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# C O N T E N T S

## P a r t I

## DEVELOPMENT OF EUROPEAN INTEGRATION

## Part II

## THE PARLIAMENTS

# P a r t  I

## DEVELOPMENT OF EUROPEAN INTEGRATION

## 1. The breakdown in the Brussels negotiations and its sequel

At the close of a meeting of the French Council of Ministers on 1 July, the Minister of Information read the following statement: "Following the breakdown in the Brussels negotiations, the Council noted with regret the fact that an undertaking given three-and-a-half years ago to finalize the financial regulation by 30 June 1965 had not been kept. It noted that the European Economic Community was as a result faced with a crisis which was all the more serious as it was in anticipation of this final regulation that the French Government had agreed in January 1962 to move on to the second stage of the Treaty of Rome and that the decisions on a common price for cereals, passed on 15 December 1964, were taken, bearing in mind the formal and repeated assurances that the financial regulation would be finalized, as agreed, by 30 June 1965.

The French Council of Ministers also noted the general agreement on a time-table proposed by the French delegation whereby the agricultural regulations still outstanding would be finalized and common prices set. By 1 July 1967, according to this time-table, agricultural products would move freely within the Community, single prices would come into application and a standard level of protection on the Common Market frontiers would take effect through a system of levies.

The French Council of Ministers noted the fact that whereas France's partners in the Common Market had accepted this time-table, new economic and political conditions brought up at the recent negotiations had precluded agreement on the common financial responsibility.

This crisis was even less justifiable in that the French delegation made proposals whereby France would bear part of the financial burden which some of its partners found excessive and had agreed, furthermore, that the customs union for industrial products should be finalized by 1 July 1967.

Under such conditions the Government had decided, for its part, to draw the economic, political and legal conclusions from the situation which had thereby been created."

After reading this statement, the Minister of Information commented as follows: "the Government is going to proceed to the necessary studies to draw the conclusions from the setback. What

will these conclusions be ? We have now reached complete deadlock. No further meeting is at present planned."

Mr. Couve de Murville, for his part, stated at the close of the meeting of the EEC Council of Ministers that it was a serious crisis. The French Government would note that undertakings given had not been kept. The Minister also indicated that the failure to agree on the financing issue invalidated all the arrangements agreed upon in the preceding three days, in particular the working schedule for the Ministers of Agriculture, and that the subsequent Council meeting on 12 July was cancelled. He then recalled the technical reasons for the intransigence of the French: "In view of the importance of agriculture to our economy we cannot be induced to agree to set agricultural prices at a higher level without knowing how the agricultural policy is to be financed." The correspondent of Le Monde pointed out that by accepting the common policy and the unification of agricultural prices, France had in fact started a machine which would indeed be beneficial to her farmers but which bore a threat to her economy generally.

France had agreed to accept the inflationary implications of raising her low agricultural prices to bring them closer to those of the other Member States, only because she believed she could be certain her partners would share the increased financial burden of supporting these agricultural markets pursuant to the principle of the financial regulations of January 1962. (Le Monde, 2 July 1965)

## 2. General de Gaulle's visit to Bonn

Following the meeting held by the French Council of Ministers on 15 June, Mr. Peyrefitte, Minister of Information, read the following statement concerning the misunderstanding that arose at the close of the Franco-German talks. This had led spokesmen for the two Governments to make rather contradictory statements. "The talks held in Bonn on 11 and 12 June between the President of the Republic, the Prime Minister and various other members of the French Government, on the one hand, and Chancellor Erhard and members of the Federal Government, on the other, were set in the framework of the Franco-German political consultations provided for in the Treaty of January 1963.

There were thorough, practical discussions on matters of general policy and on points of special interest in terms of Franco-German co-operation. European issues were, however, the main topics of the talks.

The debates taking place in Brussels on the financing-of-agriculture regulation were dealt with and the attendant problems were thoroughly discussed. Progress was made not only towards a better understanding of the respective viewpoints but also towards bringing them closer together, bearing in mind the need to work out a solution within the prescribed time limit.

The plan to hold a conference of the Heads of State and Governments of the Six EEC Member States was also discussed against the background of European political co-operation. France had no objection in principle to such a conference.

In the weeks ahead it would have to be seen, in conjunction with all the European partners, whether and under what conditions such a conference could be held." (Le Monde, 16 June 1965)

## 3. Mrs. Käte Strobel discusses the financial future of the EEC

Mrs. Käte Strobel (Member of the SPD Group of the Bundestag and of the European Parliament since 1958) stated in an SPD press release that the European Economic Community was this year faced with the most important but also the most difficult decision in the seven years of its existence. Today what was involved was the financial future of the EEC. She took the view that the relevant decision would have even further-reaching implications than the decision taken on 15 December 1964 on a single price for cereals in the EEC.

Mrs. Strobel stressed that the European Parliament in Strasbourg had approved by a large majority the financial proposals of the EEC Commission. Only the fifteen Gaullist members had refused their assent, thereby isolating themselves, as they had often done already.

The EEC Commission had demonstrated in its proposals that a supra-national body in the Communities was the best guarantee for furthering European integration. The aims which the EEC Commission was striving to attain had for a long time been those advocated by progressive currents of opinion in Europe. It was therefore regrettable that Paris had vetoed the second and third parts of the proposals. Paris was indeed in favour of agricultural levies accruing to the Community since it profited thereby, but was against the transfer to the Community of the income from industrial customs duties and against the transfer of budgetary powers to the European Parliament. Mrs. Strobel took

the view that since Paris had great interests at stake in the Communities financing an agricultural policy, the five partners and the EEC Commission could if they acted adroitly perhaps bring pressure to bear on the French Government. An attempt had to be made to keep the three basic factors in the proposals together so that financing the common agricultural policy from levies should not be put through unless trade in merchandise were freed from customs duties, income accruing from customs duties were paid into the Community till, and income and expenditure were subject to responsible management and control. (SPD Press Release, 19 May 1965)

## 4. An appeal by the "Europa-Union" to the Bundestag

Baron von Oppenheim, President of the German Europa-Union, in a letter to all Members of the Bundestag, described the Bundestag debate on the ratification of the Treaty to merge the Executives of the three European Communities as "a unique opportunity for integration and democratization."

At the same time a Europa-Union memorandum criticized the fact that an important opportunity had been missed in connexion with the draft Treaty to extend the supervisory and legislative powers of the European Parliament. The letter called upon the Members of the Bundestag to ratify the Treaty on the merger of the Executives of the three European Communities only if the powers of the European Parliament were simultaneously enhanced. The most urgent problem in the view of the Europa-Union was the participation of the European Parliament in drafting and adopting the budgets of the three Communities. It called upon the Bundestag to state "that the three EEC Commission proposals had to be carried through as an indivisible whole; these linked a new regulation on financing the common agricultural policy with provisions to replace the financial contributions of the Member States by independent revenues and with a revision of the Treaty to increase the budgetary powers of the European Parliament.

