with the association of their countries with the European Economic Community and have had an opportunity of discussing them with the Commission's officials. There have been about 30 meetings of this kind, including 8 of officials and leaders of co-operative organizations, 5 of students, 2 of journalists, one of teachers. Finally, a meeting was arranged for African and Malagasy women from various circles.

Since the beginning of 1961 these meetings, which are now on the lines of short information courses, are no longer held in Brussels but in each of the six countries and are generally arranged in connection with study tours designed to enable the participants to see something of industrial development, agriculture or social work in different areas of the Member States.

At the invitation of the European Commission, African trade unionists have had discussions in Brussels on problems of the association of overseas States with the European Economic Community.

There have also been direct contacts between the Commission and representatives of leading circles in the associated countries during various congresses and conferences on development problems, as for instance the meeting at Bari (7 to 9 October 1961) arranged by the Italian Government and the General Federation of Italian Industry in connection with the Levant Fair.

### General development activities

177. The steps taken by the European Economic Community to deal with the problems of the developing countries are not confined to the associated States. The Community is endeavouring to make its own contribution to the world-wide effort recently undertaken to co-ordinate aid to developing countries, and to work out the basis of a Community policy. It is engaged, independently or in collaboration with other organizations, in preparatory studies on the various methods of helping the developing countries: by technical co-operation, financial aid and the stabilization of markets.

### THE COMMUNITY'S OWN OPERATIONS

#### *Co-ordination of technical assistance*

178. The Technical Assistance Group for the developing countries set up by the Council on 19 October 1961 <sup>(1)</sup> held four meetings in 1961-1962. Its function is to co-ordinate the technical assistance operations of the Member States and the European Commission in the developing countries as a whole.

The Group has made arrangements for the exchange of technical assistance information: on the proposal of the Commission, it has drawn up two documents listing the services available for study and research and for the training of experts. A catalogue of the Member States' programmes and technical assistance operations in Latin

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<sup>(1)</sup> See Fourth General Report, Chap. III, sec. 179.

American countries is also to be prepared. The Group has studied an important joint project, a campaign against rinderpest in the Lake Chad basin, which covers areas belonging to four States—Niger, Cameroun, Chad and Nigeria. This campaign which has necessitated the recruitment of numerous experts from the member countries, has been financed by the European Development Fund to a total of 1 972 000 units of account.

#### *Proposed Joint Development Institute*

179. A report on the development institute which it is proposed should be set up jointly by the three European Executives was submitted to the Council by the Commission on 8 January 1962. The Councils had asked the Commission of EEC and the ECSC on 19 October 1960 to draw up an inventory of the facilities for technical co-operation in the Member States and to put forward detailed suggestions for the establishment of a development institute.

A draft decision, attached to the report submitted to the Council, proposes to the overseas associated States that a Joint Development Institute should be established on 1 January 1962 when the association of the overseas States is renewed. The Institute would be administered on a basis of strict parity, its controlling bodies being composed of an equal number of representatives of the Member States of the Community and the overseas associated States.

If set up on these lines, the Joint Development Institute could play a vital part in putting into effect the technical co-operation policies of the three European Communities and the developing countries. Working in collaboration with similar organizations, its services would be available on request to anyone, without exception, in the spheres of study and training, in which the practical needs of the developing countries are immense and far from satisfied. The institute would develop a closely knit network of correspondents consisting of the specialized institutes and centres of study and training in the Member States.

*Co-ordination of policies on exports credit insurance,  
guarantees and financial credits*

180. The group to co-ordinate policies for export credit insurance, guarantees and financial credits, set up by the Council on 27 September 1960 <sup>(1)</sup> has continued its work in three main fields:

a) Development of close collaboration between the authorities responsible for guarantees and financial credits which exceed those of the International Union of Credit Insurers at Berne;

b) Harmonization of the terms of export credit insurance;

c) Study of ways and means of encouraging private finance houses to increase their credits to the developing countries.

In the first of these fields the Group has outlined procedure for obligatory consultation before a government or government-controlled body gives guarantees connected with the supply of goods, if the period of credit proposed is more than five years. This system has been in operation since July 1961 and will enable the Member States to harmonize their credit policies on the supply of capital goods to the developing countries and will avoid anarchic competition on the markets of third countries.

As regards harmonizing the terms of export credit insurance, agreements have been, or are being, concluded on a number of problems such as the insurance of sub-contracts, joint insurance, the definition of risks covered and insured for work done abroad. These have shown the desirability of arriving at a general agreement on the various methods and procedures for export credit insurance. A standard agreement has been suggested which could be used for operations which are the same in a number of countries.

Thirdly, as to the possibility of private finance houses playing a larger part in providing medium- and long-term credits to the developing countries, the Group discussed whether they might not

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(1) See Fourth General Report, Chap. III, sec. 180.

operate in conjunction with the European Investment Bank, which could offer facilities for re-financing as part of its current investments of liquid funds.

*COMMUNITY PARTICIPATION IN INTERNATIONAL ACTIVITIES  
BEARING ON DEVELOPMENT PROBLEMS*

*EEC contribution to the solution of problems of trade in commodities*

181. The Community has supported the world-wide efforts being made in this field and has made a number of studies on the regulation of the markets for commodities and semi-processed products. Although the Community is the world's chief importer of raw materials, it is not itself in a position to find a solution to this problem, which needs the effective co-operation of the main industrialized countries and more especially of the United States, quite apart from long-term solutions which are being worked out through the international organizations set up for the purpose. The European Commission is considering short- and medium-term measures to promote imports into the Community of commodities and semi-processed products.

The Commission took part in the ministerial meeting on the promotion of trade with the developing countries, held in Geneva during the 19th session of GATT, and fully supported its recommendations concerning international action.

In international trade in commodities the quantities involved and also the price fluctuations are much greater than in the case of finished products. Furthermore trade in a number of commodities has not developed so rapidly as that in finished products; only an increase in world demand, to which the Community has made a considerable contribution; has at any rate prevented an even greater fall in prices.

This trend in international trade in commodities has weakened the economic position of many developing countries whose economic expansion largely depends on the foreign exchange they earn from such trade. Obviously this situation must be changed and here a special

responsibility devolves upon the Community as a large consumer of commodities.

There are difficulties in reconciling the commercial policies of the six Member States in this sector, although they display an identity of views on commodities such as wheat and sugar, for which they are parties to international agreements.

The problem of stabilizing commodity prices has been studied by the international organizations, which have put forward new proposals, in particular, the international study groups on coffee and cocoa have prepared first drafts of long-term agreements.

The most promising field for Community action is certainly the coffee trade. As the Latin American countries were anxious to have the Community, as the world's second largest consumer of coffee, take part in the work of the Washington study group, the Commission was invited to send representatives to two meetings (January and September 1961).

A new agreement on tin has replaced the old international agreement. On the other hand, the United Nations Conference on the revision of the international sugar agreement failed in its object and the provisions of the agreement for the stabilization of the sugar market have had to be suspended.

The Community has carefully followed all these developments. It sent an observer to the ninth session of the Commission on International Commodity Trade (CICT) as well as to the meetings of the FAO Commodities Committee, the Third Committee of GATT, the International Working Party on Lead and Zinc, the FAO International Working Party on Cocoa and the International Wheat Council and Sugar Council.

*The Community's contribution  
to the work of the Development Assistance Group  
and of the Development Aid Committee of OECD*

182. The Commission took part in the meeting of the Development Assistance Group (DAG) in Tokyo from 11 to 13 July 1961, the last

before the entry into force of the new OECD Convention. The meeting discussed the steps taken by the members of DAG to attract private capital to the developing countries, and the International Bank for Reconstruction and Development was asked to study the possibility of an international system of guarantees for such private investment.

As from October 1961 the Development Aid Committee of the new Organization for Economic Co-operation and Development has followed up this work and is studying procedure for an annual review of the aid policies of its members. A resolution of the Committee provides that, on the basis of a report by the Secretariat and a questionnaire prepared by the Secretariat assisted by three members of the Committee, each member country shall agree to a quantitative and qualitative assessment being made of the aid it has provided, determining whether the effort made is commensurate with its potentialities and with the needs of the recipient countries.

The Committee has held a meeting on problems of assistance to Latin America. Representatives of the Organization of American States, the Inter-American Development Bank, the International Bank and the United States Government presented in broad outline the programmes drawn up at Punta del Este.

The Committee has set up a Working Party on Technical Co-operation, which has held two meetings in 1961. It has studied and compared administrative arrangements on the national level for planning and implementing technical assistance programmes.

#### *Co-operation with other organizations*

183. Finally, the European Commission has taken an active part in the work of international organizations dealing with the problem of under-development.

It invited officials of the Economic Commission for Africa (ECA) to a meeting of experts charged with studying the establishment of a macro-economic planning model for the developing countries in Africa

The European Commission took part in the session of the United Nations Economic Commission for Latin America in May 1961 and also in the third session of its Trade Committee. It sent observers to the sixth session of the United Nations Food and Agriculture Organization (FAO) in November 1961 which discussed regional schemes for economic integration in the world and its consequences for production of and trade in agricultural products. The Commission is at present studying ways in which the Communities may play a part in the FAO world food campaign.

The EEC making a larger contribution to the work of the Commission for Technical Co-operation in Africa south of the Sahara (CCTA). It is regularly invited to take part in technical meetings called by CCTA, and was for example represented at the sixth Inter-African Labour Conference (April 1961) and at a meeting of experts on rinderpest (May 1961), etc.

The European Commission also took part in the forty-fifth International Labour Conference (ILO), which dealt especially with the role of the ILO in promoting the economic expansion and social progress of the developing countries.



TABLE No. 7

*Projects submitted to the European Development Fund:  
situation by group of countries or territories*

(at 30 April 1962)

in '000 units of account

Group of countries or territories	Total credits provided for in Annex B of the Implementing Convention		Total of applications submitted to the Fund (1)				Commitments authorized		
	Financial years 1958-1961 and first 4 months of 1962	Total for the 5 years (1958-1962)	From 1.1.1958 to 31.3.1961	From 1.4.1961 to 30.4.1962	1958 to date	From 1.1.1958 to 31.3.1961	From 1.4.1961 to 30.4.1962	to date 1958	
			19 136	21 133	40 269	11 681	3 861	15 542	
Belgium	22 300	30 000	19 136	21 133	40 269	11 681	3 861	15 542	
France	380 028	511 250	670 007	274 714	944 721	102 888	167 534	270 422	
Italy	3 716	5 000	2 450	2 930	5 380	1 950	2 810	4 760	
Netherlands	26 016	35 000	25 672	847	26 519	12 487	—	12 487	
Total	432 060	581 250	717 265	299 624	1 016 889	129 006	174 205	303 211	

(1) Including applications later withdrawn.

TABLE No. 8

*Breakdown by sector of projects submitted and projects approved  
(at 30 April 1962)*

*in '000 units of account*

Category and Sector	Total amounts requested (1)				Commitments authorized (2)			
	from 1.1.1958 to 31.3.1961	from 1.4.61 to 30.4.1962	Total on 30.4.1962	in %	from 1.1.1958 to 31.3.1961	from 1.4.1961 to 30.4.1962	Total on 30.4.1962	in %
<i>Social</i>								
Education, vocational and social training	51 200	35 789	86 989	8.6	16 620	55 213	51 833	17.1
Health	47 074	14 866	61 940	6.1	18 819	18 399	37 218	12.2
Water supply	21 922	17 451	39 373	3.9	3 609	7 956	11 565	3.8
Town planning	59 586	19 301	78 887	7.7	7 122	972	8 094	2.7
Surveys, studies and miscellaneous		8 245	11 996	1.2	11 437	8 228	19 685	6.5
Total	183 533	95 652	279 185	27.5	57 627	70 768	128 395	42.3
<i>Economic</i>								
Infrastructure (transport and communications)	377 257	132 864	510 121	50.1	49 487	73 049	122 536	40.4
Production (agriculture, stock-raising, fisheries, etc)	144 791	68 677	213 468	21.0	21 388	30 388	51 776	17.1
Surveys, studies and miscellaneous	11 684	2 431	14 115	1.4	504	—	504	0.2
Total	533 732	203 972	737 704	72.5	71 379	103 437	174 816	57.7
Grand total	717 265	299 624	1 016 889	100.0	129 006	174 205	303 211	100.0

(1) Including projects later withdrawn or rejected.

(2) Not including economic projects accepted by the Commission but for which approval by the Council is still pending.

TABLE No. 9  
Details of situation at 30 April 1962

Country	Financing agreements signed		Financing decided and approved (E)		Council's approval pending (E)		Commission's decision pending (E)		Projects under examination		Projects with- drawn, deferred or rejected		Totals	
	No. of prof.	Amounts u.a. ('000)	No. of prof.	Amounts u.a. ('000)	No. of prof.	Amounts u.a. ('000)	No. of prof.	Amounts u.a. ('000)	No. of prof.	Amounts u.a. ('000)	No. of prof.	Amounts u.a. ('000)	No. of prof.	Amounts u.a. ('000)
Congo (Leopoldville)	8	9 384	—	—	—	—	—	—	20	13 596	6	5 467	34	28 447
Rwanda	8	3 251	1	350	—	—	—	—	2	610	8	1 666	19	5 877
Burundi	6	1 307	1	1 300	—	—	—	—	3	1 990	10	3 348	20	5 945
Mauritania	7	9 780	—	—	—	—	—	—	7	4 953	14	3 018	28	17 751
Senegal	10	15 621	3	6 421	(c)	5 266	—	—	4	2 978	8	35 428	25	65 714
Mali (Sudan)	18	15 092	—	—	—	—	—	—	6	20 403	28	18 953	52	54 448
Upper Volta	8	14 806	1	131	—	—	—	—	5	31 980	20	10 048	34	56 965
Niger	2	8 287	2	5 762	—	—	—	—	3	2 790	10	2 360	17	19 199
Ivory Coast	15	24 621	—	—	—	—	(a)	1 235	6	41 645	26	11 489	47	78 990
Dahomey	10	8 146	2	2 370	—	—	—	—	4	5 023	7	8 702	23	24 241
Togo	12	9 409	1	632	—	—	—	—	14	8 745	1	608	28	19 394
Cameroun	17	16 356	2	17 775	—	—	—	—	5	1 341	14	71 844	38	107 316
Chad	10	12 491	2	2 921	1	689	—	—	2	12 068	5	16 757	23	44 926
Centr. Afr. Rep.	14	8 418	2	2 330	1	1 134	—	—	2	1 193	15	7 427	33	19 368
Congo (Brazzaville)	11	12 571	1	932	—	—	—	—	4	9 662	8	3 198	22	21 890
Gabon	9	8 058	1	972	—	—	—	—	2	33 037	30	22 299	71	84 074
Madagascar	24	26 372	3	2 366	—	—	—	—	1	537	3	2 385	9	4 991
Comoro	5	2 069	—	—	—	—	—	—	1	—	—	—	2	1 255
Fr. Somali Coast	1	742	—	—	—	—	1	513	—	—	—	—	2	1 711
New Caledonia	4	273	1	1 287	—	—	—	—	—	—	—	—	2	2 769
Polynesia	1	2 474	—	—	—	—	—	—	1	2 937	—	—	1	2 937
St. Pierre et Miquelon	1	—	—	—	—	—	—	—	—	—	—	—	—	—
Martinique	2	4 567	—	—	—	—	—	—	1	1 424	1	581	2	4 567
Guadeloupe	2	970	1	3 241	—	—	—	—	1	1 424	1	972	5	6 216
Guiana	—	—	—	—	—	—	—	—	2	2 734	1	1 792	3	3 706
Réunion	3	1 682	—	—	—	—	—	—	2	5 072	1	1 792	6	8 546
Algeria	7	17 680	—	—	—	—	—	—	14	59 242	6	46 523	27	123 445
Sahara	—	—	—	—	—	—	—	—	7	23 308	7	23 308	9	26 055
Group of States Rep. of Somalia	1	p.m. (b)	2	2 747	—	—	—	—	4	117 759	5	6 376	10	124 135
New Guinea	4	4 760	—	—	—	—	—	—	1	120	2	13 185	7	5 380
	6	12 487	—	—	—	—	—	—	1	—	—	—	10	26 519
	225	251 674	(d) 26	51 537	2 + (c)	7 089	3 + (a)	2 595	132	385 546	252	318 448	640	1 016 889

(a) Project F/CI/32/59 as revised.