The Europa-Union regarded the present phase in the political cycle as a favourable one because France, whose veto was a threat, had a special interest in obtaining Community assistance for her agricultural exports. The five other Governments should declare their solidarity and accept the Commission proposals as a whole. The Federal Republic had a special responsibility here since in the early years it would have to bear the heaviest financial burden. The Europa-Union further called for the European Parliament to be given the following powers:

1. Setting a deadline for the direct election of its members.

2. Effective participation in the appointment of the General Commission of the European Communities.

3. Ratification of Community association and trade agreements.

4. Effective participation in the law-making procedure of the Community.

Lastly, the Europa-Union said that it intended to intervene in the forthcoming electoral campaign without lending its support to any of the contesting parties. The General Secretariat of the Europa-Union stated on 15 June 1965 that all Members of the Bundestag should be confronted with the exigencies of the European policy in order that they might bring home to the electorate the import of European problems. It was planned to hold public discussions with the candidates of the CDU/CSU, SPD and FDP in about 50 German cities. (Frankfurter Allgemeine Zeitung, 2 June 1965; Saarbrücker Zeitung, 16 June 1965; VWD-Europa, 1 June 1965)

## 5. German Bar Conference in Augsburg

The 33rd Congress of the German Bar (3 June 1965) took as its theme "European Community law".

Professor Furler, Vice-President of the European Parliament gave a two-hour introductory talk on "the basic issues in European Community law". He advocated a revalorization of the European Parliament and averred that the responsibilities of the European Parliament in the law-making procedure of the EEC were inadequate and this was indefensible. "To our legal minds, it is hard to enforce legal provisions, directly binding on and legally ordering the lives of 170 million people, that have not involved the decisive intervention of any Parliament", opined Professor Furler.

He went on to outline the limitations, effects and characteristics of European Community law and spoke about its connexion with the domestic laws of the Member States. He put forward the view that "the unequivocal and direct enforcibility of Community law in all the Member States gives it precedence over national law".

The Vice-President of the European Parliament was critical about the way the load was shared in the various European law-making spheres. He pointed out that between the time when the Rome Treaties came into force (1 January 1958) and 31 December 1964, the Council of Ministers had passed 467 regulations of which 403 concerned agriculture alone (the others being: social regulations 22, institutions and budgets 19, development fund 9, competition 8, freedom of movement 5, transport 1).

Professor Furler proposed that the Council of Ministers should in future be required to consult the European Parliament about all regulations (this has so far applied only to instances explicitly enumerated in the Rome Treaties). "If the Council of Ministers rejects a draft regulation whose content has been established through the normal consultation procedure with the European Parliament, the Parliament must in future have the opportunity to review its Opinion. If then the Parliament returned its Opinion by a qualified majority, then the Council of Ministers should not be able to depart from it unless it did so unanimously." Since any amendment to the Rome Treaties would founder on the opposition of at least one State, Professor Furler proposed that the Council of Ministers should of its own free will enter into a gentleman's agreement to cede some of its powers "thereby binding itself to the Parliament". However since this would require the approval of the Six, he felt that his own proposal had little chance of success.

The Members of the German Bar meeting in Augsburg agreed with Vice-President Furler that it was anomalous for legal provisions, that held good for 170 million people, to be established without the Parliament having a decisive say in the matter. The President of the German Bar Association, Mr. Hans Merkel, stated that as integration transcended national frontiers, a new legal era was under way. Only from a parliament could a simple and clearly comprehensible legal protection be expected. Mr. Philipp Möhring, a lawyer at the German Court of Justice, said it was a dangerous misapprehension to believe that EEC law concerned only a small circle of specialists and that it bore no relation to every day law. (Die Welt, 4 June 1965; 5 June 1965)

## 6. Italian university teachers and the European University

As a result of a full-scale enquiry into "Universities and the Community", Italian university teachers had their first opportunity to say, in reply to a questionnaire, what they thought about the European university which is to be set up in Florence.

It emerged from this first poll - the "Europa Unita" Agency reports - that most teachers were in favour not so much of a conventional university but rather of an institute of advanced, post-graduate status.This could be a breakthrough which could provide a new structural and working basis for studies and research, in other words a pioneer scheme.

The basic features of the institution would have to be of an intrinsic nature both at the didactic and methodological levels; the comparative study of the various disciplines; an empirical inductive method; full adoption of the techniques of exercises and seminars; high level of studies; an effective contribution towards the systematic study of economic, legal, sociological, philosophic and scientific thought.

There was some divergence of view as to where the main emphasis of the European University should lie. The general view was that it should be restricted to the social and moral sciences (also considered important by some teachers in scientific disciplines); others, however, felt that the technical disciplines would be much more appropriate.

There were differences of views as well on the aims that the university should have: some of the teachers considered that its prime duty should be to bring into focus the European identity; others strongly criticized such an idea in view of the limited number of students that the European University could accommodate; others took the view that its main duty should be to train international leaders, teachers and officials. Many however considered the creation of such a university to be of secondary importance to the greater need for an international co-ordination and reshaping of existing universities in the EEC States.

Of the five-hundred-and-one teachers who replied to the questionnaire - apart from the 155 who knew nothing of the preparatory work being done on the European University at Florence - 130 said it was impossible for them to express any personal opinion, 92 were decidedly in favour and 81 decidedly opposed to it (it would take too long, it would lead to an excess of bureaucracy, it would be out of touch with the academic world, they distrusted the organisers). Nonetheless, 229 out of 293 teachers felt that the European University could in due course integrate the work being done by the national universities in response to the new European realities and 325 out of 370 university teachers would be ready to take courses there.("Europa Unita" Press Agency, 31 May 1965)

## 7. Statement by the European Federal Movement

The International Committee of the European Federal Movement which met in Sarrebruck and Metz on 8 and 9 May, issued a statement stressing that the statesmen responsible were under an imperative obligation to pursue the work initiated which should culminate in the foundation on democratic lines of a European Federation as an equal partner to the United States of America.

The decision taken by the Governments to merge the Executives of the three Communities was a major step forward in economic terms; unfortunately it had not been matched by similar progress in political terms. There was still no prospect of integrating the defence and external affairs of the Six; yet it was no easier to open the Community up to embrace other countries such as the United Kingdom. Europe was hence the loser on both counts.

Approximating the policies of the Member States had, of course, run into difficulties in every sphere.Yet the most serious obstacle was, undisputedly, the reappearance of purely national aims and a deplorable weakening of the Community spirit; making the same mistakes as before, the States were once again under the illusion that they could take upon themselves the responsibility for their future, whereas in fact they were very dependent on each other in defence and in solving their economic and social problems.

The success of the Community was the proof and the example of the merits of union. Thanks to this success the idea of integration had been brought home to the populations at large, even those beyond the Iron Curtain. The Iron Curtain could not be removed by peaceful means except through the moral and political attraction of a western Europe that was united and imbued with calm resolve. To abandon the attempt to build a new Europe would mean stifling the last hope of the millions of enslaved Europeans.

The Governments of the Six bore a heavy responsibility. It was incumbent upon them to pursue integration, enhance the powers of the European Parliament and open their Community to those European countries seeking accession on the basis of equal rights and obligations. Only by striking out boldly along the path blazed out fifteen years ago by that great European Robert Schuman would the Governments, in the last analysis, be obeying the imperatives of history to the greater profit of their peoples and the cause of freedom. ("La 20ème Siècle", 21 May 1965)

## 8. European problems debated on Italian television

A television debate was held in Italy on 16 June on "Europe today". Those taking part were Senator Gronchi, former President of the Italian Republic, Professor Petrilli, President of the European Movement, Mr. Fernando Santi of the CGIL, Dr. Franco Mattei and Mr. Gianfranco Orsello, Secretary-General of the "Italian Centre of European Studies."

The views put forward by the various speakers in this interesting debate, which touched on all the political, economic and social aspects of European integration, can be summed up as follows:

Professor Petrilli said he supported a federal Europe that would involve a larger participation; the lack of general involvement was the weak point of the present European coalition. The construction of Europe, said the President of the European Movement, had, without doubt, been a fortunate and interesting experience but it was still largely absent from the hopes and hearts of the European peoples who regarded it as something remote, lacking concrete form and without relevance to their daily lives.

The trade unionist Mr. Santi, recalled that workers were by nature "internationalists" (the Italian worker had the same interests as the French and German worker, both as to general conditions and as to his aspirations); he said that the world of the worker supported a united Europe, a politically and economically united Europe, achieved in gradual stages. However, to win the support of the workers, the speaker felt, Europe had not to be the Europe of the managerial classes, of monopolies; it had to have a weightier social content. It had to be a Europe more just, more free, more democratic, more peaceful, otherwise it would not succeed in awakening the support of the working class.

In the view of Mr. Orsello it was clear that economic integration was a course that had to be pursued to attain the objective of political unity. However, the present Communities, while being a valid instrument of economic integration and paving the way to political unity, lacked the inherent strength needed to make the decisive step from economic to political integration. To achieve political unity, Mr. Orsello observed, there had to be a demonstration of political resolve to achieve a supranational Europe which was the only type of effective political community.

In the view of Senator Gronchi, a united Europe could only turn to the United States to forge the ever closer links of solidarity that both needed. But it was clear that to transform NATO from the alliance it is today into an alliance between equals, it was absolutely necessary for the bilateral relationship between individual European States and the United States to be replaced by a closer relationship between the whole of Europe and the United States. The former President of the Italian Republic went on to say that this was no mere conjecture since judging by what leading figures of American political life said it was clear that they were more eager for Europe to achieve unity than the Europeans themselves.("Europa Unita", Press Agency, 16 June 1965)

## 1. The Common Market and International Monetary Questions

In a special supplement, "La Vie Française" has published an article by Mr. Giscard d'Estaing, French Finance Minister, and Mr. Schmücker, German Minister for Economics, on the European monetary union and reforming the international monetary system.

On the possibility of a European currency, Mr. Giscard d'Estaing observed that the least that could be said was that a single European currency was still at the idea stage; it was now unlikely that recourse would be had to any appreciable extent to independent monetary adjustments; monetary policy could remain wholly a matter for the national authorities in all six countries. Even if there were to be a European currency in the near future, the EEC Member States would probably be very reluctant to use it as a reserve currency. Introducing such a European currency would, by itself, be no substitute for reforming the international monetary system; it could not measure up to the exigencies stemming from the inefficiency of the Gold Exchange Standard or to the theories to which this system's shortcomings had given birth, ambitious though such a plan was against the background of prevailing conditions.

Mr. Giscard d'Estaing went on to say that whatever doubts might be entertained as to the part that a European currency might play in the future, the increasingly frequent allusions to it stemmed from the realization that the Six had come to the monetary fore in the international payments system and their ideas as to how the present system might be reformed were moving towards a rapprochement.

This trend, of course, sprang from the economic progress made by the Six, and was in evidence in all the international bodies that were confronted with monetary problems.

In comparison with the United States and the United Kingdom, whose position was deteriorating, the European Community was, Mr. Giscard d'Estaing stressed, playing an increasingly important part in economic affairs and in international co-operation. This, he felt, not only enhanced the moral authority of the Common Market countries; from the legal standpoint too they were in a better position to put their case. The selective increases in contributions and the monetary discipline implicit in the General Borrowing Agreements had given them a greater measure of control over institutions that were, at the outset, largely dominated by the "reserve currency" countries.

Without impairing their own individuality, the European currencies had in this way gradually reached a point where they were, to an increasing extent, planting their imprint on the evolution of the international monetary system and on the conduct of monetary co-operation between states.

Any conflict between European countries in their approach to the problem of reforming the international monetary system would, however, cancel out their increase in strength.

Mr. Giscard d'Estaing felt that the monetary ideas of the Six were undergoing a rapprochement. By acting in concert within the Community on monetary practice, the Six inevitably tended, externally, to take a similar line particularly on foreign investment and the make-up of monetary reserves. He did not think it unreasonable to suppose that the Common Market countries would, through the daily practice of co-operating and holding full and frank discussions, succeed in formulating a common reform programme for the international monetary system.

Mr. Schmücker felt that the current integration process made it essential to step up the efforts to achieve a common monetary policy. The process would, as the Federal Republic saw it, culminate in economic and political unification within the framework of a federal Europe and this necessarily implied monetary unification.

Economic integration was a process that could not be halted. It entailed putting the Treaties into effect and continuous adjustment by the Community in those spheres not touched upon in the Treaties. Mr. Schmücker felt that if monetary union were to be achieved the Member States would have to surrender substantial sovereign rights. In the Federal Republic the main aim pursued by the Government and the issuing bank was to maintain the purchasing power of the Mark. But at that stage the responsibility for monetary stability would at least in part fall to the Community institutions. This would be acceptable to the Federal Republic only if the conditions necessary to defend this stability also obtained in the Community. A Community financial policy was therefore needed to supplement the monetary and credit policies.