(b) Project on rinderpest involving several States.

(c) Economic part of project F/SE/16/62.

(d) + draft (S) social projects (E) economic projects.

## CHAPTER V

### EXTERNAL RELATIONS

#### Intra-European problems

#### *APPLICATIONS OF THE UNITED KINGDOM, DENMARK AND IRELAND FOR ACCESSION TO EEC.*

184. Drawing the conclusions from the trend of intra-Community relations in 1960-61, the Fourth General Report noted that the progress achieved in the field of trade had contributed to an easing of the general situation. The value of Community imports from all EFTA countries was up 25 % in 1960 over 1958, while the rise in imports from the United Kingdom was 32 %. Thus the expansion of the Six proved to be a factor contributing to the prosperity of European non-member countries. The disturbances feared in the pattern of trade did not occur or were more than offset by the way in which the external trade of the Six developed. Despite the establishment of EFTA the relative importance of the Community in the external trade of the Seven was maintained. In many cases it even increased in 1961-62.

It was against this economic background that Ireland, Great Britain and Denmark made their applications for membership of EEC. These applications were the outstanding event in intra-European relations in 1961-62.

On 9 August 1961, the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, Mr Macmillan, addressed to the current President of the Council a letter expressing the wish of Her Majesty's Government "to open negotiations with a view to acceding to the Treaty of Rome under the terms of Article 237".

The British Prime Minister's letter requested that account be taken of Great Britain's special relations with the Commonwealth as well as of the essential interests of British agriculture and of Great Britain's relations with the other member countries of the European Free Trade Association.

On 10 August M. Otto Krag, Minister for Foreign Affairs of Denmark, submitted to EEC his country's application for membership.

Mr Lemass, Prime Minister of the Irish Republic, had already sent a similar letter to the President of the EEC Council on 31 July.

*From the European Association to the British decision*

185. These applications are an important event in the history of the Community, opening new prospects for it but posing, at the same time, delicate problems; they marked a new stage in the development of the Community's relations with Great Britain and the other EFTA countries.

The Third and Fourth General Reports gave an account of the long and difficult negotiations which from the outset confronted the European Economic Community in connection with the scheme for a European Economic Association. However, as early as the autumn of 1960, unofficial contacts were being established by Great Britain with the different Governments of the Six with a view to exploring the possibilities and prospects of a policy aimed at British membership of the Community.

On several occasions the European Commission recalled the open character of the Community and at the same time stated how it interpreted the concept of accession under the terms of Article 237. The Commission considers that such accession necessarily implies acceptance of the arrangements made to implement the Treaty.

In the Commission's opinion the "adjustments" mentioned in Article 237 can only be those with the admission of one or more new members itself makes necessary (apportionment) of the various financial burdens, institutional adjustments, etc.).

186. On 31 July 1961, Mr Macmillan informed the House of Commons of his Government's intention to open negotiations for accession to the Treaty of Rome. When informed of the Prime Minister's statement the European Commission expressed its "lively satisfaction with what it considered a turning point in post-war European politics". The Commission regarded this statement as a fresh recognition of the economic and political value of the work of integration undertaken since 1950. Without underestimating the difficulties, the Commission declared its determination to contribute actively to a positive solution of the problems involved.

In his reply to the British Prime Minister, the President of the EEC Council said that the accession of the United Kingdom would constitute a decisive step towards that closer union among the European peoples which was the common aim of the United Kingdom and of the Member States of the Community.

On the same day as Mr Macmillan spoke in the House of Commons, the seven EFTA States issued a joint statement in which they expressed their belief that the British decision would strengthen European solidarity and considered it the duty of all countries concerned not to neglect this new opportunity. On 2 August 1961, the President of the EFTA Council of Ministers followed this up by informing the EEC Council that the Member States of the Association hoped to create a single European market with the Community through membership or association.

#### *The preparations for the negotiations*

187. Following the procedure laid down in Article 237 the Council requested the European Commission to give an opinion on each application for membership. The Commission indicated in its replies that it would welcome an early opening of the negotiations, adding, however, that since the negotiations would bear upon a number of problems of interest to the Community the Commission would express its views on them as the negotiations proceeded.

At its session of 25 - 27 September 1961, the Council came to the conclusion that in the negotiations with Great Britain the Community States should present a common point of view. The Governments of the six Member States agreed that the Commission should take part in the conference as counsellor of the Six with the right to speak. The Commission was also to participate fully in the work of co-ordination between the Six.

The associated African States and Madagascar, as well as Greece, were informed of the British, Danish and Irish moves.

#### NEGOTIATIONS WITH GREAT BRITAIN

##### *The opening stages*

188. The Ministers of the Six have to date held five meetings with United Kingdom representatives, and work is going ahead at deputy and expert group level. The first meeting at ministerial level between the six Governments and the Commission on one hand and the Government of the United Kingdom on the other was held in Paris on 10 October 1961. Mr Heath, Lord Privy Seal and head of the British delegation, made an important statement. He stressed that the application for membership represented a major decision for his country and denoted Great Britain's will to become a full, whole-hearted and active member of the Community. A larger European unity had become essential in a world marked by such concentrations of political and economic power. The "remarkable success" of the Community, Mr Heath added, and the strides which it had made towards unity in both political and economic fields were also a factor determining the British decision.

Mr Heath stated that the British Government was ready fully to subscribe to the aims of the Treaty of Rome and in particular to accept without qualification the objectives laid down in Articles 2 and 3 of the Treaty, including the elimination of internal tariffs, a common customs tariff, a common commercial policy and a common agricultural policy. Great Britain also accepted the institutions established, saw

no need for any amendments to the text of the Treaty and thought it should be possible to deal with special problems by means of protocols.

The British delegation accepted the structure of the present EEC tariff as the basis of the common tariff of the enlarged Community. Great Britain was prepared to carry out in a single operation the same cuts in tariffs as had already been made between the Member States.

Mr Heath informed the Ministers of the Six that the British Government intended to apply for membership of ECSC and Euratom <sup>(1)</sup>. The British delegate also stated that he whole-heartedly shared the political and other objectives proclaimed in the declaration of the heads of State and of Government who had met in Bonn on 18 July 1961.

Turning to the main problems arising in the accession of the United Kingdom, Mr Heath first alluded to the tariff preferences granted to Commonwealth imports on the British market. Satisfactory arrangements would have to be worked out, he said, to protect the essential interests of the Commonwealth countries.

The less developed Commonwealth countries and the territories still dependent would have to be able to compete on the European market on level terms with other exporters of similar products. The answer to the problems of many of these countries and territories might be association with the Community. Tropical products would give rise to difficulties if some form of association were not established. In this case it would be necessary to choose between the free entry granted to non-associated Commonwealth countries or to fix the common tariff at zero or at a very low level. Although admitting that commodities should not in general present difficulties, the British Government would seek a zero tariff for aluminium, wood pulp, newsprint, lead and zinc.

As regard manufactured products imported duty-free from industrialized Commonwealth countries, the British Government thought that a solution could be found which would avoid a too drastic change in the present position of the exporting industries in these countries.

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<sup>(1)</sup> By letter dated 28 February 1962.



Another major concern of the more fully developed members of the Commonwealth was their trade with Great Britain in temperate foodstuffs.

Mr Heath quoted some figures concerning in particular Australia, New Zealand and Canada, and expressed his conviction that, if the Six were prepared to accept the principle of comparable outlets agreement could be reached on details.

With regard to United Kingdom agriculture, Mr Heath declared that the objectives of British policy in this sphere were in line with those of the Treaty of Rome and that the United Kingdom fully accepted that the Common Market must extend to agricultural products.

The British delegate then described the "major problems" which arose in this field for Great Britain which, broadly speaking, bought food at world market prices and had a system of support for British farmers very different from that of the Six.

The British Government felt that the conditions of entry for Britain should not be more onerous for British agriculture than those which were open to the Six when the Treaty of Rome came into force. The transitional arrangements for the United Kingdom might stretch over a period of 12 to 15 years from the time of joining.

The third problem was that of the countries of the European Free Trade Area. Some members of EFTA considered that for political reasons they could not become full members of the EEC. The British Government believed that this should not prevent them from finding an appropriate form of association with the enlarged Community. Great Britain's obligations to its EFTA partners would not allow it to join the Community until this had been done.

In conclusion, Mr Heath emphasized that important though they were the problems connected with the accession of Great Britain were of small compass compared with "the vast field in which the problems and the objectives are the same for all of us" and that the United Kingdom delegation would spare no efforts to bring the negotiations to an early and successful conclusion.

189. The negotiations proper with the United Kingdom opened on 8 and 9 November 1961 in Brussels with a new ministerial meeting. Answering the declaration made on 10 October by the head of the British delegation, M. Lahr, Under-Secretary of State for Foreign Affairs of the Federal Republic of Germany, stated on behalf of the Six that they heard with satisfaction that Great Britain was prepared to accept without reservation the fundamental aims of the Treaty of Rome and that it intended to join the other Communities and to adopt the political aims expressed by the heads of State and Governments.

M. Lahr pointed out that, although the first aim of the Treaty was a customs union, its main objective was to create an economic community. He also emphasized that the notion of accession implied that "in no field could a Treaty rule become the exception and the exception the rule" without jeopardizing the very equilibrium of the Community.

This was why, M. Lahr continued, the Six noted with satisfaction Mr Heath's assurance that the negotiations would not be allowed to slow down the progress of the EEC and that such adjustments to the Treaty as became necessary would be made by means of protocols modifying neither the content nor the spirit of the Treaty and dealing primarily with transitional arrangements.

As regards customs problems M. Lahr stated that the external customs tariff of the enlarged Community should in the final phase apply to all non-member countries including the Commonwealth countries except in case where special arrangements had been made. The six Governments were fully conscious of the economic and political importance of the Commonwealth and would take it into account in examining the problems which would arise. M. Lahr also pointed to the name "European" Economic Community, which defines not only the Community's purpose but also its limits and must be taken into account in the special agreements. The aim of any exceptions to the common external tariff must be to give the Commonwealth countries time to adapt their economies to the new situation.

Finally, M. Lahr noted Great Britain's willingness to make the necessary changes to adapt its trade in agricultural products to Common Market regulations.

M. Walter Hallstein, President of the European Commission, examined certain aspects of the United Kingdom's accession, particularly in relation to internal tariff disarmament and the common external tariff. On this second point he stated that the adoption by the enlarged Community of the CET as already in force would be perfectly compatible with the rules of GATT. The British suggestion that zero duties be established for certain products could take its place among the solutions which might be called for to govern relations between the EEC and other European countries. The President of the Commission observed that the value of a common external tariff could not be appraised without knowing to what countries and what trade the tariff would actually be applied. He thought it was preferable to tackle one by one the problems raised by relations with the EFTA and Commonwealth countries.

The Commission thought that it would be better not to begin by assuming that the existing system of Commonwealth preference would be in principle maintained. As regards the association solution it was desirable to proceed on a factual basis by first establishing a list of Commonwealth countries which presented obvious analogies with the countries already associated with the EEC.

190. After this inaugural meeting, the negotiations opened and are going on at both deputy and expert group level, as well as between the Ministers, who have already held five meetings.

Several categories of problems have already been tackled and discussed at the different levels of the conference. These include, first, the problems of a customs union: on the one hand, the request for zero duties submitted by the United Kingdom in respect of certain industrial products and foodstuffs; and on the other, problems in connection with manufactured products from the industrialized Commonwealth countries. These problems have been studied in the light of all the economic and political factors in order to determine what means the Treaty offers for their solution.

After a thorough economic and statistical study a first inventory of possible solutions was sketched out and the Six indicated the order of preference in which, to their mind, these should be envisaged.

It was agreed on both sides that the developing countries of the Commonwealth should be classified according to how far they would be affected by the application of the CET and of a common commercial policy. In the case of a first group of countries, including India, Pakistan, Ceylon and Hongkong, thorough studies have been undertaken to ascertain how far and in what way it would be possible to avoid adverse effects if Great Britain applied the CET, and to find ways and means of avoiding serious disturbances on the market of the enlarged Community and of maintaining free movement.

For the other categories, which include in particular the countries and territories of Africa, the Pacific and the West Indies, Great Britain has made known the general lines of its proposed solutions, to which initial consideration has now been given. These studies relate to the territorial extent and the substance of a possible association of some of these countries under Part Four of the Treaty and to problems of trade in certain tropical products.

Agricultural questions, which had been reserved for consideration after the decisions of the Council in January 1962, were the subject of a general discussion at the fourth ministerial meeting on 22 February 1962, at which the Six and the United Kingdom agreed to put down certain points for study.

The British delegation wished the question of farm support to be examined in the light of the measures applied in Great Britain to guarantee farm incomes, in particular of the annual reviews on which the whole system rested. The question of the transition period needed for British agriculture to adapt itself to the common policy was also given initial consideration, as were the Community regulations on the financing of the common agricultural policy.

The transitional arrangements and long-term problems relating to agricultural exports from the Commonwealth have been discussed on a product-by-product basis. Finally, the Conference studied questions

concerning the economic union and the common policies. These questions were discussed between the British delegation and the Commission under a procedure adopted by the Conference, and certain aspects of their development since the Treaty came into force were made clear. So far none of the questions examined by the Commission and the United Kingdom has given rise to any formal request for negotiations.

An exploratory study of these various categories of problems was made, as the need was felt from the beginning of the negotiations for a broad review of all the questions which would arise, before looking into them in more detail at a later stage.

The Ministers therefore requested the Committee of Deputies to submit at the session of 8 May 1962 a progress report on the negotiations showing the respective positions of the Community and the British delegation.

191. At its session of 22 to 25 January 1962 the Parliament held a debate on the commercial and economic aspects of Great Britain's application for membership. Particular reference was made to the difficulties which might arise from the Commonwealth preference system, which was the most highly developed in the world. The rapporteurs defined the Community's position with regard to British demands and recommended that the Community "should make a number of limited temporary concessions while assuming an uncompromising attitude as to the final objectives". Agricultural problems were discussed; although the adaptation of British agriculture did not seem to pose questions of principle but only of method, Commonwealth farm products were a more serious problem. The maintenance of the flow of trade with Europe must not compromise the common agricultural policy, and the problem of eventual association of Commonwealth countries could not be divorced from the other problem of accession. It was precisely by enlarging the Community, the Parliament suggested, that agricultural prices could be stabilized throughout the world.

192. At the same session the Parliament held a debate on the institutional and political problems of accession and association, in which

the political groups proposed criteria for the various forms of association and for accession. The Parliament emphasized the need to work out a "doctrine" in these fields and expressed its anxiety that the Community might be "watered down" into a free trade area by the multiplication of requests for association. It insisted on the special political aspect of the association of the overseas States and also discussed the recent applications for association from Switzerland, Sweden and Austria <sup>(1)</sup> drawing a distinction between the various forms of neutrality of these countries from the angle of their possible commitments in the EEC.

In connection with the accession of non-member countries to the Community the Parliament considered that it was not possible for a country economically committed to the EEC not to share without reservation its political aims.

#### *THE NEGOTIATIONS WITH DENMARK*

193. The first ministerial meeting between the Six and Denmark took place on 26 October 1961. The Danish representatives stated their views on the specific difficulties involved in the accession of their country and on the means to be brought into play in order to cushion their impact.

At a ministerial meeting on 30 November M. Lahr, spokesman for the Six, and the President of the Commission noted that the Danish application was backed by a readiness to participate fully in the Community. The Danish Government declared that for its part it did not wish any special arrangements extending beyond the transition period, that it accepted the common customs tariff and subscribed to the principle of a common commercial policy as well as to the provisions of Articles 38 to 47 of the Treaty on agricultural policy.

Three problems were brought up: the Danish requests concerning quotas and tariffs, which aim at prolonging, in respect of a number

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<sup>(1)</sup> See sec. 195.

of products, the period in which this country must attain the degree of disarmament reached by the Six; social problems, in particular those created by the existence of a Nordic labour market; finally, the problem which might arise for Denmark from the application, after 1 July 1962, of the regulations on the common agricultural policy to Danish exports to the Community, in particular poultry, eggs and pigmeat.