The Community had made appreciable progress towards approximating external monetary policies. The setting up of co-ordinating committees, particularly that of the governors of the Central Banks, was a step forward. But consultations on these committees and the mere exchange of opposing viewpoints had not established the bases for a monetary union. In November 1964, therefore, the

Federal Government had proposed "that objective rules be worked out to preclude monetary imbalances within the Community .... these regulations should be accepted by the issuing banks as the guide lines of monetary policy."

At a later stage in monetary integration they would become binding on the issuing banks. The reserves of the Member States could then be pooled and this would also exert a stabilizing influence on the international monetary system.

The forthcoming monetary unification measures should be envisaged and enforced fairly soon. It should of course be realized that any acceleration here could have repercussions elsewhere and that the monetary union, a dynamic factor in European policy, was in no way a mere corollary to the Common Market.(Special Supplement to the 27 May 1965 Edition of "La Vie Française")

## 2. The Eighth General Report on Euratom's activities discussed in Rome by Professor Carelli

At a press conference held in Rome at the Italian office of the Community on 21 June, Professor Carelli, Euratom Vice-President, discussed the Eighth General Report on the activities of Euratom.

Professor Carelli stressed that nuclear energy was coming into its own in the Community; it was an established fact; its development prospects indicated that the Six countries represented a potential market whose rate of expansion was likely to assume proportions equal to that of the United States and the United Kingdom. Referring more specifically to the development of its own market, Community industry had to endeavour to meet Community needs; the structure and momentum of the industry had to be such as to enable it to compete at the world level.

Generally speaking, the Euratom-Vice-President went on, the Community still lacked an industrial structure commensurate with the requirements of nuclear expansion; its industries were still not organized in terms of the bigger market which was coming into being. These industries were too encompassed in their national markets and were not in a position to profit from the advantages inherent in a large economic area.

Professor Carelli went on to point out that groups had, on occasion, been formed in the Community which had forged independent links with outside parties without any reference to joint negotiation. To avoid any repetition of this type of agreement, conditions had to be created which would check the trend towards dispersion and act as a brake on centrifugal forces, and which would be conducive to the concentration of nuclear industries on a European scale, both on the world markets and in Europe, where foreign competition was becoming keener.

With this in mind the Commission wanted, under Euratom's second five-year programme, to bring European industries closer together and entrust them with the joint execution of major projects. However, its capacity to take action was strictly limited with regard to the European industrial complex involved in the nuclear sector; its efforts would begin to tell and register their full effects only within the framework of larger scale measures devised in terms of a Community industrial policy.

With regard to the importance of nuclear energy in the industrial life of tomorrow, Professor Carelli gave it as his conservative estimate that as from 1980-1990 all new thermal power plants would be nuclear-powered, their output representing two-thirds of all electricity production and nearly a third of the total energy needs of the Community.

Now that nuclear energy had moved into its industrial phase, Professor Carelli concluded, the opportunity was there not only to promote the full development of this type of energy but also to get an accurate estimate of the prospects of various types of reactor and of the scale of investment needed in the various sectors to achieve well-defined objectives. (La Stampa, 22 June 1965)

## 3. A conference of European miners in Italy

On 19 and 20 June a conference of ECSC workers was held in Massa Marittima; 30 miners' delegations from France, Germany, Belgium, Luxembourg and Italy took part.

After a tribute to Mr. Paul Finet for his work within the Coal and Steel Community on behalf of all European workers, a report was submitted on institutional problems and the political aspects of European integration. The present conflicts as to the form and conditions of the European construction showed that the process of economic integration had made a deep impression on the lives of the European countries, paving the way for the political union of the six Member States. In the debate that followed, Dr. Burton, on behalf of the German trade union members, spoke of the need to extend the scope of the Community as much as possible, to improve its structure at the more strictly political level in order to bring into being a social and democratic Europe that would allow the workers to play a greater part in the direction of the common bodies.

Dr. Bradefor, for the French trade unionists, said he supported the creation of a Europe that was more federal than confederal and that was as democratic as possible.

At the close of the conference, Mr. Dino Del Bo, President of the ECSC High Authority, appealed to the Member States of the Community to support the European Miner's Code. Italy, he said, had been the first country to give its unqualified support to the Miner's Code - one of the main planks in the platform of European liberal trade unions representing 600,000 Community workers. "We want this Code, as conceived by Paul Finet who was the first President of the ECSC, to be adopted by all European Governments." Social and technical progress had neither substance nor permanency unless it were part and parcel of the Europe, to whose construction the ECSC had given its economic basis and which had been the springboard for the integration of the European peoples. Coal and steel had, in the past, always made for conflicts and splits between peoples. "Today we want the ECSC increasingly to become the symbol of peace and the sheet-anchor of security." (Il Popolo, 21 June 1965)

## 4. The Italian Minister for Agriculture on relations with the EEC

Mr. Ferrari-Aggradi, Minister for Agriculture, has reorganized the work of his departments dealing with EEC questions. This is intended to enable the various ministerial departments to play an increasingly active part in dealing with these problems and to ensure effective co-ordination in carrying out Community regulations and decisions affecting agriculture.

There is to be a Committee of Heads of Departments under the chairmanship of the Minister to co-ordinate departmental work on duties deriving from problems discussed at the Community level. The Department responsible for the economic control of agricultural production will continue to ensure proper co-ordination in appointing to the Italian delegation senior officials that are competent to deal with specific points of the agenda.

Permanent co-ordination between ministerial departments will be the responsibility of a secretariat attack to the department dealing with the economic control of agricultural production.

The Minister for Agriculture had arranged for Community regulations concerning agriculture to be released in full through normal information channels so as to enable interested parties to become acquainted with them in good time.

It is the first time that an Italian Minister has assumed such an unequivocal public duty. It is the first time that mention has been made in Italy of "divulging" Community information affecting not only farmers but the whole population and every branch of the country's economy. ("Europa Unita" Press Agency, 18 June 1965)

## 5. Italian agriculture and EEC policy

At the 22nd Land Reclamation Congress held in Bari, Mr. Mansholt, EEC Commission Vice President, spoke on Italian agriculture and its trade prospects in the Common Market and in the Mediterranean Basin.

Mr. Mansholt said that EEC policy aimed at restoring a balance in the economic and development levels attained by the member countries; Italian agricultural productivity per capita was too low as compared with that of the other EEC States. Italy's problem therefore was to increase productivity; it had however to pay even more attention to reducing the manpower engaged in agriculture so that the labour released could be absorbed in industry.

He then said what aims should be pursued to reorganize and adjust agriculture in Italy. Financial assistance was needed and this could come from the Community so that the farm population might enjoy the same living standard as city dwellers and industrial workers, especially as regards their leisure time and cultural life. The earnings of the farm population had also to be brought in line with those of industrial workers or possibly raised to an even higher level to offset the lack of social amenities peculiar to Italian agriculture. Essentially, Mr. Mansholt's concern was this: it was desirable to spend money on the structures and infrastructure of the developed regions but the money should be spent in such a way that its effects were not cancelled out by mass migration.

Mr. Mansholt saw the solution to this problem in setting up industrial plants in regions that were predominantly agricultural. These plants would absorb farm workers and at the same time integrate agriculture and agricultural produce.

Mr. Mansholt said it was essential to create adequate machinery for marketing farm produce, including roads and warehouses. Producer groups would be better able to solve the marketing problem through co-operative ventures. Considerable assistance for the developing regions could come from the fixing of prices for agricultural products including fruit and vegetables at the Community level.

Mr. Mansholt was aware of the real concern of Italian farmers, namely that Mediterranean States with competing economies might be brought within the Community orbit but felt that for every agricultural country an industrial state (such as the United Kingdom and the Scandinavian countries) that imported agricultural products, would follow suit. (24 Ore, 26 June 1965)

## 6. The railway executives of the Six on the common transport policy (1)

The railway executives of the six EEC States have outlined their views on current questions arising from the present discussions on the drawing up of the common transport policy.

As a matter of principle all transport undertakings should at the outset enjoy the same conditions; only in this way would there be competition in full measure in the transport sector. Starting from this principle the railway executives recognized that the aim of the various transport policy measures should be to arrive at a situation of economic equality in fact for all transport contractors without blindly passing identical measures for all.

This requirement invalidates the too prevalent trend to consider the various forms of transport separately and without regard for the need to achieve equal effects.

The common transport policy must be based on the realization that transport is no longer monopolized by any one form; on the contrary, it is characterized by competition between several techniques and between a great many different undertakings. Only if a system is established "ensuring that competition ... is not distorted" (in compliance with Article 3,f of the Treaty) can a healthy situation be created where the transport needs of the public at large are catered for at the lowest possible cost.

This aim of achieving an economic optimum and ensuring the financial stability of the railways presupposes the equalization of competitive conditions and payment of fair compensation for the duties that the railways were still required to discharge.

One of the major problems in harmonizing competitive conditions lies in the fact that users are charged for infrastructure costs. The recent Council of Ministers' Decision of

(1) "Elaboration of the EEC common transport policy, the standpoint of the railway authorities in the EEC Member States" Belgian State Railways, rue des deux Gares, Bruxelles, June 1965

9 March 1965 (1) made no further mention of this; the railway executives regarded this as a serious ommission; it could mean that a harmonization measure they regard as fundamental might, subsequently, have no normal legal foundation.

The railway executives therefore urge that the decisions called for in this context be delayed no longer. The best solution, viz. balancing the practical needs of transport policy off against a concern to come as close as possible to the economic optimum, would, in their view, consist in establishing a situation of budgetary balance with respect to the infrastructure of each form of transport, that is, a balance between the expenditure incurred in connexion with the transport function of the infrastructure and the charges levied on the users.

A knowledge of the expenditure actually incurred by the public authorities in the building, upkeep and management of the various transport infrastructures is a standing need.

The six railway executives found it regrettable that no move had yet been made in the Member States to establish national transport accounts on standard lines; this would have yielded fuller and more accurate information than the enquiry organized by the EEC Commission with 1966 in view. It was to be feared that essential data may be wanting and that the principle of equal treatment in the allocation of infrastructure charges will not be put into effect for some time to come.

As to taxation generally, the Six executives considered that the added value taxation system advocated by the EEC Commission would make it possible to achieve fiscal neutrality in turn highly conducive to equal terms of competition.

There would appear to be no difficulty in ensuring, in order to avoid impairing competition, that the principle of equal treatment is respected in transport. The only requirement would be a standard system and, in particular, a standard added value tax rate for each category of transport service of the same type (i.e. where one service can be substituted for another) and this would hold good whatever the legal system, size of transport undertaking or the technique employed.

Yet the very nature of social issues is a handicap to an early standardization of the working regulations and social legislation obtaining for the various forms of transport in the Member States. In working towards relative equality to achieve

(1) "Decision to harmonize certain provisions affecting competition in transport by road, rail and navigable waterways."

the social progress anticipated under Treaty Article 117, priority should be given to attenuating the more glaring disparities.

Although the Council decision on the approximation of competitive conditions reduced, where it did not abolish, the obligation to provide public services, the new concept of what duties public transport concerns should, in the public interest, be required to discharge has still not been translated into reality. The railway executives furthermore have no desire to shirk any obligation that still falls to them. But they have a perfect right to ask that such obligations be confined to the real needs of the Community and that the resulting costs to the transport undertaking should attract fair compensation, the logical rider to their financial independence.

Nothing has yet been done to give the railways the managerial autonomy essential to their operations acquiring the kind of business footing that is unanimously deemed desirable.

The approximation of terms of competition in the transport sector can only be achieved by gradual stages. Yet, financially speaking, the railways in some countries are in a serious plight; indeed it is tending to worsen. The present situation cannot be allowed to continue without an attempt being made at least to find a "stop-gap" solution; the EEC Council decided, in principle, to do this. It is a matter of normalizing railway accounts by paying out compensation in proportion to the prejudice incurred as a result of the burdens and inequalities imposed upon them. The gradual implementation of the various transport policy measures would, wholly or partly, render superfluous such compensatory grants.

An objective evaluation of the prejudice incurred and the compensation to be paid out by the State would help to bring home to the responsible authorities and the general public the anomaly of certain one-sided burdens and smooth the path for the political decisions needed to eliminate them.

The transport sector is inherently unstable; hence it is essential, in organizing the market, to introduce and apply correctives both in rate-setting and access to the market. Obligations as regards rates must at least have an economically equivalent effect on all forms of transport.

As to co-ordinating investment in transport, the railway executives trust that the criteria, used to determine the economic interest of an investment, will be worked out at an early date and that the necessary institutions will be set up without further delay.

A common transport policy must make sound economic sense and sweep the board of business heresies inherited from the past. This is essential if the economic optimum - the ultimate aim of the Community - is to be achieved. The railways are determined to exert every effort to achieve this end.