Meetings of experts have been held to define more clearly the terms of the problems involved under the first two heads. As regards Danish fears on the effects of the agricultural regulations, the Six stated their intention to study any problem which might arise on this count but reserved their position as to the effects of the common agricultural policy on Danish exports.

#### *THE IRISH APPLICATION*

194. Replying on 25 October to Ireland's application for membership, the President of the Council informed Mr Lemass, Prime Minister of Ireland, that the EEC Council at its session of 23, 24 and 25 October 1961 had studied the Irish Government's request for the opening of negotiations with a view to accession to the Treaty of Rome, and suggested that a meeting be held in January 1962. This would enable the Member States to examine with the Irish Government the special problems to which the Irish application gave rise and on the conclusions to be reached thereon.

This meeting took place on 18 January 1962. Mr Lemass described the economic situation of his country and the reasons why his Government considered that it was in a position to join the Community.

The Six and the Irish Government agreed on procedure for studying the relevant problems.

After the Council's meeting of 5 to 7 March, the President of the Council informed the Irish Government that the permanent representatives of the Six would be prepared to receive the competent Irish officials early in May 1962 with a view to amplifying Mr Lemass' statement.

*APPLICATIONS FOR ASSOCIATION FROM AUSTRIA, SWITZERLAND,  
SWEDEN AND SPAIN*

195. The Austrian Government (12 December 1961), the Swedish Government (12 December 1961) and the Swiss Government (15 December 1961) have asked for the opening of negotiations on the basis of Article 238 of the Treaty of Rome with a view to an agreement or arrangement with the EEC. Among the general considerations in these applications one common factor stands out: the policy of neutrality followed by these countries.

The Council has not so far taken any stand on the substance of these applications; it sent letters of acknowledgement to the three governments on 21 December 1961.

On 9 February 1962 the Spanish Government submitted to the EEC an application for association which was acknowledged by the Council on 6 March 1962.

*THE ASSOCIATION OF GREECE WITH THE COMMUNITY*

196. The agreement associating Greece with the European Economic Community was signed in Athens on 9 July 1961.

The machinery and the salient features of the Treaty of Athens were discussed in the Fourth General Report (1).

Under this association agreement, which is the first case in which Article 238 of the Treaty of Rome has been applied, a customs union will be established within 12 years (except for certain products for which a 22-year period is provided).

It may be hoped that joint action and a harmonization of Greek and Community policies on economic, commercial and agricultural matters, as well as the provisions of finance to facilitate the development of Greek economy will enhance its growth and foster a higher level of employment and higher living standards for the Greek people.

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(1) See Fourth General Report, p. 205.



When, thanks to the working of the Association, Greece is able to envisage accepting all the obligations flowing from the Treaty of Rome, the European Economic Community and the Greek Government will examine the possibility of Greece joining the Community.

197. The European Parliament devoted the major part of its discussions at the session of 18 to 20 September 1961 to the problems involved in the Association Agreement. Reports were presented on four subjects: the procedural aspects of the Agreement, the economic and financial aspects, agriculture and the institutional aspects. On the conclusion of these discussions the Parliament adopted two resolutions. In the first, which concerned procedure, it "noted that consultation with the Parliament in accordance with Article 238 of the Treaty of Rome would have had its full meaning and value only if it had taken place before the signing of the Agreement by the Council of Ministers" and "consequently protested against this infringement of the Treaty". The second resolution, which constituted the opinion requested, underlined the political importance of this first concrete application by the Council of Article 238, and at the same time pointed out that the special conditions to be taken into account could not be considered as setting a precedent for later association agreements with other countries. The Parliament considered that the principle of the common customs tariff must be maintained without any restriction and that the exceptional arrangements for Greece seemed to be justified only by that country's financial situation. The Parliament regretted moreover that the provisions concerning financial aid were unsatisfactory. The resolution noted the agricultural and institutional provisions of the Agreement and expressed the hope that the Community would take appropriate action within the Council of Association and the Permanent Association Committee. The Parliament considered that for satisfactory operation the Association would require a Parliamentary Committee comprising, on a basis of parity, members of the European Parliament and of the Greek Parliament. Finally, the Parliament expressed itself in favour of concluding the Agreement under the terms of Article 238 of the Treaty.

In view of this favourable opinion the Council, on 26 September 1961, concluded the Agreement. In conformity with Article 75 (2)

thereof the Agreement is now in process of parliamentary ratification in the six Member States of the Community and in Greece. At 30 April 1962 it had been ratified by Belgium, France, Greece and the Netherlands.

198. An interim Committee was instituted by the Council at its session of 24 and 25 July 1961 as a medium for the necessary contacts between Greece and the Community until such time as these constitutional procedures are concluded, i.e., pending the meeting of the Council of Association. By 30 April 1962 this interim Committee had held three sessions. It studied the first measures pursuant to the agreement, in particular the implementation of Articles 7, 8 and 9 on the movement of goods. The Committee also drafted rules of procedure for the Council of Association, which the latter will have to approve at its first meeting.

#### *THE ASSOCIATION OF TURKEY*

199. The problems relating to this association have been carefully studied by the Council of Ministers and the Commission.

In view of the special aspects of the economic situation in Turkey and the difficulty of providing suitable aid to that country, it has not yet been possible to work out terms of reference for negotiations.

#### *Towards a common commercial policy*

##### *GENERAL ASPECTS*

200. The necessary conditions for the implementation of a common external trade policy have developed favourably in several fields.

Thus, several differences between the import policies of the Member States vis-à-vis non-member countries have been eliminated by the successive liberalization measures of 1961, which have given an increasingly liberal imprint to the EEC's commercial policy.

A special effort has been made to co-ordinate the bilateral relations of the Member States with non-member countries, while initial studies for the harmonization of export policies have also led to Community solutions.

The common external tariff already constitutes an essential instrument of commercial policy, which the Community uses in tariff negotiations in the GATT framework. The speedier approximation of national tariffs to the common tariff has already had a considerable influence on the trade relations of the EEC countries with non-member countries.

Furthermore, the effects of the common agricultural policy laid down on 14 January 1962 by the Council will not be confined to the market of the Six but will lead to uniformity in the Community's trade relations with non-member countries in the principal agricultural products.

It is in this setting that the European Commission has worked to co-ordinate the trade relations of the Six with the outside world, both as regards general principles and in the examination of concrete problems of trade in specific products.

In conformity with Article 111 of the Treaty, the European Commission submitted to the Council proposals which have been followed by decisions <sup>(1)</sup> on the co-ordination of the contractual relations of EEC countries with non-member countries.

In addition, the Commission worked out and submitted to the Council on 24 March 1962 a second memorandum on the common commercial policy laying down general principles and a practical programme for the implementation of this policy.

In addition to the preparatory work for these decisions, the Commission took certain steps in the field of bilateral trade relations by way of Community participation in international organizations and economic or trade conferences. It had the opportunity to co-operate in particularly important activities in some sectors.

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<sup>(1)</sup> See sec. 202.

The Member States and the European Commission were invited to take part in a multilateral conference on international trade in cotton textiles called under the aegis of GATT on the initiative of the United States Government. They held prior consultations and co-ordinated their action in the negotiations in order to arrive at a common attitude. The aim of the conference was to seek means of palliating the disorganization or threatened disorganization of markets caused by imports of cotton textiles from low-cost countries, while at the same time ensuring wider access for these imports.

The Conference sat from 17 to 21 July 1961 and concluded a short-term agreement (one year) which came into force on 1 October 1961. Subsequent meetings which continued until February 1962 led to the conclusion of a larger agreement (five years) applicable with effect from 1 October 1962 after ratification by the Contracting Parties, which are the chief importers and exporters of these products.

It is in the setting of harmoniously developing world trade and diminishing restrictions on international trade that the commercial policy of the Community must operate if it is to conform with the aims of the Treaty. But this policy must at the same time take account of the economic situation of the various non-member countries or groups of non-member countries in relation to the internal situation of the Community and not neglect the special problems which may arise for one or the other.

#### *DEVELOPMENT OF THE LIBERALIZATION POLICY TOWARDS NON-MEMBER COUNTRIES*

201. With effect from May 1961 the Member States again widened the range of liberalized imports from non-member countries. They made a noteworthy effort with regard to the freeing of products from the dollar area, and have almost entirely liberalized imports of industrial products from the countries of what is now OECD. The almost total elimination of discrimination between European and dollar area products is one result of this liberalization policy.

Further advances in liberalization have also been made with regard to other countries, whether members of GATT or not. The

quests for solutions to the problem of imports from low-cost countries has been actively pursued both on the plane of bilateral relations between Member States and non-member countries and at Community level. Italy has further liberalized imports from Japan, and France has taken similar action vis-à-vis several of these countries.

This trend is in keeping with the spirit of the Council's decision of 10 May 1960 which provides for the early elimination of the remaining restrictions in respect of GATT countries.

#### *BILATERAL CONTRACTUAL ENGAGEMENTS*

202. As early as 1960, the work undertaken in conjunction with the Governments of the Member States to lay down the bases for co-ordination of bilateral relations had issued in the formulation of an EEC clause <sup>(1)</sup> for inclusion in any bilateral agreements entered into by Member States. On a proposal from the Commission the Council on 9 October 1961 took two further decisions important for the future of bilateral contractual relations.

The first of these decisions established a consultation procedure for negotiating agreements concerning trade relations of Member States with non-member countries and for modifying the system of liberalization with regard to the same countries. In this way a systematic procedure for reciprocal information on all negotiations for commercial agreements entered upon by Member States and prior consultations on all provisions of such agreements were officially introduced. These consultations take place at the request of a Member State or of the European Commission; in exceptional cases, where consultations would not be possible, it is provided that an observer from the Commission may be invited to the negotiations between a Member State and a non-member country.

The second decision is concerned with standardizing the duration of trade agreements with non-member countries. It limits the duration

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<sup>(1)</sup> See Fourth General Report, Chap. IV, sec. 192.

of such agreements to the transition period of the Treaty and fixes a maximum life of one year for agreements which include neither EEC clause nor a clause providing for denunciation from year to year. The Council will be able to authorize exceptions on a proposal from the Commission, but in such cases any quota lists appended to the agreements would be subject to annual review. It is also planned to synchronize the expiry dates of these agreements. The Council's decision also provides that the Commission shall examine with the Member States, as soon as possible and in any case by 1 January 1966, all existing agreements on commercial relations in order to see that they do not obstruct the inauguration of the common commercial policy.

The European Commission has been engaged upon an inventory of commercial agreements and so far has recorded nearly 300 conventions, treaties or agreements of various kinds. This inventory has greatly facilitated joint study and discussion of the problems facing certain Member States or the Community as a whole. This work has been done at meetings of government experts in "geographical groups", which have been taking place regularly since early in 1961.

#### EXPORT POLICY

##### *Uniform systems for exports to third countries*

203. Article 113 of the Treaty provides that export policy shall be uniform after the end of the transition period and Article 111 says that during the transition period the Member States shall co-ordinate their commercial relations with non-member countries.

The abolition of export restrictions between the Member States provided for in Articles 16 and 34 of the Treaty by the end of the first stage implies that within the limits of existing international commitments a uniform attitude should by now be adopted with regard to non-member countries. If the abolition of these restrictions within EEC were not accompanied by the introduction of a uniform export system vis-à-vis non-member countries, the Member States might have difficulty in obtaining supplies of certain products, owing to deflection of

trade. Aided by experts from the member countries the European Commission studied the situation in 1961 and listed a number of products in respect of which common commercial policy measures vis-à-vis non-member countries were deemed necessary. The Commission which on 4 August 1959 had already made a recommendation concerning the export to non-member countries of certain categories of raw hides, addressed to the Member States, on 20 December 1961, four recommendations in pursuance of Article 115 (1) on the export system to be adopted vis-à-vis non-member countries for the following products: raw hides (widening of the above-mentioned recommendation to include other categories of hides); certain types of wood; uncut diamonds; hemp seed; non-ferrous metal scrap.

With the adoption of these measures the export policy of the Member States towards non-member countries is already to a great extent uniform.

#### *Aids for exports to non-member countries*

204. In co-operation with the Member States the Commission has continued to list and analyze existing aids with a view to taking the measure of the divergencies between them with respect to both systems of credits and export credit insurance and to aids of a non-financial character<sup>(1)</sup>, all this with a view to possible proposals under Article 112. Furthermore, some progress has been made in the Council towards the solution of problems involved in financial export aids for the developing countries<sup>(2)</sup>.

#### *THE COMMUNITY'S TARIFF NEGOTIATIONS*

##### *Re-negotiations under Article XXIV (6) of GATT*

205. The Fourth General Report has described the first stage of the Tariff Conference organized in the framework of the General Agree-

(1) See Chapter II, sec. 57.

(2) See Chapter IV, sec. 180.

ment on Tariffs and Trade (GATT), which opened in September 1960 and at which the Commission represented the Community and conducted negotiations in conformity with Article 111 of the Treaty.

In the first stage the Community re-negotiated, under Article XXIV (6) of the General Agreement, the tariff concessions previously granted by the Member States which could no longer be maintained by reason of the gradual approximation of national duties towards the common tariff. These re-negotiations ended in May 1961. The Commission reported to the Council, which in July 1961 approved the agreements reached with 17 countries. The agreements subsequently reached with other countries were submitted to the Council, which formally concluded them.

Under all these agreements the Community grants concessions to offset the withdrawal of those previously accorded by the Member States under their national tariffs. The Community's concessions have taken the form either of a binding of duties under the common customs tariff (i.e. an undertaking not to increase them) or, in the case of 200 tariff headings, of reducing the common tariff duties. In relation to the value of Community imports from GATT countries in 1958 the proportion of binding and reduced duties resulting from the re-negotiations is about 80%, which is not surprising when we consider the often higher percentages of binding in the tariffs of several Member States. By transposing into the common tariff the former concessions of the Member States at a no less favourable level for non-member countries, the Community has fully honoured its obligations under Article XXIV (6) of the General Agreement.

#### *Dillon negotiations*

206. The second stage of the Conference consisted of a series of multilateral negotiations for the exchange of new tariff concessions following the proposal made by Mr Dillon, then United States Under-Secretary of State, in 1958.

These negotiations opened on 29 May 1961.



The European Commission began by offering an across-the-board reduction of the common customs tariff in the way suggested in the acceleration decision of the Council of Ministers on 12 May 1960. The Community's trading partners, particularly the industrial countries which would substantially benefit from this offer were invited to reciprocate so that there would be a balance of concessions on both sides and the reduction would be definitely bound.

The offer of an across-the-board reduction applied to all the headings of the common customs tariff in respect of which the first approximation of national duties on 1 January 1961 had been effected on the basis of a 20% tariff reduction. It was nevertheless specified that the other headings of the common tariff would not be systematically excluded from the negotiations; the possibility of negotiating on them would have to be determined case by case.

After a preparatory period the European Commission began negotiations with eleven Contracting Parties to GATT: Australia, Austria, Canada, the United States, Finland, Haiti, Pakistan, Peru, the United Kingdom, Sweden and Switzerland and also with four countries wishing to accede to the General Agreement (Cambodia, Spain, Israel and Portugal).

#### *The EEC-USA Agreement*

207. By reason of the predominant trading position of the two partners, the negotiations between the Community and the United States represented the corner-stone of the negotiations as a whole. On 7 March 1962 they resulted in the conclusion of a tariff agreement of considerable economic and political importance.

The tariff concessions granted by the Community in the re-negotiations under Article XXIV (6) of the General Agreement during the first stage of the Conference cover approximately the same value of imports as the concessions previously granted by the Member States in their national tariffs. Calculated on the basis of the Community's imports from the United States in 1958 they affect about 1 500 million dollars' worth of trade.

In the second stage of the negotiations, the Community and the United States made further tariff concessions on a basis of reciprocity and mutual advantage. These covered about 1 600 million dollars' worth of trade in both directions.

The Community's concessions consist mainly in a reduction of the duties of the common tariff for items of which the United States is the chief supplier. With the exception of certain categories of products excluded from the across-the-board offer, in almost all cases these reductions are in the neighbourhood of the 20% initially offered by the Community. Moreover, in the case of the United States, the Community withdrew its initial offer for certain chemical products as the US delegation was not able, in view of the limits imposed by the tariff laws of the United States, to grant sufficient concessions to ensure reciprocity. Concessions were made to the United States on about 560 tariff lines of the common customs tariff.