## 1. The EFTA Conference in Vienna

The Ministerial Conference of the European Free Trade Association held in Vienna (24 to 25 May 1965) centered on two issues: the relationship between EFTA and the EEC and the removal of the British import surcharge. Six Prime Ministers were present: Mr. Wilson (Great Britain), Mr. Krag (Denmark), Mr. Gerhardsen (Norway), Mr. Erlander (Sweden), Mr. Klaus (Austria) and Mr. Virolainen (Finland). Switzerland was represented by Mr. Schaffner and Mr. Wahlen of the Federal Council and Portugal by its Minister for Trade, Mr. Olivera.

The EFTA Conference began disappointingly when Mr. Wilson, the British Prime Minister, stated that he could give no definite date for removing the import surcharge, merely indicating that his Government would do this "as soon as possible". This vague statement by Mr. Wilson was severely criticized by the other EFTA partners. Mr. Bock, the Austrian Minister for Trade, pointed out that as a result of the British measure, Austrian exports to the United Kingdom had fallen by 14 per cent. Austria could therefore not be satisfied with the mere promise that the import surcharge would be removed "as soon as possible". Mr. Bock, Chairman of the EFTA Council of Ministers, spoke in connexion with the Vienna Conference of a "surprise package". He and some other politicians had attempted in their preliminary talks with Mr. Wilson to establish what the British actually thought; this however had proved fruitless.

On the relations between EFTA and the EEC, two working papers were submitted to the Conference which showed up the conflicts within EFTA: one paper from the Scandinavian countries advocating an enlargement of the Free Trade Area; and a British paper on a further approach by EFTA to the EEC with a view to creating a common European market.

The Conference was opened by Mr. Bock, Austrian Minister for Trade, after which Mr. Klaus, the Austrian Federal Chancellor, discussed the special position of his country as a neutral nation and its special economic insterests in terms of co-operation with Europe as a whole. Mr. Klaus said that after the breakdown in the United Kingdom's negotiations with the EEC, his country had been unable, for specific economic reasons, to share the view that other EFTA States too should abandon their efforts to achieve a rapprochement with the EEC.

The debate on integration held during the Conference was opened by Mr. Wilson who argued that the integration problem both within EFTA and outside should be discussed at the highest level. Mr. Wilson spoke of the urgency of this problem in view of the fact that in 18 months time both EFTA and the EEC would have abolished internal customs duties so that there would then be two powerful economic blocs in Europe. The attendant economic discrimination would prejudice trade and lead to dualism in investment. The British Prime Minister thought that there was no stemming the tide but that an attempt should at least be made to narrow the gulf between the two blocs. He thought it premature, however, to put forward concrete plans at this stage. It was his view that EFTA should set up a Committee at the highest level whose business in the months ahead would be to study ways and means suited to present circumstances for reducing the trade policy split in Europe. In this connexion, Mr. Wilson put forward a series of theoretical solutions ranging from the accession of EFTA countries to the EEC and of the EEC to EFTA to the reduction of specific European customs duties and to the contact committee and diplomatic exchanges. The Six and the Seven, he said, today lived in two citadels whose surrender neither party could require; a no man's land had therefore to be found on which the removal of the pressing difficulties facing each could be discussed.

In reply to the Scandinavian proposals for strengthening EFTA, Mr. Wilson said that EFTA could only enter into fresh multilateral negotiations with the Six if its own position were stronger. These proposals were to be examined and every possibility for strengthening EFTA should be studied.

The Scandinavian representatives laid emphasis on further integration within EFTA. The Scandinavian Memorandum contained a series of measures for strengthening the Free Trade Area. The most important points, predicating an amendment to the Stockholm Convention, were fiscal harmonization and a closer involvement of agriculture in the integration process. All the Scandinavian spokesmen supported the British proposals for further attempts in the direction of a larger European market. "In this connexion, stagnation did not mean standing still, it meant regression" said Mr. Krag, Danish Prime Minister. If Europe wanted to play any part on the world political stage, a single Europe had to be created.

In contrast to Mr. Wilson, the Scandinavian spokesmen laid greater stress on co-operation within EFTA, beginning with the removal of the British import surcharge. Mr. Krag advocated making the most of all the possibilities open under the Stockholm Convention. Mr. Gerhardsen, Norwegian Prime Minister urged the EFTA States to assume further obligations in compliance with the Convention itself. He was referring particularly to

agriculture and fisheries. If EFTA were strengthened from within it would also acquire a stronger negotiating position, commented Mr. Erlander, Swedish Prime Minister.

In the communiqué released by the Ministerial Conference, the Ministers expressed the view that the cleavage of Europe could only be held in check through new initiatives. The EFTA Council of Ministers was therefore "requested to make arrangements for conferences at ministerial level between EFTA and the EEC". It would have to examine by the autumn which points of substance could be discussed between the two Groups and along what lines. The final communiqué also stressed the overriding significance of the Kennedy Round. It was described as the most important opportunity for reducing obstacles to trade in Europe and the world at large and, in the opinion of the EFTA countries, it was best suited at present to reduce the damage of the split across Europe. (Frankfurter Allgemeine Zeitung, 25 May 1965; 26 May 1965; Neue Zürcher Zeitung, 25 May 1965; 26 May 1965)

## 2. Professor Müller-Armack's proposals for an agreement between the EEC and EFTA

Professor Müller-Armack, former Secretary of State for Economic Affairs and sometime Head of the German delegation to Brussels and Professor at Cologne University, has published proposals for an agreement between the EEC and EFTA, which he described as "a blueprint for negotiations between the EEC and EFTA".

He proposes that there should be multilateral negotiations between the EEC and EFTA with a view to an agreement of the free trade area type permitted under GATT regulations. He stressed that in recent years the EFTA countries had frequently stated their interest in forging closer links with the EEC - without so far meeting with any response from the EEC. The statement by the British Government in Vienna (at the EFTA Conference of 24 and 25 May 1965), advocating negotiations between the EEC and EFTA, marked the beginning of a new phase; it was not the fault of EFTA, he said, if previous proposals had miscarried; the fears of the EEC that the identity of the Common Market would be lost in some wide-ranging free trade area had become groundless.

He felt that the Federal Republic could play an important part in solving the EEC-EFTA problem. The integration of Europe depended on making "headway through keeping up constant pressure for closer European co-operation". "It was unreasonable to rely solely on the day to day work done by the European bureaucracy which had since made its appearance; however significant its work, its balance was in debit as far as European integration was concerned.

The blueprint spoke of the fruitless efforts of the Bonn Government in the direction of political union and of the complete disagreement among the EEC States on decisive points of foreign policy. No solution had yet been found for the three neutral countries in EFTA in the context of a political union; what was needed therefore was an economic arrangement. In the EEC today, on the other hand, the prevailing mood was one of almost complete apathy and scepticism on all the "all-European" issues. In view of the importance of co-operation between Europe and the United States and Canada on an Atlantic basis, a specific organization of the countries of western Europe was needed.