Conversely, although it was not possible to negotiate them on the basis of a linear reduction, but product by product, according to the selective method, the tariff reductions granted by the United States to the Community are also generally of the order of 20%, in some cases more, and concern about 575 lines of the US tariff. It should be noted, however, that the reductions granted by the United States are less varied than those granted by EEC and that, generally speaking, the duties under the common tariff are free from any extreme positions such as still exist in the US tariff.

On the other hand, although agricultural products count for little in the agreement reached, the accompanying protocols provide for agreements on wheat and certain coarse grains and for the re-opening of conversations in the near future with a view to finding ways and means to develop trade on a mutually advantageous basis, particularly after the establishment of the common agricultural policy. The products concerned in these arrangements are particularly wheat, certain coarse grains and poultry (1).

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(1) A similar agreement on wheat only is envisaged with Canada.

On the political plane the agreement reached certainly marks an important stage in world trade relations. Not only does it confirm the official recognition of the Community's customs tariff but the spirit in which it is conceived is evidence of the common desire of the two great partners to contribute to the expansion of trade through a liberal tariff policy consonant with the responsibilities which their dominating economic and commercial position entails.

The successful conclusion of the negotiations between the Community and the United States is an important part of the general tariff negotiations. The benefit of the concessions made will be extended to all trade partners to whom the most-favoured-nation clause applies. Already it justifies favourable forecasts on the final outcome of the negotiations between the Community and other Contracting Parties. It is planned to submit to the Contracting Parties for signature on 16 July next the final protocol which will include all the bilateral agreements reached at this Fifth Tariff Conference held under the eegis and according to the rules of GATT.

208. There can be no doubt that the Community's offer of an overall reduction in the common customs tariff and its efforts to meet the desires of the non-member countries greatly contributed to the success of the Conference. By its liberal attitude the Community enabled GATT to accomplish a very important stage in the reduction of customs barriers and marked its determination to promote the expansion of world trade.

It should also be noted that concurrently with the Dillon negotiations the European Commission carried on re-negotiations on behalf of the Community with several Contracting Parties to the General Agreement who wished to withdraw or modify concessions under their tariffs of concern to the Community. The Commission was authorized to conduct these re-negotiations by a Council decision of 4 December 1961. Thus re-negotiations of this kind will in future be a Community matter and will no longer be carried on individually by the Member States benefiting from concessions which are subsequently withdrawn or modified.

### The Community's relations with non-member countries

209. Since 1957, when it was 23%, the share of the Six in world trade has steadily grown to reach about 26.5% in 1961. No wonder that trade between the Six should reflect this expansionary movement, but it must be noted that trade with non-member countries has also greatly benefited in absolute value. At present it represents about 58% of all the external trade of the six countries, and this figure fully justifies the unremitting attention accorded to it by the Community institutions.

The opportunities offered to non-member countries of upholding their interests have been widened by the development of direct contacts thanks to the growing number of missions accredited to the EEC. These missions transmit useful documentary material to the Community institutions and make known the wishes of their respective countries as Community policy takes shape.

Genuine and confident collaboration has grown up between the departments of the European Commission and the representatives of the non-member countries. The Commission has also received several governmental missions wishing to discuss special aspects of Community policy.

210. At present 23 countries in addition to the associated African States and Madagascar <sup>(1)</sup> maintain official relations with EEC. These are in alphabetical order: Australia, Austria, Brazil, Canada, Columbia, Denmark, Greece, India, Iran, Ireland, Israel, Japan, Morocco, Mexico, New Zealand, Norway, Spain, Sweden, Switzerland, Peru, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

Furthermore, the Community has agreed to the establishment of diplomatic relations with eight other countries: Argentina, Ceylon, Chile, Costa Rica, the Dominican Republic, Portugal, Uruguay and

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(1) See Chapter IV, sec. 157.

Venezuela. In the case of some of these the accreditation of a head of Mission is pending or about to be concluded.

The European Commission is receiving more and more numerous requests for information from both official and private circles, which bears witness to the growing interest of world opinion in the European Economic Community. Apart from formal applications for accession or association, the Community is approached by many countries who wish to draw its attention to special difficulties which may arise from the application of the Treaty of Rome.

Thus, the approaching renewal of the Association Convention with the African countries and Madagascar <sup>(1)</sup> has led in particular to approaches by non-member countries which export tropical products and to contacts between these countries and the European Commission. In this connection the United States in June 1961 sent a mission to explain to the Commission the American position, which was later confirmed in a memorandum of 5 February 1962. The Latin-American countries have also urged the Community to take their interests into consideration.

The working out of the common agricultural policy has given rise to numerous approaches by agricultural countries, more particularly the Mediterranean countries.

Israel for its part desired negotiations with the Six with a view to guaranteeing its outlets in Community markets. Relations between Israel and the Community have been carefully examined by the European Commission and the Council has requested the Commission to proceed with a study product by product.

In this context the Council expressed the wish that a study be made of possibilities of action by the Community outside any framework of association or accession with a view to offering countries which so desire an appropriate framework for close co-operation.

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(1) See Chapter IV, sec. 158 et seq.

RELATIONS BETWEEN THE COMMUNITY  
AND INTERNATIONAL ORGANIZATIONS

*The Community and GATT*

211. During the period under review the European Commission took a very active part in the work of the Contracting Parties to the General Agreement on Tariffs and Trade.

An account has already been given <sup>(1)</sup> of the results of multi-lateral negotiations on the common customs tariff and of the part played by the Commission in preparing the agreement on trade in cotton textiles.

The European Commission participated in the two plenary sessions of GATT which took place in Geneva in the spring and autumn 1961. During the autumn session the Contracting Parties met at ministerial level to study their programme for the expansion of international trade, which has been in operation since 1958. The Commission was represented by one of its members who stated that the Community attached great importance to the rules of GATT and that it intended to make a growing contribution to GATT activities in the future. The practical outcome of the ministerial debate was the appointment of a group to examine new methods of reducing tariff obstacles, a decision to work out procedures for negotiating acceptable conditions of access to markets for agricultural products and for preparing a programme to expand the trade of the less developed countries. The Community is called upon to play a leading part in the execution of this programme.

At the plenary session in autumn the Commission's representative gave representatives of the Contracting Parties an account of the Community's achievements, in particular those aspects which fall within the purview of the General Agreement. This survey aroused lively interest and was given a favourable reception, although several Contracting Parties nevertheless reiterated their misgivings regarding the possible

<sup>(1)</sup> See sec. 200.

effects on their trade of the common agricultural policy and of the association system for the overseas countries. This last point drew the attention of numerous developing countries which feared that the duties on tropical products under the common tariff might cause diversion of trade in favour of the countries associated with EEC. The representatives of these countries, however, were not able to supply factual proof in support of their apprehensions and the Commission was able to show that these were unfounded.

212. The Association Agreement between the Community and Greece, the text of which was submitted to GATT in October 1961, was also on the agenda of this session. However, this agreement, which provides for the establishment of a customs union within the meaning of Article XXIV of GATT, has not yet been discussed in the plenary Assembly of the Contracting Parties, having first been referred to a working party.

Among the other questions of special interest to EEC to which GATT turned its attention, mention should be made of the general incidence of the common external tariff. This study revealed divergences in the interpretation of the legal provisions in question but it led to the conclusion that the general effect of the common tariff on EEC imports from non-member countries would be less than that of the autonomous or bound rates of the Member States on 1 January 1957.

### *The Community and UN, OAS and ILO*

213. The European Commission has been represented in meetings held by the UN and its Specialized Agencies.

At these meetings the Specialized Agencies which treat the European Community as a single entity, discussed the various aspects of the Community's policy. The Commission and the Member States supplied these bodies with useful information and statistics, and the climate of the discussions was more propitious than in the past.

The information supplied emphasized in particular the expansionary trend of EEC trade with non-member countries and allayed the

fears entertained in some quarters that the Community might adopt an inward-looking economic policy and reduce both imports and exports.

The fact that the Commission was represented at the Punta del Este Conference of the Organization of American States (OAS) in August 1961, was a very useful contribution. By its presence and by the contacts it established, the Commission demonstrated the very real interest which the Community takes in the non-member countries.

The Commission was also represented at the 45th session of the International Labour Conference (Geneva, June 1961) and in the regular sessions of the Governing Body of the International Labour Office. An arrangement has been concluded between ILO and the Commission to associate the latter in the activities of the International Vocational Training Information and Research Centre set up by ILO.

The preliminary meetings between representatives of the Member States and of the European Commission to co-ordinate their activities within the international organizations constitute a form of collaboration which is a welcome contribution to the development of a Community spirit.

#### *The Community and the International Wheat Agreement*

In February and March 1962 the European Commission was represented at the conference for the renewal of the International Wheat Agreement. Although the new agreement differed only slightly from the previous one, the Community was able to have provisions included to allow of the expansion of intra-Community trade in consequence of the regulations adopted by the Council on 14 January 1962.

The Commission has also been represented at the regular meetings of the International Wheat Council, the Study Group on lead and zinc and the International Olive Growers Federation.

Relations have been established between the Community and the Intergovernmental Committee for European Migration (ICEM).



*Organization for Economic Co-operation and Development (OECD)*

214. The Organization for European Economic Co-operation (1) continued to function until 29 September 1961, when the OEEC Council held its 506th and final meeting. By that date a sufficient number of countries had lodged their instruments of ratification in conformity with the provisions of Article 24 of the Convention establishing the Organization for Economic Co-operation and Development which thus came into force on 30 September 1961. On the same date the first meeting of the OECD Council took place.

The new organization differs from OEEC (1) in geographical scope (the United States and Canada are members) and in its basic objectives, which are to achieve the greatest possible expansion of the economy and of employment and higher living standards and to contribute to the economic expansion of the developing countries and the expansion of world trade on a multilateral basis.

Three committees are entrusted with carrying out these new objectives: the Economic Policy Committee whose task is "to keep under continuous examination the economic and financial situation and policies of the member countries with a view to attaining the aims of the Convention". To this end two working parties will study the general lines of the member countries' future economic and monetary policies. These are Working Party No. 2 on measures to promote economic growth and Working Party No. 3 on methods of improving the balance of international payments.

The Development Aid Committee (DAC) (2) is continuing its consultations with a view to finding national resources to help developing countries and regions. The members of this committee are: the United Kingdom, Germany, Portugal, the United States, Belgium,

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(1) See Fourth General Report, sec. 213.

(2) The DAC has taken over the work of the DAG (see Fourth General Report). It should be noted that Japan which is a member of DAG but not of OECD takes a full part in the work of DAC. See also sec. 182.

the Netherlands, France, Canada, Italy, Japan and the European Economic Community.

The Trade Committee is responsible for confronting general commercial policies and trade practices at regular intervals or at the request of a member. It studies the specific trade problems mainly of concern to the Member States and their overseas territories as well as questions outstanding coming within the purview of the Committee on Trade Problems set up on 13 and 14 January 1960.

The new Organization provides for the representation of the European Communities, which will be ensured in conformity with the institutional provisions of the Treaties of Rome and Paris, and the participation of the Executives in the work of the Organization.

The three committees have begun their work with the regular participation of representatives of the European Commission.

The OECD Council met in Paris on 16 and 17 November 1961 under the chairmanship of Mr Donald Fleming, Canadian Minister of Finance. The European Commission was represented. The Council studied the outlook for the vast economic grouping with more than 500 million inhabitants constituted by the member nations, and its world responsibilities.

The Ministers noted that in the last ten years most of the member countries had experienced considerable economic growth and agreed that it was desirable to fix a growth target for the future. They proposed a 50% increase in the real gross national product as the collective target to be reached between 1960 and 1970 by the 20 member countries as a whole. The pace of growth could vary from year to year and from country to country.

This growth would be made possible by the co-ordination of the economic and financial policies of the Member States thanks to the co-operation procedures already introduced, action to balance external payments, the development of mutual responsibility, between the deficiency and the surplus countries, maintenance of price stability, fair sharing of the proceeds of higher productivity, which should not be outstripped by increases in money incomes.

The Ministers stressed that agriculture also had an important part to play in the effort to reach this growth target. They also considered that increased production should lead to an appreciable increase in aid to less developed countries. The chief aim of the Development Aid Committee should be to step up efforts and adapt them more closely to the needs and the situation of the recipient countries by pooling experience acquired in bilateral relationships.

### *The Community and the Council of Europe*

215. The Community has been represented at sessions of the Consultative Assembly of the Council of Europe which has several times discussed the Community's work.

At its 13th Session (24 to 28 April 1961, 25 to 28 September 1961 and 16 to 18 January 1962), the Consultative Assembly examined relations between the Community and the European Free Trade Association (EFTA). The Assembly adopted a recommendation "welcoming with great satisfaction the decision of the Governments of the United Kingdom, Denmark and Ireland to request the opening of negotiations with a view to determining on what conditions their countries could accede to the Community".

The third part of this session was almost entirely devoted to the discussion of problems of European integration, with particular emphasis on problems relating to the applications for association with EEC from Austria, Switzerland and Sweden.

The rapporteurs and all members of the Assembly maintained that it was necessary to have these countries share in European co-operation while taking account of their special political situations. Problems of European political co-operation, in particular the work going on in the Fouchet Committee, were also discussed.

In conclusion to the debate the Consultative Assembly passed a resolution expressing satisfaction at the progress made by the Six and at the negotiations undertaken between EEC, Great Britain and Denmark. The Assembly "welcomed the move by the Governments of

Austria, Sweden and Switzerland to open negotiations in their turn with EEC to determine the conditions under which they might become associated with the Common Market”.

The Commission has been actively associated in the work organized by the Secretariat General of the Council of Europe following decisions of the Council of Ministers. In particular it sent representatives to the Committee of experts on arbitration, to the Committee of experts for the preparation of a European Consular Convention, to the Council for Cultural Co-operation, etc.

#### *The Community and the Western European Union*

216. The European Commission has been represented at the various sessions of the WEU Assembly.

The possible accession of the United Kingdom to EEC was in the forefront of the discussions at the session of the Assembly of Western European Union from 29 May to 1 June 1961 in London. The British Prime Minister made a statement to the Assembly. An important recommendation was adopted to the effect that pending the conclusion of the negotiations, questions of common interest concerning Europe should be discussed with Great Britain in the Council of Ministers of WEU. Another recommendation asks that the said Council should initiate general discussions between the representatives of the Seven and of the European Commission with the aim of preparing the agreement for the accession of the United Kingdom to EEC.

At its session of 11 to 15 December 1961, the Assembly heard a review by the Commission of the common agricultural policy and adopted a recommendation urging member Governments to take every possible step to ensure a successful outcome of the negotiations.

The Council of WEU met in London on 10 April 1962 with Lord Home in the chair. The British representative put forward his Government's views on the future organization of Europe.

Great Britain wished to participate in the conversations of the Six on this question, and the British Government did not wish to make any changes in the existing Communities.

## CHAPTER VI

### THE WORK OF THE INSTITUTIONS

#### The activities of the institutions and organs of the Community

217. The year 1961-1962 saw a strengthening of collaboration between the various institutions and organs of the Community in preparing the important decisions taken by the Council. The Parliament in particular took a more active part in this work, being consulted on a large number of important subjects. As last year a colloquy was held between the three institutions. It should be added that these have been called upon to consider matters going beyond the strict application of the Treaty, such as the plan for an union of the European peoples.

#### THE RENEWAL OF THE EUROPEAN COMMISSION

218. On 20 December 1961 the representatives of the member Governments appointed the members of the Commission in accordance with Article 158 of the Treaty. The term of office of the new members runs from 10 January 1962 to 9 January 1966.

M. Walter Hallstein was appointed President and M. Sicco Leendert Mansholt, M. Robert Marjolin and M. Giuseppe Caron Vice-Presidents. These latter appointments are for two years. The new Commission is as follows:

President: M. Walter Hallstein

Vice-Presidents: M. Sicco Leendert Mansholt, M. Robert Marjolin,  
M. Giuseppe Caron

Members: M. Jean Rey, M. Hans von der Groeben, M. Lambert Schaus, M. Lionello Levi-Sandri, M. Henri Rochereau.

The new member, M. Henri Rochereau, former French Minister of Agriculture, was appointed in place of M. Robert Lemaigen, who did not offer himself for reappointment.

#### THE PARLIAMENT

219. The European Parliament held nine plenary sessions between 1 May 1961 and 30 April 1962. It was on numerous occasions consulted by the Council and rendered opinions on several important questions including the Association Agreement with Greece, the agricultural policy proposals, the draft regulation on cartels, etc. The Parliament also held several general debates, in particular on social policy, energy policy and transport policy.

The question of political co-operation between the Member States was several times discussed.

The Parliament invited the Parliaments of the associated African States including Madagascar to a conference on the renewal of the Association Convention with the overseas States. Following this conference a committee was set up with equal representation of both sides and has met regularly in Europe and Africa.

Since 21 September 1961, the Secretary-General of the Parliament has been M. Hans-Robert Nord, who was appointed in succession to M. de Nerée tot Babberich.

The following pages give a chronological summary of the Parliament's debates and of the opinions rendered and resolutions adopted, the content of these has been discussed more fully in earlier chapters of this report.

#### *Session of 8 - 10 May 1961*

220. Debate on the political, economic and social aspects of the association of the overseas States; resolution on this question <sup>(1)</sup>.

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(1) See Chapter IV, sec. 159.

A Liaison Committee was instructed to continue preparations for the conference planned for 19 June 1961 in Strasbourg under the chairmanship of M. Furler, assisted by M. Lamine Gueye (Senegal), M. Haji Bascher Ismail (Somalia) and M. Battaglia and Rubinacci (Italy).

The Parliament also made a formal declaration expressing its regret at the adjournment of the summit meeting planned for 19 May 1961.

*Session of 26 - 29 June 1961*

221. Fourth General Report on the Activities of the Community presented by the European Commission:

- a) Debate on the economic situation;
- b) Resolution on the economic situation in EEC <sup>(1)</sup>;
- c) Resolution relating to the recommendations of the European Parliament following the conference of the Parliament with the Parliaments of the associated overseas States in Strasbourg from 19 to 24 June <sup>(2)</sup>;
- d) Resolution on the speedier implementation of the Treaty approving the intention of the Commission to effect a further 10% reduction in customs duties at the end of the year and urging the Council to take the necessary steps in the spheres of agriculture, transport, social policy, etc. to enable the Community to advance into the second stage;
- e) Resolution on the social situation of family farms <sup>(3)</sup>;
- f) Debate on political co-operation between the Member States, report by M. Dehousse;

<sup>(1)</sup> See Chapter III, sec. 90.

<sup>(2)</sup> See Chapter IV, sec. 159.

<sup>(3)</sup> See Chapter III, sec. 121.

g) Resolution on political co-operation. This resolution noted the results of the first conference of heads of Government and Ministers for Foreign Affairs, which took place in Paris on 10 and 11 February 1960; it expressed the opinion that periodical meetings of this kind could help effectively to strengthen co-operation and promote European integration if they provided for participation by the Executives of the Communities in the discussion of any question within their purview, if they did not encroach upon the competence of the Communities and their institutions and if effect was given to the Parliament's draft convention on direct European elections, the proposal to merge the Executives and the proposal for the establishment of the European University;

b) The Temporary Special Committee for the association of Greece with the Community met for the first time on 27 June in Strasbourg.

*Session of 18 to 20 September 1961*

222. Debate on the Association Agreement between Greece and the Community:

a) Opinion in favour of concluding the association agreement<sup>(1)</sup>;

b) Resolution on political co-operation between the Member States and the Community. The Parliament noted that the heads of State or Government had at length recognized the need to give form and substance to the will for political unity already implicit in the Treaties and decided to reply without delay to the invitation received to extend the field of its deliberations to all political problems of common interest.

*Joint meeting of the European Parliament and of members of the Consultative Assembly of the Council of Europe.*

223. On 19 and 20 September the Consultative Assembly of the Council of Europe and the European Parliament held their eighth joint

<sup>(1)</sup> See Chapter V, sec. 196.



meeting. M. Furler, President of the session, paid tribute to M. Dag Hammarskjöld, Secretary-General of the United Nations, who lost his life in tragic circumstances while on mission in the Congo. M. Furler expressed the sympathy of the members of the Assembly and the Parliament with Sweden and the UN in their loss. The joint meeting heard reports from the three Executives. In addition, M. Federspiel, President of the Consultative Assembly, presented a report on the activities of the Council of Europe. The joint meeting studied Great Britain's application for membership of EEC and heard explanations from the EEC Commission on this question.

*Session of 16 to 20 October 1961*

224. Debate on agricultural questions:

*a)* Opinions rendered at the request of the Council on draft regulations for the institution of a levy system and the gradual establishment of a common market organization in the grain, pigmeat, poultry and egg sectors <sup>(1)</sup>;

*b)* Opinion on the revised Commission proposal on objective criteria for establishing minimum prices <sup>(2)</sup>;

*c)* Debate on proposal for implementation of the first regulation pursuant to Articles 85 and 86. Opinion rendered on this proposal at the request of the Council <sup>(3)</sup>;

*d)* Debate on equal pay for men and women (Article 119). Resolution on this question <sup>(4)</sup>;

*e)* Resolution concerning prior examination of the laws and regulations of the Member States in the field of transport <sup>(5)</sup>;

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<sup>(1)</sup> See Chapter III, sec. 104 et seq.

<sup>(2)</sup> See Chapter II, sec. 21.

<sup>(3)</sup> See Chapter II, sec. 47.

<sup>(4)</sup> See Chapter III, sec. 154.

<sup>(5)</sup> See Chapter III, sec. 128.

f) Debate on the statute of service. Resolutions on the statute of service and on income tax on salaries of Community staff <sup>(1)</sup>;

g) Debate on the draft convention establishing a Council of the European Commissions and a European High Commission submitted to the Council of Ministers by the Netherlands Government. After accepting the Political Committee's proposal to fix the quorum at nine members in conformity with the EEC Commission's opinion, the Parliament reaffirmed the political desirability and the practical necessity of merging the executives at an early date and expressed itself in favour of the draft convention subject to certain modifications;

h) Debate on the conclusion of accession agreements with non-member countries;

i) Resolution urging that the European Commission be fully associated with the negotiations for the accession of Great Britain, Denmark and Ireland and that nothing be done which might impair the Community spirit of the Treaties of Rome and Paris.

#### *Colloquy between the institutions of the Community*

225. The colloquy between the institutions of the Community was held in Strasbourg from 20 to 21 November 1961. The two subjects chosen—the transition from the first to the second stage of the Common Market and the association of the overseas countries <sup>(2)</sup>—were thoroughly examined and gave rise to a wide confrontation of points of view. The Governments were represented by M. Erhard for the Federal Republic of Germany, M. Brasseur for Belgium, M. Gorse for France, M. Piccioni for Italy, M. Schaus for Luxembourg and M. Van Houten for the Netherlands. After the colloquy the European Parliament adopted two resolutions on the transition to the second stage and on the association of the overseas States. M. Erhard presented a review of the Council's activities and the speakers in general considered

(1) See Chapter VI, sec. 298.

(2) See Chapter IV, sec. 158.

that, even if certain aims had not yet been attained, the Community was in fact ripe for the move to the second stage. The meeting discussed the economic, social, legal and institutional aspects of the move forward, the need for which from the political angle was frequently emphasized.

*Session of 20 to 24 November 1961*

226. Debate on social problems. Three resolutions were adopted in this field:

- i) A resolution on social harmonization <sup>(1)</sup>;
- ii) A resolution on health protection of workers in the Community <sup>(2)</sup>;
- iii) A resolution on the first measures to give effect to the free movement of workers <sup>(3)</sup>.

Debate on the EEC budget:

a) Resolution referring the budget back to the Council with the request that it reconsider with the Executive the reductions in the operational budget, and proposing certain amendments;

b) Resolution urging that negotiations on the revision of the Association Convention with the associated overseas States be pressed forward;

c) Resolution urging that the Council adopt before the end of the year the decisions laid before it by the European Commission and that the move to the second stage take effect on 1 January 1962;

d) Debate on the common agricultural policy: opinion on the regulation establishing a common market organization in the fruit and vegetables sector; opinion on the draft regulation progressively establishing a common market organization for the wine-growing sector; opinion that the Member States should prohibit any reproduc-

<sup>(1)</sup> See Chapter III, sec. 147.

<sup>(2)</sup> See Chapter III, sec. 149.

<sup>(3)</sup> See Chapter II, sec. 27 et seq.

tion of crops of tobacco infected with bluemould and should immediately notify any measures taken in pursuance of the Commission directives <sup>(1)</sup>.

*Session of 19 to 21 December 1961*

227. Debate on the common transport policy: resolution concerning the report on problems of a common transport policy in the Community; resolution on problems of air transport in the Community. This resolution states that a common policy in this sphere should be one of the objectives of EEC, sets out the basis of such a policy and requests the Council to put this problem on its agenda; resolution on a study and fact-finding mission on the Rhine and in the ports of Rotterdam and Amsterdam and calling for the broad definition of a common transport policy embracing inland and maritime shipping <sup>(2)</sup>.

a) Debate and resolution on the European Commission's powers in the implementation of the common agricultural policy; the resolution drew attention to the fact that only the Executive Commission is responsible to the European Parliament and requested the Council to refrain from taking any decision to set up new bodies without previously consulting the Parliament.

b) Resolution concerning emergency aid to the Republic of Somalia recently struck by a natural catastrophe.

c) Debate on the draft treaty establishing a union of the peoples of Europe: a recommendation was adopted on the draft treaty establishing a Union of the peoples of Europe. In this recommendation the Parliament hopes that "the governments will go as far as possible towards a political union of Europe". The Parliament "is anxious to avoid anything which might constitute or even appear to constitute a retrograde step in relation to the Treaties instituting the Community". As regards the institutions, the Parliament "does not think that the body of national civil servants who would be the permanent, representa-

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(1) See Chapter III, sec. 104 et seq.

(2) See Chapter III, sec. 128.

tives of the Governments should be set up as an institution of the Union distinct from the Council". On the other hand, it is convinced that "the appointment of a Secretary-General independent of the Governments would be a positive factor and that it should be the responsibility of the Secretary-General to see that the Council's decisions are implemented". He should have powers of initiative. The Parliament proposed that "certain sectors, stages and circumstances should be specified in which decisions would be taken by a qualified majority". It welcomes the widening of its own sphere of competence provided for in the draft treaty and proposes an extension of its powers in budgetary and foreign policy matters. It recalls its draft convention on election by direct universal suffrage and hopes that the Presidents of the Executives will participate in the meetings of the Council when questions concerning the Community are under discussion. Finally, the resolution makes reference to the revision clauses.

d) Debate on the European University: resolution in which the Parliament regrets that the decision of the heads of State or Government (18 July 1961 in Bonn) takes no account of the proposals of the Euratom Commission; expresses its satisfaction with the step taken by the Italian Government to provide for the participation of the institutions of the Communities in the Organizing Committee of the European University; and hopes that in the course of its work this Committee will give full consideration to the wishes of the Parliament with respect to the universality of the university, its autonomy, its structure and its administration.

At this session the Parliament also heard a statement by M. Etienne Hirsch, the out-going President of the Euratom Commission, on the past and future of the institutions and the supra-national role of the Executives. The Parliament paid a warm tribute to President Hirsch for his services during his term of office.

*Session of 22 to 25 January 1962*

228. Survey of the economic situation of the Community in 1961 and the outlook for 1962 presented by the European Commission:

a) Resolution concerning the closing of the accounts of the European Parliament on 31 December 1959;

*b)* Resolution on the administrative accounts and balance-sheets of the Commission for 1958 and 1959 and the relevant reports of the Committee of Control;

*c)* Opinion on the approximation of the regulations of Member States concerning permitted colouring matters in foodstuffs for human consumption <sup>(1)</sup>;

*d)* Debate on the political and institutional problems of accession and association <sup>(2)</sup>;

*e)* Debate on the commercial aspects of Great Britain's application for accession <sup>(3)</sup>;

*f)* Debate on energy policy.

*Session of 20 to 22 February 1962*

229. Conclusion of the debate on energy policy; resolution recommending the early introduction of a common commercial policy in the energy sector and urging a study of the question of the subsidizing of Community coal from public funds in the Community <sup>(4)</sup>;

*a)* Conclusion of the debate on the economic situation of the Community; resolution inviting the European Commission to submit to the Parliament a report on the consequences for EEC of the economic growth rate envisaged in OECD and calling for a study of the effects of the wage policies followed in the Member States;

*b)* Debate on transport questions: opinion on draft directives concerning the establishment of common rules for the international transport of goods by road, urging each Member State to liberalize all transport in transit through its territory before the end of 1962 <sup>(5)</sup>;

<sup>(1)</sup> See Chapter III, sec. 122.

<sup>(2)</sup> See Chapter V, sec. 192.

<sup>(3)</sup> See Chapter V, sec. 191.

<sup>(4)</sup> See Chapter III, sec. 96.

<sup>(5)</sup> See Chapter III, sec. 138.

- c) Resolution urging the Governments henceforth to adopt a uniform identity card for all nationals of the six Member States;
- d) Debate on the association on the overseas States;
- e) Resolution to expedite the renewal of the association;
- f) Resolution on procedure for examining the General Report of EEC;
- g) Resolution on a common policy in the rice sector.

At this session the Parliament paid homage to the victims of the tragic events in the Federal Republic of Germany: the pit disaster at Luisenthal and the floods in North Germany.

*Session of 27 to 30 March 1962*

230. Re-election of officers. M. Gaetano Martino elected President in succession to M. Furler, whose term of office had expired. The following were appointed Vice-Presidents: M. Fohrmann, M. Furler, M. Vendroux, M. Rubinacci, M. Vanrullen, M. Blaisse, Mme Strobel, M. Duvieusart;

a) Debate on the social security of frontier and seasonal workers; opinions rendered on the relevant draft regulations <sup>(1)</sup>;

b) Debate and resolution on the unification of highway codes <sup>(2)</sup>;

c) Resolution on aid to reconstruction in the flooded areas of the North German coast, welcoming the opening of a quota for the importation of 6 000 pre-fabricated houses for the stricken areas, urging the European Commission to examine the possibility of providing aid from the Social Fund in the event of the temporary closing of small and medium enterprises, and suggesting that the Fund for the improvement of agricultural structures might also help;

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<sup>(1)</sup> See Chapter II, sec. 33.

<sup>(2)</sup> See Chapter III, sec. 138.

d) Debate on vocational training: opinion rendered on this question; resolution on the settling of the account of the Parliament during the financial year 1961;

e) Debate on agricultural structures: opinion on the draft decision concerning the co-ordination of agricultural structure policies;

f) Opinion on the draft directive concerning the application of Article 47 of Regulation No. 15 "Free movement of workers";

g) Statement on the activities of the Councils: the Parliament heard a statement by M. Couve de Murville, French Minister of Foreign Affairs, on the activities of the Councils during the preceding six months.

h) Appointment of a parliamentary delegation to be sent to Greece for conversations with representatives of the Greek Parliament with a view to a decision of the Council setting up a Joint Association Committee in accordance with the Association Agreement of 9 July 1961;

i) Debate on the name of the Parliament: resolution of the Parliament to style itself "Parlement Européen". Noting that the designation is not identical in the four Community languages, the Parliament decided to take the name of "Parlement Européen" in French and "Parlamento Europeo" in Italian. These are in line with the terms used in German and Dutch.

#### THE COUNCIL

231. In the period from 1 May 1961 to 30 April 1962 the Council played a decisive part in the Community's progress and its activity was continually on the increase. Its decisions covered many spheres; the most important concerned the move to the second stage and the adoption of the regulations, decisions and resolutions on the common agricultural policy.

The Council has had to take decisions on various problems concerning the general lines and implementation of the common policies, the Community's relations with non-member countries, which extend



from simple tariff negotiations to applications for membership, and with administrative questions such as the statute of service of officials of the Communities. The Council also discussed a Netherlands Government draft advocating the revision of the Treaties of Rome and Paris by the adoption of a convention setting up a single Council for the Communities and a European High Commission (Fusion of the Executives).

As part of the common agricultural policy the Council agreed on the machinery which will govern trade in a large number of products after 1 July 1962. The first measures in the fields of commercial policy and of common transport policy deal in the main with the introduction of consultation and information procedures. The first regulation pursuant to Articles 85 and 86 on cartels, and a time-table for the implementation of Article 119 (equal pay for men and women) have been adopted.