Professor Müller-Armack called upon the German Government to submit a practical plan in bilateral negotiations, under the Franco-German Treaty, to ascertain the French ideas on a form of European integration that would be acceptable to General de Gaulle. He regretted that this had not yet been done; separate negotiations between EFTA countries and the EEC were no solution; to dismiss multilateral negotiations between the EEC and EFTA he regarded as inconceivable.

His proposals were summed up in 9 points:

1. Willingness of the EEC to reach agreement at multilateral negotiations;

2. No repetition of the mistakes of the past where the approach to an "all-European" free trade area had been too exacting; the accession or separate association of EFTA States with full membership rights should also not be entertained;

3. Lowering of the sights to a minimum programme to preserve a small measure of co-operation within Europe;

4. Abolition of customs discrimination within Europe;

5. An agreement between the EEC and EFTA to reduce customs duties;

6. An agreement of the free trade area type permitted under GATT regulations between EFTA and the EEC;

7. Instead of one bloc being admitted as a member of the other, one should choose "simple co-existence" between EFTA and the EEC;

8. Exclusion of agriculture to begin with;

9. To prevent traffic detours along more convenient import routes in regard to customs duties, there should be a phased adjustment of the individual EFTA country tariffs to bring them into line with the common tariff of the EEC; to some extent, countervailing charges might have to be levied.

He recommended that this economically closely-knit Europe should engage in close co-operation with the United States on economic and trade policy to achieve a measure of competitive co-ordination and restore the equilibrium to the balances of payments on both sides of the Atlantic. An approximation of trade policies vis-à-vis the East, closer co-operation on short-term economic an monetary policies, on research and on energy policy problems were also advocated. (Die Welt, 14 June 1965; Neue Zürcher Zeitung, 16 June 1965)

# Part II

# THE PARLIAMENTS

## SESSION OF 14 AND 18 JUNE IN STRASBOURG

### 1. Annual report on the activities of the ECSC

As in previous years the European Parliament decided to draw up a single report on the 13th General Report of the High Authority on the activities of the ECSC; the report was to be based on the Opinions of the committees concerned. It appointed Mr. Thorn Rapporteur-General (1).

Since the Executives are to merge next year and since the High Authority will cease to exist as a separate entity on becoming part of a single Commission, the Rapporteur felt it pertinent to follow the review of the events of the past year with a summary of the progress made by the Community.

The European Coal and Steel Community was wrought out of an entirely new institutional design. Through the ECSC quite new institutions, endowed with limited but real responsibilities, had come into being. These had been described as supranational because the support of the States for the Community implied the relinquishing of some of their sovereign rights in specific spheres. The authors of the ECSC Treaty regarded supranationality as one of the essential requirements for success in uniting Europe. It was indeed in those spheres where the Treaty assigned real responsibility to the Community institutions and where it imposed definite obligations on the Member States that the Community had scored successes. It was a fact that the balance sheet after 13 years did not reveal the same amount of progress in every field. The High Authority had succeeded in abolishing discriminations in regard to the country of origin or destination of goods and in establishing direct through-rates for rail transport. But no progress had been made on rate publication. As regards external relations, the extremely limited powers of the High Authority under the Treaty had been at the root of many difficulties. But even so, it had succeeded in introducing standard customs measures to protect the coal and steel industry. The efforts made to eliminate obstacles to trade between Member States had failed to remove fiscal frontiers. On the other hand, the Treaty provisions on the resettlement and retraining of workers, industrial development, invest-

(1) Doc. no. 58, 1965/66

ment guidance and assistance had enabled the High Authority to pursue a particularly effective industrial policy. The Rapporteur emphasized how flexible this policy had been and he attributed this to the independent revenues accruing to the ECSC.

Such real progress in the economic integration of the six countries was also due to the institutional provisions of the Treaty. These induced the partners to exchange ideas, make concessions and take joint decisions. They had been supported by the general public which had learned about these political problems through debates held by the Common Assembly and later by the European Parliament.

This integration record had on the whole been one of success; hence the Rapporteur rued certain clauses in the Treaty signed on 8 April 1965 instituting a single Commission. Would it not have been better to endow the Parliament with wider budgetary powers to compensate for the loss to the Committee of the Four Presidents of the right of decision. The Treaty establishing a single Commission did not, he felt, adequately preserve the balance that the Parliament and the general public had constantly called for. The right of the High Authority to co-opt one member had also been scored out. Such negative features in the Treaty however did not cause the Rapporteur to lose sight of the fact that streamlining the institutional system of the Communities would conduce to a heightened awareness of European policy. He felt however that the single Commission would have to reconcile the following two imperatives:

a) it would have to make the fullest use of the powers and means conferred upon it under each of the three Treaties;

b) it would have where this was feasible given the divergent provisions of the Treaties to implement the most balanced overall design.

In fact merging the Executives was simply a first step towards merging the Communities, a much larger-scale undertaking which could not be reduced to collating the three existing treaties; on the contrary, it should prompt the single Commission to use its right of initiative with regard to revising the treaties in order to re-draft the constitution of the European Community. The rapporteur felt that the new treaty should take into account the lessons of the past. Hence:

i) the constant development of the Community made an outline treaty the only solution; it would be more flexible than a treaty of rules and enable the European institutions to intervene where the treaty was silent;

ii) the institutional structure should keep a special place for European popular representation;

iii) none of the powers at present vested in any one of the Communities should be transferred back to the States when the Communities were merged.

The debates on the activities of the ECSC were held in plenary session on 14 June 1965.

Mr. Scarlato, President-in-Office of the Special Council of Ministers, stated with reference to the common energy policy that it would not be possible to opt for one or other of the basic alternatives until the Communities had been merged; in the meantime national policies should be approximated to provide the basis for the future common energy market. The Governments of the Member States had started on this course by signing the protocol for an agreement of 21 April 1964. By this token they had recognized the need to subsidize the collieries; they had laid down the broad outlines of a special policy for petroleum products, recast the nuclear policy and increased the Community funds available for these purposes.

Mr. Dichgans (Germany) then spoke for the Christian Democrat Group. He described the difficulties against which iron mine concerns were struggling. He thought it wrong to keep firms in business where their production costs prevented the iron and steel industry from meeting international competition. The same applied to the collieries. This was why it was essential to have a common energy policy as soon as possible. Framing such a policy could not be considered contingent upon the still far-off day when the Treaties were merged. Speaking of the general objectives, he said that it should be up to firms themselves to find which steel-making process cost least. It was absurd to suggest that the new oxygen process had to be introduced whatever the cost, especially as this process would increase the cost per unit. In the same way the High Authority ought not automatically to intervene every time a pit closed down. The re-employment of workers was often more satisfactorily effected under an overall full employment policy. It was only possible to justify High Authority intervention on regional terms and then only in particularly hard cases.