Under the heading of relations with non-member countries, the Council has concluded association agreements with Greece and with the Netherlands Antilles and Surinam. It has held numerous discussions on applications from non-member countries for accession or association and approved certain tariff agreements, in particular one with the United States on 7 March 1962.

A considerable part of the Council's activity has been devoted to the adoption of measures in different fields of application of the Treaty under the time-table laid down therein and to routine matters such as the approval of the budget. At various sessions it has granted tariff quotas or agreed to suspend or adjust the common customs tariff.

Four sessions were devoted to the renewal of the Association Convention with the African States and Madagascar. The Council met the Ministers from these countries on two occasions and the preparatory work it carried out greatly contributed to the agreement reached in the ministerial meeting of 9 and 10 April <sup>(1)</sup> on the bases of a draft new association convention to come into force on 1 January 1963.

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(1) See Chapter III, sec. 162.

The chairmanship was until 30 June by Belgium and from 1 July to 31 December 1961 by the Federal Republic of Germany; since 1 January 1962 the French representative has presided.

We give below a brief chronological account of the principal decisions taken at Council meetings.

*44th session (21 March 1961)*

232. *Manpower policy*: the Government of the Federal Republic of Germany declared its readiness to contribute up to DM 3 million to help finance a programme of rapid training for Italian workers proposing to take up employment in the Federal Republic.

*45th session (2 and 3 May 1961)*

233. *Association of the Netherlands Antilles*: the Council requested the Commission to submit at the next Council session proposals for instituting this association.

*Technical assistance*: the Councils examined an interim report by the Technical Assistance Group on the close co-ordination of action taken by the Member States to provide technical assistance for developing countries.

*46th session (19 May 1961)*

234. The Council held a special session to deal with the Association Agreement with Greece. It expressed approval of the general mechanism of the draft agreement. The reservations raised by some governments were withdrawn and it was decided that declarations of interpretation would be recorded in the minutes if agreement were reached with the Greek Government.

*47th session (29 and 30 May 1961)*

235. *Association Agreement with Greece*: the Council studied the report in which the Commission set out the results of its contacts with the Greek

delegation on 26 and 27 May. It was found possible to reach a broad measure of agreement on outstanding questions.

*Free movement of workers:* the Council examined the draft regulation and directives on the free movement of workers within the Community proposed by the Commission.

*Application of Article 119:* the Council held a first exchange of views on the question of the application of Article 119 of the Treaty concerning equal pay for equal work as between men and women.

*48th session (12 June 1961)*

236. *Association Agreement with Greece:* the Council approved the text of the draft agreement for an association between the European Economic Community and Greece and decided to propose to the Member States and Greece, subject to the opinion of the Parliament, that they should sign the agreement as soon as possible. It also decided to transmit to the Parliament for its opinion the text of the agreement and all its annexes as soon as they have been signed.

*Free movement of workers:* the Council adopted the draft regulation and directives on the free movement of workers in the Community (Regulation No. 15) <sup>(1)</sup>.

*Association of Surinam:* the Netherlands delegation communicated to the Council the request of the Netherlands Government that negotiations be opened for the conclusion of an agreement for the association of Surinam with the Community.

*Italian request concerning wrapper leaf tobacco:* the Council approved in principle a supplementary tariff protection for wrapper leaf tobaccos grown in the Community.

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<sup>(1)</sup> Official gazette of the European Communities, No. 59 of 12 September 1961.

*49th session (26 June 1961)*

237. The Council held an initial discussion on the Commission's Memorandum on the general lines of a common transport policy. It instructed the Permanent Representatives to submit a report for the Council session at the end of October 1961.

The Council also noted that the Commission had submitted a working paper on pipelines.

*50th session (3 and 4 July 1961)*

238. *Associated overseas States*: the Council held an exchange of views on the results of the first meeting between the representatives of the associated overseas States and the Permanent Representatives.

It also took note of the results of the Euro-African Parliamentary Conference held in Strasbourg from 19 to 24 June 1961.

*GATT agreements*: the Council approved a series of agreements negotiated with the Contracting Parties of GATT under Article XXIV (6) of the General Agreement.

*51th session (24 and 25 July 1961)*

239. *Common commercial policy*: the Council took two decisions, one concerning consultation procedure for the negotiation of trade agreements between Member and non-member States, and for amendments to the system of liberalization vis-à-vis non-member States, and the other the standardization of trade agreements with these States <sup>(1)</sup>.

*Relations with the associated overseas States*: the Council held an initial discussion on the future of the association with the overseas States <sup>(2)</sup>.

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(1) See official gazette of the European Communities, No. 71 of 4 November 1961.

(2) See Chapter IV, sec. 158 et seq.

The Council approved the terms of a regulation organizing a second inquiry into wages, covering eight further branches of industry in the six countries <sup>(1)</sup>.

*Customs system applicable to tropical woods:* the Council approved the suspension, in pursuance of Article 28 of the Treaty, of the common customs tariff duties for certain varieties of tropical woods until the end of 1961.

*52nd session (25, 26 and 27 September 1961)*

240. *Applications for accession to EEC submitted by the British, Danish and Irish Governments:* the Council examined the application submitted in a letter from Mr Harold Macmillan dated 9 August 1961 proposing the opening of negotiations for the accession of the United Kingdom of Great Britain and Northern Ireland to the Treaty of Rome. The Council approved the terms of the reply to be sent to the British Government.

The Council also approved the terms of a reply to the application to accede to the Treaty of Rome made by the Danish Government in its letter of 10 August 1961.

The Council held a preliminary discussion of the application made on 31 July 1961 by the Irish Government.

*Association of Greece:* in view of the favourable opinion expressed by the European Parliament the Council noted that the internal Community procedure for the conclusion of this Agreement, signed in Athens on 9 July 1961, was closed.

*Association of Surinam:* the Council gave its assent to the assimilation of Surinam with the overseas countries and territories associated with the Community and to its consequent admission to all the benefits of the association system laid down in Part Four of the Treaty and in the Implementing Convention.

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<sup>(1)</sup> See official gazette of the European Communities, No. 55 of 16 August 1961.

*Community trends in employment in 1961*

The Council took note of a communication from the Commission concerning employment trends in the Community in 1961.

*53rd session (23 - 25 October 1961)*

*241. Applications for accession to EEC submitted by the British, Danish and Irish Governments:* the Council agreed on a programme of preparatory work for the opening — fixed for 8 and 9 November 1961 — of the negotiations proper with the British Government.

The Council also held a discussion preliminary to the first meeting with the Danish Government, fixed for 26 October in Brussels.

The Council approved the terms of a reply to the application for membership of the Community submitted by Ireland on 31 July 1961.

*Association of Surinam and the Netherlands Antilles:* the Governments of the Member States agreed that the Kingdom of the Netherlands should supplement its instruments of ratification by an additional act making Part Four of the Treaty establishing the European Economic Community applicable to Surinam.

*Agriculture:* the Council examined the Commission's proposed regulations for a levy system and for the gradual introduction of common market organizations in the cereals and pigmeat sectors.

*Abolition of restrictions on freedom of establishment and freedom to supply services:* the Council approved the General Programmes for the abolition of restrictions on freedom of establishment and on freedom to supply services <sup>(1)</sup>.

*EEC budget:* the Council established the draft budget of EEC for the financial year 1962.

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<sup>(1)</sup> See official gazette of the European Communities, No. 2 of 15 January 1962.

*54th session (6 November 1961)*

242. This session was devoted to the study of questions relating to the current tariff negotiations in GATT. The Council gave particular attention to the negotiations with the United States and Canada.

*55th session (13 and 14 November 1961)*

243. *Associated overseas States*: the Council approved the draft agenda for the meeting at ministerial level (6-7 December 1961).

*Tariff quotas*: the Council held a general exchange of views on the Community's future policy in regard to tariff quotas and invited the Member States to reconsider their applications made for 1962.

*56th session (28 November 1961)*

244. The Council approved the text of a decision on procedure for preliminary examination and consultation on certain laws, regulations and administrative practices which Member States contemplate introducing in the transport field <sup>(1)</sup>.

*57th session (29-30 November 1961 and 1-2 December 1961)*

245. The 57th session was mainly devoted to the examination of draft agricultural regulations and marked the opening of the debate on agricultural matters which was to terminate on 14 January 1962.

*58th session (4 and 5 December 1961)*

246. *EEC budget*: the Council adopted the draft budget of the Community for the financial year 1962 <sup>(2)</sup>.

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(1) See official gazette of the European Communities, No. 23 of 3 April 1962.

(2) See official gazette of the European Communities, No. 22 of 30 March 1962.

It also adopted the revised and supplementary budget of the Community for the financial year 1961 <sup>(1)</sup>.

*59th session (12 December 1961)*

247. The Council continued the study of the draft agricultural regulations.

It approved the Commission's proposal on the reduction of the minimum percentage for the widening of global quotas for certain types of wine imported by the Federal Republic of Germany, fixing the reduction at 10 %.

*60th session (18 December 1961 to 14 January 1962)*

248. *Decision of 18 - 21 and 29 - 30 December 1961. Equal pay for men and women workers:* the representatives of the Governments of the Member States agreed to the gradual introduction of equal pay for men and women in accordance with a fixed time-table <sup>(2)</sup>.

*First Regulation pursuant to Articles 85 and 86 of the Treaty:* the Council unanimously approved the first Regulation pursuant to Articles 85 and 86 of the Treaty (rules of competition applicable to enterprises) <sup>(3)</sup>.

*Social security of migrant workers:* on a proposal from the Commission the Council adopted a regulation maintaining sick benefits and family allowances in accordance with Council Regulation No. 3 <sup>(4)</sup> for the families of migrant workers who remain behind in their country of origin for more than three years.

*Statute of service:* the Councils of EEC and Euratom adopted the regulation laying down the statute of service for the officials, and the rules applicable to other employees, of the European Economic Community.

<sup>(1)</sup> See official gazette of the European Communities, No. 2 of 15 January 1962.

<sup>(2)</sup> See Chapter III, sec. 154.

<sup>(3)</sup> See Chapter II, sec. 47 and official gazette of the European Communities No. 13 of 21 February 1962.

<sup>(4)</sup> See official gazette of the European Communities No. 86 of 31 December 1961.



*Decisions of 4 to 14 January 1962. Agriculture* <sup>(1)</sup>: the Council made eight regulations and four decisions and passed two resolutions. From 1 July 1962, trade in cereals, poultry, eggs, pigmeat, fruit and vegetables and wine is governed by regulations which are immediately applicable. The principles of a market organization and a time-table were agreed for beef and veal, sugar and dairy produce.

The Council laid down a system for financing the common agricultural policy. It prescribed the details for applying the rules of competition to agricultural products and decided on a system of countervailing charges for processed agricultural products.

*Move to the second stage*: the Council noted that the objectives laid down in the Treaty for the first stage had in their essentials been achieved [Article 8 (3)] and authorized the move to the second stage in the implementation of the Treaty <sup>(2)</sup>.

*61st session (5 and 6 February 1962)*

249. *Netherlands Antilles*: the Council approved the instruments of association of the Netherlands Antilles with the European Economic Community.

*Tariff questions*: the Council adopted a draft decision on the introduction of a flat-rate duty on goods imported for non-commercial purposes sent in small consignments to private persons or carried in travellers' luggage <sup>(3)</sup>.

*GATT*: the Council made a declaration on the Community's position in regard to multilateral tariff negotiations.

*European Social Fund*: the Council approved the rules of procedure of the European Social Fund.

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<sup>(1)</sup> See Chapter III, sec. 104.

<sup>(2)</sup> See official gazette of the European Communities No. 10 of 10 February 1962.

<sup>(3)</sup> See official gazette of the European Communities No. 15 of 28 February 1962.

*Budget questions:* the Council approved the Commission's administration of budget funds for the financial year 1959.

*62nd session (27 February 1962)*

250. The Council instructed the Commission to draw up for 25 May 1962 an overall balanced programme in the transport field and a time-table for its execution.

*63rd session (5 - 7 March 1962)*

251. *Customs duties:* the Council decided to maintain the common customs tariff duty on reactors at 10 % and to fix the duties on fuels elements at 10 %. In respect of these two products the Council decided to suspend certain duties.

*Associated overseas States:* the respective points of view were clarified and certain general lines of policy defined.

*64th session (21, 22, 23 March 1962)*

252. *Further speed-up in the implementation of the Treaty:* a sufficient measure of agreement was reached for the Council to envisage taking a decision in this field at its May session.

*65th session (2, 3 and 4 April 1962)*

253. *Associated overseas States:* a common Community position was worked out in preparation for the ministerial meeting with the associated overseas States on 9 and 10 April.

*Agriculture:* the Council approved in the four languages all the texts adopted on 14 January 1962.

The Council also adopted a draft decision on the fixing of the upper and lower limits of target prices.

*THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES**Composition of the Court*

254. At their meeting on 26 September 1961 the representatives of the Member Governments renewed the terms of office of judges Delvaux and Hammes and of Advocate-General Roemer for the period 7 October 1961 to 6 October 1967. On 5 October 1961 the term of office of judge Catalano was also renewed for the same period. On 1 October 1961 the Court elected M. A.M. Donner as President for the period 8 October 1961 to 7 October 1964.

The Court is now composed as follows:

President: M. Andreas Matthias Donner;

Presidents of Chambers: M. Otto Riess, M. Jacques Rueff;

Judges: M. Louis Delvaux, M. Charles Léon Hammes, M. Rino Rossi and M. Nicola Catalano;

Advocates-General: M. Karl Joseph Roemer and M. Maurice Lagrange;

Clerk of the Court: M. Albert Vanhoutte.

Since 7 October 1961 the Chambres have been composed as follows:

First Chamber:

M. O. Riess, President;

Judges: M. L. Delvaux and M. N. Catalano;

Advocate-General: M. Lagrange;

Second Chamber:

M. J. Rueff, President;

Judges: M. Ch.L. Hammes and M. R. Rossi;

Advocate-General: M. K. Roemer.

On 6 February 1962 the representatives to the six Governments meeting in Brussels appointed M. Trabucchi as judge in place of M. Catalano, who had resigned.

*Proceedings before the Court of Justice*

*Cases 13-61 and 1-62: Interpretation of Articles 85, 12 and 37 of the Treaty*

255. On 30 June 1961, the Court of Appeal at The Hague referred to the Court of Justice of the Communities a point of interpretation of the Treaty (case 13 - 61). This was the first time that the procedure under Article 177 had been applied. The question was whether an agreement between firms was null and void under Article 85 (2) of the Treaty. This raises the point whether Article 85 (1) is directly applicable to firms immediately upon the entry into force of the Treaty. The matter is *sub judice*. Another matter (case 1 - 62) was referred to the Court under Article 177 of the Treaty on 10 January 1962 by a Netherlands administrative tribunal (*College van Beroep voor het Bedrijfsleven*). The question raised concerned *inter alia* the interpretation of Articles 12 and 37 of the Treaty. At the request of the Netherlands tribunal the case was struck off on 28 February 1962 following a compromise between the parties.

*Case 7-61: Action against Italy concerning the suspension of imports of pigmeat [Article 31 (2)]*

256. With effect from 18 June 1960 the Italian Government suspended imports of certain pigmeat products, the liberalization of which had been bound vis-à-vis EEC Member States in conformity with Article 31 (2) of the Treaty. On 21 December the Commission, acting in pursuance of Article 169, sent the Italian Government a considered opinion calling attention to an infringement of the standstill provided for by Article 31 (1) of the Treaty and requesting that the situation be remedied. By letter of 5 January 1961 the Italian Government

informed the Commission that it was obliged to continue the suspension of the imports in question and requested the Commission to authorize this action by virtue of the provision for safeguard measures in Article 226.

On 20 March 1961 the Commission referred the matter to the Court of Justice.

In its judgement of 19 December 1961 the Court rules that by temporarily suspending imports of the products in question from the Member States the Italian Government had defaulted upon its obligation under Article 31 (1) of the Treaty. In the grounds of the judgement it was stated that:

*a)* The standstill obligation in Article 31 is absolute and allows of no exception even of a temporary nature;

*b)* The very fact that an emergency procedure is provided for in Article 226 precludes any unilateral action on the part of the Member States, which therefore may not invoke the urgency or seriousness of the situation to circumvent the procedure laid down in Article 226;

*c)* That Article 36 has reference to circumstances of a non-economic nature unlikely to impair the principles laid down in Articles 30 to 34 and that it does not establish a general safeguard clause additional to that of Article 226 and enabling the Member States unilaterally to waive the procedure and guarantees provided for in that Article;

*d)* That the Commission need give no ruling as to the application of Article 226 until expressly requested to do so by the Member State concerned.

This is the first judgement delivered by the Court of Justice in a case brought by the Commission against a Member State in pursuance of Article 169 of the Treaty.

*Case 10-61: Customs duties imposed by Italy on radio tubes, valves and lamps from other Member States (Articles 12 and 14)*

257. On 27 February 1962 the Court of Justice gave judgement in case 10-61, the Commission v. the Italian Government. The Court found that the Italian Government had defaulted upon its obligations under Article 12 and Article 14 (1) of the Treaty in applying, after the entry into force of the Treaty, the minimum specific duty of 150 lire on lamps, tubes and valves for radio sets, with a customs value of less than 428 lire, imported from other member countries, and by making this the basic duty for the calculation of the successive reductions vis-à-vis the other Member States.

The Court held in favour of the European Commission. In the grounds of the judgement the Court confirmed the following principles which are of general application:

a) The customs duties of which Article 12 of the Treaty forbids any increase and those which are to be taken as a basis for the successive reductions of duties between the Member States are those actually applied on 1 January 1958 and 1 January 1957 respectively. This being so, it is irrelevant whether an administrative act on which their application is based has been properly decided or not.

b) The rights and obligations flowing from conventions concluded prior to the entry into force of the Treaty between a Member State and a non-member country and which, in conformity with Article 234 (1) of the Treaty are not affected by the provisions of the Treaty, are the rights of non-member countries and the obligations of the Member State. On the other hand, the principle of international law according to which a State which undertakes a new obligation incompatible with the exercise of its rights under earlier treaties thereby renounces the exercise of these rights in so far as may be necessary to fulfil its new obligation, applies to the rights which Member States enjoy under such conventions.

*Case 18-61: Refusal of the Federal Republic of Germany to enlarge quotas for calves, veal and preserved meat (Article 35)*

258. The Federal Republic of Germany did not recognize the obligation to apply to calves, veal, sausages and preserved meat the provisions of Article 33 of the Treaty which stipulates that quotas shall be rendered global and progressively widened.

The Federal Republic claimed that these products came under provisions for the marketing of home production through a national market organization, and that the development of trade in these products within the Community should therefore follow the rules of Article 45.

The Commission did not accept this view since it was not established that the products in question really came under market organization measures in the Federal Republic. As the question as to which of Articles 33 and 45 was applicable was of cardinal importance in the phase preceding the common organization of agricultural markets, the Commission, on 5 August 1961, brought its dispute with the Federal Republic before the Court of Justice.

Following the Council's decision of 14 January 1962 setting up a common market organization for certain agricultural products, this question has lost its practical importance. Furthermore, the Government of the Federal Republic of Germany has declared its readiness to open quotas for these products in favour of the Member States. The dispute having thus been settled by common agreement, the case was dropped.

*Cases Nos. 2 and 3-62: Increased duties imposed by Belgium and Luxembourg on honeybread ("pain d'épice")*

259. On 24 February 1962 the European Commission referred to the Court of Justice its dispute with the Governments of Belgium and Luxembourg concerning a special import duty on honeybread ("pain d'épice") and similar products to the Court of Justice of the Communities.

The Commission seeks a finding that by increasing, after the Treaty came into force, the special duty charged when import licences

are issued for "pain d'épice" and by extending this duty to products similar to "pain d'épice" (heading 19.08 of the common external tariff) the two countries in question have failed in their obligations under the Treaty.

The Commission is of the opinion that the special duty in question constitutes a charge with effect equivalent to a customs duty, and that the States concerned have therefore infringed Article 12 of the Treaty, which forbids Member States to introduce between themselves any new customs duties on importation or charges with equivalent effect or to increase such duties or charges as they apply in their commercial relations with each other.

After inviting the comments of the Belgian and Luxembourg Governments the Commission on 2 October 1961 rendered a considered opinion that an infringement had been committed. The Belgian and Luxembourg Governments asked the Commission to approve the measure taken, invoking Article 226 of the Treaty, but they did not conform with the opinion within the time-limit fixed by the Commission. The Commission therefore referred the matter to the Court of Justice as provided by Article 169 of the Treaty.

*Cases 12-61 and 15-61: Complaints of the staff of the Communities against the administration*

260. On 14 December 1961 the Court of Justice dismissed a suit for damages brought by an official of the Secretariat of the Councils, who had been compelled to resign, so he claimed, by "moral pressure".

In another case brought by a staff member against the Secretariat of the European Parliament, the Court gave judgement on 1 March 1962 holding that the dismissal at the end of the probationary period was wrongful and awarding damages to the plaintiff.

*THE ECONOMIC AND SOCIAL COMMITTEE*

261. During the period under review the Economic and Social Committee was several times consulted by the Council as required by



the Treaty and by the Commission under the non-mandatory procedure. The Committee held six meetings and rendered nine opinions, the content of which has been given in earlier chapters.

*16th session (6-7 July 1961)*

262. Discussion on the co-ordination of energy policies. Discussion of the various aspects of EEC social policy.

*17th session (25-27 October 1961)*

263. Discussion on transport. Opinion rendered, in response to request of the Commission, on 26 July 1961, on the draft decisions concerning the prior examination of provisions of the Member States in the field of transport and consultation procedure in this matter.

Opinion rendered on the Commission's proposals for a common policy in the rice sector.

*18th session (15 December 1961)*

264. Discussion on the co-ordination of energy policies. Opinion rendered in response to request of the Commission by non-mandatory procedure on 9 June 1961.

Discussion of the proposed directive on the approximation of the regulations of the Member States on permitted colouring matters in food products for human consumption. Opinion rendered in response to request of the Council on 24 October 1961.

Discussion of the Council's draft directive concerning the control of bluemould in tobacco. Opinion rendered in response to request of the Council on 24 October 1961.

At this session the Committee took note of the report drawn up by the Agricultural Section concerning the proposed regulations of the Commission on cereals and processed products based on cereals.

*19th session (25 - 26 January 1962)*

265. Discussion of the draft opinion of the Commission for submission to the Member States concerning social services for workers moving from one part of the Community to another. Opinion rendered in response to request of the Commission on 16 November 1961.

Discussion of proposals of the Commission for a common policy in the fats sector. Opinion rendered in response to request of the Commission on 24 July 1961.

*20th session (28 February - 1 March 1962)*

266. Discussion of the Memorandum on the general lines of a common transport policy. Opinion rendered in response to request of the Commission.

Discussion of draft decision on the general principles of a common policy on vocational training <sup>(1)</sup>. Opinion rendered.

At this session the Committee heard a statement by the President of the European Commission.

*21st session (28 - 29 March 1962)*

267. Discussion of directives on the establishment of certain common rules for international transport of goods by road. Opinion rendered in response to request of the Council on 23 January 1962.

Opinion rendered on the Commission's draft recommendation to the Governments of the Member States concerning the adoption of a European list of occupational diseases <sup>(2)</sup>. Discussion of the Commission's draft recommendation to the Member States concerning industrial

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(1) See Chapter III, sec. 152.

(2) See Chapter III, sec. 149.

medicine. Opinion rendered in response to request of the Commission on 23 December 1961. Opinion rendered on the draft regulation on the social security of frontier and seasonal workers (requested by the Council by non-mandatory procedure on 21 December 1961).

Adoption of a report by the Agricultural Section on the draft decision concerning the co-ordination of agricultural structure policies.

This session marked the end of the term of office of the present members of the Committee. M. Rosenberg, Chairman of the Committee, and the Chairman of the three Groups reviewed the activities of the Economic and Social Committee during the period now closing. The representative of the associated overseas States also spoke on behalf of these countries.

#### *ECONOMIC POLICY COMMITTEE*

268. The Economic Policy Committee held four meetings in the period under review. Under its Chairman, Professor Müller-Armack, Under-Secretary of State at the Ministry of Economics of the Federal Republic of Germany, the Committee continued its studies of the economic policy of the various Member States.

In the interests of better co-ordination of these policies the Committee proposed that all the Member States should adopt the practice of drawing up general economic forecasts each year. There has already been an initial meeting of experts to study the technical aspects of this question.

As part of its work on means of improving instruments of economic policy, the Committee has undertaken an enquiry into the policy to be applied in the event of a recession. It also decided to examine the problem of price rises and the means of combating them, the necessary information being obtained by a questionnaire to members.

The Committee's conclusions have been set forth in reports to the Commission, which the latter has transmitted to the Council.

*THE MONETARY COMMITTEE*

269. The Monetary Committee, under the chairmanship of M. Van Lennep, Treasurer-General of the Netherlands, held eleven sessions during the period under review.

In 1961 the Committee continued its periodical surveys of the monetary and financial situation of the Member States.

In response to the wishes of the Ministers of Finance of the EEC countries, the Monetary Committee had set up a group of experts under Dr Emminger, Vice-President of the Committee, and a member of the Board of Directors of the Deutsche Bundesbank, to study the problem of international liquidity. In mid-1961 this group submitted a "Report on some present-day problems of international liquidity" the conclusion of which were approved by the Committee. The report surveyed the present situation and immediate prospects and examined in detail various proposals to improve the international monetary system.

The Monetary Committee has been mainly concerned with a study of two questions: the instruments of monetary policy in the Member States; and monetary and financial policy in the event of a recession. It is planned to publish the studies on the instruments of monetary policy, accompanied by a comparative review. It was also agreed with the Economic Policy Committee that the Monetary Committee would examine monetary and financial measures which might be envisaged in the event of a recession. The Monetary Committee prepared a questionnaire on possible monetary and financial policies to meet such a situation; members of the Committee replied on behalf of each EEC State and an extract of these replies was made. These documents were transmitted early in 1962 to the Economic Policy Committee and the European Commission.

The first directive pursuant to Article 67 of the Treaty issued by the Council of EEC on 11 May 1960 instructed the Monetary Committee to examine at least once yearly any restrictions maintained on movements of capital and to report to the Commission on those which could be eliminated. In 1961 the Committee carried out the first such examination.

All this work is described in the Committee's fourth Report on its activities, which was transmitted by its Chairman to the European Commission and the Council on 2 April 1962. The Commission and the Council have authorized publication of the Report.

#### *THE COMMITTEE OF CONTROL*

270. Under Article 206 of the EEC Treaty and Article 180 of the Treaty establishing the European Atomic Energy Community, the Committee of Control, which has six members, is responsible for examining all the accounts of budgetary revenue and expenditure of the two Communities.

On 19 November 1961 the Committee of Control transmitted to the Commissions of the two Communities its third report, dealing with the accounts for the financial year 1960. The section concerning the common institutions was drawn up jointly by the Committee of Control and the Auditor of the European Coal and Steel Community.

#### *THE CONSULTATIVE COMMITTEE ON TRANSPORT*

271. The Committee studied questions relating to the introduction of freedom of establishment for carriers and forwarding agents within EEC. It transmitted its opinion on this matter to the European Commission on 28 June 1961.

The Committee also examined certain questions arising in the establishment of common rules for international road transport. On the basis of conclusions reached by working parties drawn from the Committee, a first opinion addressed to the Commission was formulated on 10 November 1961.

The Committee was also consulted on the problems relating to the admission of non-resident carriers to domestic transport services in the Member States.

Finally, the Commission has asked the Transport Committee to study the elimination of double taxation in international road transport with a view to establishing common rules.

### Co-operation between the European Executives

272. The three Executives have strengthened their relations in the various fields of common concern.

The Commission has worked with the Euratom Commission on changes in the common external tariff for nuclear products. The decision of the two Councils tends to give institutional form to the principle that Euratom shall participate in future decisions which the Council of the EEC takes in this field under Article 28 of the Treaty of Rome.

As for the harmonization of legislation, the Commission and the European Investment Bank have collaborated with the High Authority in preparing its proposals to the Special Council of Ministers of ECSC on the conversion of areas affected by the closing of pits. Though such proposals fall within the ambit of ECSC, they are of great interest to EEC because of their impact on regional policy, particularly when they advocate the creation of regional "development" or deal with the provision of infrastructure and services in the areas in question or the search for industries which might be profitably located there.

The Commission of Euratom has taken part in the studies of the inter-ministerial working party on questions of competition, whose objective it is to harmonize legislation on industrial property rights, trade marks and patents.

In the social field the three Executives have drawn up a joint programme on family budgets in the six countries. They have also prepared a European conference on social security, which is to meet at the end of 1962. The Commission took part in High Authority meetings on social security and labour law and in meetings of the technical committee on the application of Article 69 of the ECSC Treaty.

At the same time, the Commission has associated the other Executives with its work in the Consultative Committee under Regulation No. 15 on the free movement of workers.

The three Executives have jointly submitted proposals to the Councils for the establishment of a European Development Institute <sup>(1)</sup>.

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(1) See Chapter IV, sec. 179.

*THE INTER EXECUTIVE WORKING PARTY ON ENERGY*

273. On 7 January 1961 this Working Party submitted to the Council of Ministers of ECSC an immediate action programme comprising a first set of practical proposals for the alignment of the energy policies of the six countries, and safeguard measures which would take effect if the coal situation were to become seriously aggravated (1).

In 1961 the Working Party gave further consideration to the methods by which the programme could be implemented, and submitted detailed proposals to the Council on the co-ordination of import policies for coal from non-member countries.

It also continued its studies on the establishment of energy forecasts and finalized working methods by using which it was able to lay before the Council at the beginning of 1962 an estimate of the likely evolution of the energy market for the entire year.

### The joint services

*STATISTICAL OFFICE OF THE COMMUNITIES*

274. Despite a marked shortage of staff, the Statistical Office has endeavoured to keep abreast of the greater demand for statistical data resulting from progressive integration. The following paragraphs refer only to work done for EEC.

The Supervisory Board of the Statistical Office held three meetings in the past year. Among questions discussed were relations between the Office and national statistical services and private bodies. The Conference of directors of national statistical offices also met three times and studied the problem of nomenclatures, a world-wide census of industrial production, and the establishment of energy forecasts.

New working parties (national accounts, entries and exits, foreign trade, nomenclatures, transport—inquiry into road transport—

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(1) See Chapter III, sec. 92.

family budgets—inquiry into consumer prices—agricultural production, and agricultural structures and farm labour) have been set up under the auspices of the Statistical Office.

275. The expansion of the number and volume of Statistical Office publications has necessitated some change in the structure and programme of the Publications Department. Several publications have been recast and now appear in a new form. Since 1962 the Statistical Office has been publishing:

monthly:	“Bulletin général de statistiques” and “Statistique mensuelle du commerce extérieur”,
bi-monthly:	“Charbon et autres sources d’énergie” and “Sidérurgie”,
quarterly:	“Informations statistiques”, “Tableaux analytiques du commerce extérieur”, “Commerce extérieur des associés d’outre-mer”, “Statistiques industrielles”,
several times yearly:	“Statistiques sociales” and “Statistiques agricoles”,
annually:	“Mémento de statistiques, Energie” (Charbon et Sidérurgie”,
bi-annually:	“Statistiques de base”.

276. The Office has continued its work on national accounts, part of which is published in the form of special statistical notes in the *Bulletin Général de Statistiques*. Full documentation has been worked out for the period from 1950 to 1960, showing the formation, breakdown and utilization of gross national products, investments, private and public consumption, transactions with abroad, growth rates, and the contribution of the various branches of the economy to the GNP. To render these factors more comparable as between the various Member States, the “National Accounts” working party and the Statistical Office have drawn up an outline form for the presentation of joint accounts based on the international



system at present in use. A comparison has also been made of national accounting systems and the divisions between the various sectors. Research work is at present in progress on the specific problems of agriculture in the national accounts.

Preparatory work has been done on uniform tables for "entries and exits". A comparison of existing information has shown that the tables used in the Member States are not based on the same criteria. For this reason the "entries and exits" working party agreed in its first meeting in 1962 to use a uniform framework which will serve as a pattern for the national tables and the Community table by the middle of 1963.

277. The Statistical Office has undertaken a series of demographic studies. Under the title *Trends in the working population of the EEC for the coming ten years*, No. 3 of the *Informations statistiques* for 1961 contained forecasts on the figures for working and total population up to 1970. Apart from the forecasts proper, this study, which was based on national statistics, contains a great deal of information concerning the factors to be considered in such forecasts. The Office has also examined the data obtained at the census of the working population taken in the autumn of 1960.

278. The development of trade is one of the most important gauges by which to measure the success of the EEC. For this reason the Statistical Office regularly publishes the latest figures on foreign trade. Particular mention should be made of the new edition of the *Tableaux analytiques* the two volumes of which give the fullest picture of the EEC's external trade broken down into imports and exports. In these tables the external trade of the EEC is shown by products as well as by origin and destination. The products are classified according to the 1335 five-digit headings of the *Statistical and Tariff Classification* (STC). In 1962 these tables began to appear quarterly in an abridged form. Apart from the regular monthly figures, special notes are published on subjects of topical interest such as United Kingdom trade, the Commonwealth, or countries which have applied to EEC for membership or association.

279. In the field of transport statistics the drawing-up of a uniform transport nomenclature (Nomenclature Statistique des Transports) has marked an important step towards homogenous and comparable statistics.

The nomenclature comprises more than 4 000 items under 176 headings. Furthermore, a special synoptic table renders possible comparison with the nomenclature of external trade (STC).

280. The Statistical Office has continued to lend its support to statistical work in the associated African States and Madagascar, and has reinforced its action in many respects. Statistics are an essential instrument of planning in these countries, which are going through a period of rapid economic development. For this reason the Statistical Office has concentrated its main efforts on the training of economic statisticians and sixteen new scholarships have been awarded to African students. After the completion of their courses some of these students will reinforce local statistical services, while others will be needed to set up such services where they do not exist.

Co-operation with the statistical offices of the associated overseas States is very close. Some of the associated African States have their foreign trade statistics drawn up by the Statistical Office of the European Communities on the basis of their customs documents. The complete foreign trade statistics of these countries are published quarterly in the appropriate bulletin of the Statistical Office.

281. The necessary preliminary work has been completed on the drawing up of energy forecasts. This work mainly consisted of checking whether the available national and international data are comparable and complete. The objective of this work is to provide a picture of the structure of the energy economy in the Member States and in the Community as a whole.

282. The industrial statistics branch has concentrated on preparing the programme for the world-wide industrial census which the UN will carry out in 1963. Inquiries are made jointly by the EEC Member States and will serve to fill in, where possible, the lacunae in industrial statistics resulting from differences in statistical coverage, the special features of national inquiries, and the diversity of methods, definitions and nomenclatures.

In this respect publication of the *Nomenclature des industries établies dans les Communautés européennes* (NICE) fills an important

need. This nomenclature, which does not deal with products but with branches of industry, at present comprises 94 three-digit groups. It is the basis for the publication of the EEC industrial statistics (as for instance in No. 4 of the 1961 *Statistiques industrielles* which contains the annual industrial production figures for the period from 1952 to 1960). A new division into sub-groups of four and five digits is being prepared.

Much of the work of the Committee on short-term industrial and craft statistics was devoted to improving the production indices. For some branches of industry it proved possible to make progress. A standard production index for the chemical industry in the Community countries based on twelve products is at present being worked out.

283. Apart from the review of wages in industry<sup>(1)</sup> the working party on social statistics has drawn up a study on wages for men and women workers. All available figures on wages for men and women workers in the Member States have been collected. It has been found that no comprehensive and realistic study of the question is yet possible. Statistics from the six Member States show that the problem exists in each of these, but it is difficult to establish comparisons because many of the definitions and methods vary too greatly from State to State.

284. Agricultural statistics have been mostly concerned with supply balance-sheets. The results of this work were published in No. 3 of the 1961 *Statistiques agricoles*. The grain balance sheets published refer to the 1955-56 and 1959-60 harvest years; they were drawn up in accordance with a uniform system for the six Community countries and differ considerably from the balance-sheets so far available from international organizations in that they are broken down into total balances, balances showing the utilization of grain production and market balances, and also because they include a larger number of items and supplementary statistical data and provide a better harmonization of the national balance-sheets.

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<sup>(1)</sup> See Chapter III, sec. 151.

*THE LEGAL SERVICE OF THE EUROPEAN EXECUTIVES*

285. The "common" character of the Legal Service has appeared under its usual twofold aspect. Administrative and budgetary affairs have been handled by the administrative services of the Euratom Commission under the direction of the Supervisory Board, which includes one member from each of the three Executives. The close liaison between the three branches of the service is reflected in the greater number of studies on matters of common concern which it has been possible to undertake thanks to the designation of extra jurists for such work.

*INFORMATION**The work of the Spokesmen's Group*

286. Special efforts have been made to keep the public, both within and without the Community, abreast of the important events of 1961, in particular the opening of negotiations for British membership, the agricultural policy decisions, and the move to the second stage. This has meant stepping up in the volume of information made available to the bureaux in the six Community capitals and in London and Washington, with consequent closer co-operation between the Spokesmen's Group and the Joint Service. To meet the wishes of the ever more numerous correspondents accredited in Brussels a press conference is held each week. Outside these regular contacts, talks are arranged with representatives of the Press—either at the Seat of the Commission or in other Community countries—to explain the meaning and the importance of the Commission's proposals in the various fields.

The Spokesmen's Group also issues numerous press releases (summaries written to explain what are very often highly technical matters) for use by newspapers, radio or television.

The *Courrier*, a fortnightly publication for the diplomatic representatives of the Six throughout the world, has proved very useful especially in non-member countries. A recent readers'poll resulted in better adaptation to tastes and interests and improved this bulletin's effectiveness.

*The Joint Information Service of the European Communities*

287. The Joint Press and Information Service completed its organization and extended its work in 1961 under its Supervisory Board.

*Fairs and exhibitions*

288. At the invitation of the Italian Government the Communities took part in the international labour fair "Italia 61" from 6 May to 31 October under the motto "The EEC and Sources of Energy".

The Joint Service has also taken part in several fairs and exhibitions either at the request of one of the Executives or on behalf of all three.

The programme for 1962 includes Community participation in the international "Century 21 Exposition" in Seattle (USA) from 21 April to 21 October, in several fairs and travelling exhibitions in the six Member States.

*Publications*

289. The volume and variety of printed matter has increased considerably. The six periodical bulletins published in Bonn, The Hague, Paris, Rome, London, and Washington have reached 138 000 readers each month. For the whole of the year, and taking into account the fact that the Bonn bulletin is a weekly, total circulation has risen to nearly one and a half million copies. At the same time the presentation and contents of these bulletins have been considerably improved.

Furthermore, 60 brochures, folders and other publications with a total circulation of five million were issued in the four Community languages.

*Radio, cinema and television*

290. Despite inadequate means co-operation with organizations in various countries especially the Federal Republic of Germany, Belgium,

Italy, the United Kingdom and the United States has been on an increased scale. A large number of radio and television broadcasts have been made with the help of the Joint Service, especially since the beginning of 1962.

Two documentary films were made during the year and a European production company has been founded by the leading newsreel companies, following the recommendations of the European Parliament's Cinematography Group.

#### *Traineeships, visits and information meetings*

291. Apart from courses, symposia and seminars organized by the various divisions, the Joint Information Service each year receives many parties of parliamentarians, businessmen, managers, officials, journalists, students and so on in Brussels and Luxembourg. Three hundred and twenty such groups totalling some 12 000 persons were received in the past year. This development does give rise to some technical and financial difficulties and an expansion of reception facilities is called for, especially for handling those parties wishing to come at their own expense.

#### *Information to workers and trade unions*

292. During the period under review thirty-seven courses, bringing together more than a thousand leaders of trade union organizations, were arranged for the six countries and Great Britain. A similar campaign has been undertaken to provide more information on European questions in schools and trade union information centres in the Member States; 34 separate operations of this type were carried out. In addition, the Joint Service arranged several meetings of journalists specializing in trade union matters.

Thirty travelling speakers have given more than 1 000 talks in France and Italy as part of a special information programme.

All these activities are planned and carried out in close co-operation with the major trade union organizations represented in the European institutions.

### *Agricultural information*

293. The main task here is to inform interested circles on matters relating to the establishment of a common agricultural market and it is always approached from the angle of the building of a united Europe.

Talks on this theme to agricultural journalists have been arranged in the Member States.

Study periods have also been organized, especially in the Federal Republic, the Netherlands and in Brussels, in co-operation with young farmers' associations.

### *Information in the overseas countries*

294. Work in this field is aimed at bringing home to the overseas countries the various aspects and the first results of European integration. It is based on many personal contacts with leading personalities in the associated countries and employs the whole gamut of technical information media, such as radio (a monthly 30-minute programme "L'Europe vous parle" produced in Brussels and broadcast by 17 African stations); the Press (special editions or pages of African papers); brochures (particularly the *Cahiers Africains* series of which four issues appeared in 1961) and a folder of maps showing the work of the European Development Fund. Symposia for African students and trade unionists have also been arranged (12 were held in 1961).

### *University information*

295. Information work in circles concerned with higher education has mainly involved aid for individual studies and the organization of symposia or seminars for professors and for students in the final stage of their studies.

The creation of the "European Communities Prize" in 1959 proved a profitable move. The number of theses submitted—all on European issues—rose from 16 in 1959 to 25 in 1960 and to 59 in 1961.

Many students received advice in their work and financial aid, for the publication of a thesis has been accorded in ten cases.

As for collective activities, some twenty groups of professors and students have been guests in Brussels and Luxembourg and contributions have been made to twelve seminars in the Member States and in Great Britain. Very close co-operation has developed between the Joint Service and the leading students' associations, which are evincing growing interest in the problems connected with the reciprocal recognition of diplomas and degrees and with freedom of establishment.

#### *Civic training of young people and adult education*

296. The special programme drawn up to implement a resolution of the European Parliament for the encouragement of information and activities among young people and adult education in a European spirit <sup>(1)</sup> has developed in three directions.

For schools, work was mainly centred on the teaching body, either by direct contact with the academic authorities and teachers' associations or unions or through the good offices of the European Association of Teachers.

Highly diversified action in depth has been undertaken in youth and adult education organizations in the six countries with the assistance of those international or national associations considered best qualified.

Audio-visual information material on European problems has been perfected and distributed to youth organizations and adult education centres.

If it is remembered that this special programme was only put into operation in the closing months of 1960, the period just ended must be regarded as one in which methods were finalized and contacts established with organizations. The experience gained will make it possible to concentrate in 1962 on a smaller number of subjects,

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<sup>(1)</sup> See Fourth General Report, sec. 273.



technical media and organizations. Priority has been given to enlightening young people on questions of common agricultural policy.

### Internal administration of the European Commission

297. In the administrative field too, the date of 1 January 1962 marked the end of the stage during which the basis rules and regulations were drafted. After the finance regulations, the rules laying down the statute of service for officials and the arrangements applicable to the other employees of EEC and EAEC were adopted.

#### *THE STATUTE OF SERVICE AND THE COMMUNITY TAX*

298. At their session of 18 December 1961 the Councils of EEC and EAEC adopted the statute of service, the arrangements applicable to other employees, and the regulations concerning the Community tax; they decreed that these texts should come into force on 1 January 1962. Thus after more than three years, work on the regulations fixing the conditions of service for the staff of the Communities was completed.

In accordance with Article 212 of the Treaty, the Councils and the two Commissions embarked on the study of these questions in November 1958. On 8 November 1959 the Councils adopted the main provisions of a new salary system. The rates of salary adopted were 6% lower on average than those in force in ECSC, which applied provisionally in EEC and Euratom. In September 1960 and February 1961 the texts of the statute of service and of the regulation on a Community tax and the arrangements applicable to the other employees passed a first reading.

As required by the Treaty, the Councils consulted the European Parliament and the Court of Justice of the Communities who submitted their opinions on these texts in October 1961.

In its resolution the Parliament says that the officials of the Communities although remaining independent; must devote themselves entirely to their work. It hoped that identical rules would soon be

adopted for the staffs of the three Communities with due regard taken of the existing ECSC statute of service. The Parliament also adopted a resolution requesting that the Community tax be introduced as soon as possible.

Parallel with this procedure the Councils of EEC and Euratom studied with the competent ECSC authorities the possibility of drawing up a body of uniform rules for the three European Communities. Certain difficulties, mainly connected with staff remuneration precluded this and the texts agreed on 18 December 1961 therefore apply only to EEC and Euratom. Nevertheless, the ECSC was to adopt texts which differ from these on a small number of points only (especially salary rates).

It should also be noted that the statute of service was drawn up on the basis of the statute adopted by ECSC in 1956 from which it takes over a number of provisions (general obligations, security of employment, promotion). It does, however, differ on three points:

- i) It introduces a different system of grading posts, providing four categories with a total of 22 grades in place of 13 grades in three categories;
- ii) It fixes salaries at a lower level than the old ECSC statute;
- iii) It introduces a less liberal pension scheme under which the maximum pension—equal to 60% of basic salary—is obtained only after 33 years of service, instead of 30 years.

The statute does not apply to all staff of the Communities. In accordance with the provisions of the Treaty there is a special system for "other employees" which applies to servants of the Communities not occupying an established post or occupying such a post on a temporary basis only. This category includes temporary and auxiliary personnel, special advisors and local employees.

At the same time as the statute of service and the arrangements applicable to "other employees", the Councils adopted a regulation, proposed by the two Commissions, on the Community tax required under Article 12 of the Protocol on Privileges and Immunities. Salaries of

officials and other employees except local staff will be subject to this tax as from 1 January 1962.

#### ESTABLISHMENT

299. On the eve of the entry into effect of the statute of service, that is to say on 31 December 1961, established staff numbered 1 808 persons in the following categories: 529 in category A, 130 in category L, 372 in category B and 777 in category C.

These officials of the Communities, who hold a permanent post at the time of the entry into effect of the statute of service, are eligible for the benefits of the statute after an integration committee, which will examine the case of each official in the light of a report on his efficiency, his performance and his conduct has given its opinion.

The integration committee, appointed by the Commission of the EEC, took up its work on 26 February 1962.

The departmental organization for the financial year 1962 includes 1 936 officials. In addition, 156 officials administratively attached to the Commission were working in the Joint Services on 31 December 1961; they included 70 officials of category A, 27 of category B and 59 of category C.

On the same date the Commission had 161 auxiliaries in its employment. This figure, and the abnormally large amount of overtime which has had to be worked, reflect the widening gap between the ever-increasing work of the Commission and the number of new posts approved for 1962, which is in no way commensurate with needs.

The unfavourable effects of this situation on both the progress of work and the health of officials will certainly become more marked in 1962; they are a source of anxiety to many branches of the Commission's administration.

To cater for the fresh tasks, especially in the agricultural policy and restrictive practices sectors, new posts have been asked for in a supplementary budget.

For the reasons set out above the Commission will also be obliged to ask for additional posts for the financial year 1963.

#### *ORDINARY AND SUPPLEMENTARY BUDGETS*

300. On 4 and 5 December 1961 the Council finally adopted a supplementary and amending budget increasing the expenditure originally planned by Bfrs. 34 650 000. This adjustment proved necessary mainly to provide scholarships for nationals of African countries during the academic year 1961-1962 and to allow the work of the European Development Fund to be gradually stepped up.

The preliminary draft budget for 1962 was submitted to the Council by the EEC Commission on 19 September 1961. The draft was laid before the European Parliament on 24 October 1961 and the Council definitely adopted the budget at its session on 4 and 5 December 1961. In this way the time limits laid down in Article 203 of the Treaty for the budget procedure were thus strictly observed.

The administrative budget of the Commission is higher by 4 645 000 units of account than that of the financial year 1961.

The appropriations for the European Social Fund have risen from 20 million units of account in 1961 to 29 027 400 in 1962; this is explained by the fact that the appropriations were made on the basis of more precise details of the requests for refunds received from Member States.

The report of the Committee of Control for the financial year 1959 has been published. (1).

The report was transmitted to the Council which, on a proposal of the Committee of Control, gave the Commission discharge in respect of the execution of the budget for that year and also for the financial year 1958.

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(1) See above sec. 270.