Mr. Dehousse, Belgium, set out the views of the Socialist Group, namely that in the present iron mine crisis the Parliament could not be content simply to take note of the facts; it had to urge the High Authority to take all the necessary industrial and social measures. For this reason Mr. Dehousse tabled an amendment to the draft resolution. He could not share the view expressed by Mr. Dichgans on the resettlement of workers. He thought that workers should be given more information about the opportunities open to them under re-adaptation schemes. He found deplorable that the Governments had still not recognized

the Miner's Code and that the iron mines were not within the terms of reference of the Standing Committee on Safety in the Mines. Going on to discuss the problems arising from the merger of the Executives, he firmly trusted that the principle of consulting the Parliament on the rate of the levy would be retained by the single Commission. With reference to the merger of the Treaties, Mr. Dehousse hoped that the ultimate text would incorporate the following ECSC Treaty principles:

a) the power of the High Authority to take decisions directly enforceable in the Member States;

b) the introduction of an industrial policy based on general objectives that were similar to those of the High Authority;

c) rules of competition that would lead to an industrial structure free from monopolies.

He noted with satisfaction that the High Authority had announced that it would submit a report setting out in detail its standpoint on the problem of merging the Treaties. He trusted that this would be submitted to the Parliament in the coming months so that a wide-ranging debate might be held on this issue.

Mr. Pedini (Italy, Christian Democrat) stressed that the ECSC Treaty provided a model of institutions and responsibilities not only politically but also at the strictly economic structural level; it would be valuable to take these into account when it came to organizing the common industrial policy especially in those branches where firms had to adopt oligopolistic principles viz. the coal, oil, steel and cement industries. He also drew the attention of the Parliament to the need for the Community to be more active in scientific research. Yet a distinction, he felt, had to be made between applied research which should remain the responsibility of industry, possibly with Government support, and basic research which could only be supported by the European Government and collaboration between national ones. The latter had to forge close links between what was being done by the European institutions and the work of universities and scientific research centres.

Mr. De Block (Belgium, Socialist) argued the case for the coal industry. He felt that giving it financial assistance was but a palliative. The steady decline of coal called for stronger medicine:

a) the energy market had to be organized in terms of a rational plan approved by the six Governments;

b) this plan had to be put into effect by a co-ordination body empowered to see the plan through.

Social policy attracted the special attention of Mr. Santero (Italy, Christian Democrat) who congratulated the High Authority on setting up an industrial safety committee for the steel industry (under Treaty Article 55) and thus removing an anomaly prejudicial to steel workers. He thanked the High Authority for its continuous activity on behalf of the workers and especially for its recent note on the resettlement and retraining of handicapped workers, describing what the High Authority had done. He supported Mr. Dehousse in calling for the scope of the Standing Committee to include the iron mines too.

Mr. Bousch (France, European Democratic Union) felt that the Rapporteur had skimmed over the shortcomings of the High Authority in running the common market; he had merely highlighted the successes in resettlement and retraining and industrial redevelopment. But transport had been the most disappointing feature of the High Authority action record. Despite Recommendation No. 1, 1961, on the publication of transport terms and conditions, the High Authority was now ready to recognize special contracts of the type not published in advance. It had even thought of authorizing private contracts for the transport of coal and steel by rail in the Netherlands subject only to the High Authority being informed subsequently. The speaker suggested that the Treaty had not provided the High Authority with the necessary means to build the common market and especially not in the matter of marketing and common trade policy. Even where the High Authority was endowed with real power, on agreements for example, it was apparent that its policy, far from integrating the markets, had only partitioned them off and severed the common interests of neighbouring countries. Its greatest difficulty was that it was powerless to find a Community solution to the energy problem.

Mr. Del Bo, President of the High Authority, thought that the common energy policy was already well under way since the Council of Ministers had endorsed a proposal that the Treaty governing the single Community should incorporate the definition of a common energy market. In reply to those speakers who made reference to the ECSC social and industrial policies, he felt that to ensure full employment, competition was not the only requisite factor; resettlement, retraining and redevelopment were also required in pursuing the desired economic ends. He urged the Members of the Parliament to continue to bring pressure on their national Parliaments and Governments to win acceptance for their views on the Miner's Code and on widening the scope of the Standing Committee.

Mr. Coppé, Vice-President of the High Authority, explained its standpoint on transport rate publication. The High Authority had brought in a posteriori publication and this gave transport contractors the opportunity of learning quickly what rates their competitors were quoting. Mr. Coppé stressed that this was provisional and experimental.

Following the debate, the Parliament passed the draft resolution submitted by the Rapporteur and the amendment tabled by Mr. Dehousse.

This resolution broadly endorsed the political initiative shown by the High Authority in the period covered by the 13th General Report. It welcomed the political report of the High Authority and the determination it evinced to continue its activity in its own spheres through the single Commission, while at the same time endeavouring to work out a balanced approach to applying the three Treaties. The High Authority was asked, when the Treaties were merged, to make the most of its experience during the relevent negotiations.

The Parliament asked the High Authority to collaborate closely with the Executives of the other Communities in pursuing its efforts to finalize a common energy policy under the protocol for an agreement of 21 April 1964 and on the basis of Government undertakings given therein. It expressed the conviction that only a common energy policy, which set out clearly where coal stood on the energy market, could resolve the structural problems of the collieries. It therefore expressed the hope that the High Authority's general objectives for coal, expected in 1965, would incorporate tangible political goals and measure up to the powers at its command.

The Parliament stressed that since the steel industry was in trouble again the High Authority should use every means at its disposal. It was concerned about the steady drop in the proportion of Community ore used by the iron and steel industry and asked the High Authority to take all the necessary measures in conjunction with the social partners to give a competitive edge to Community iron.

On competition policy, the Parliament reaffirmed that it wished to be informed of the controls enforced in the ATIC and the Ruhr coal selling agencies without prejudice to trade secrets. It also expected the High Authority to give details of how the main principles it professed were being put into practice.

It regretted that no headway at all had been made on approximating transport rates and that despite Recommendation No. 1, 1961, the major problem of the publication of transport terms and conditions remained unsolved.

The Parliament recalled that the 1964 protocol for an agreement provided that a common trade policy should be carried out in respect of all forms of energy. It trusted that the GATT negotiations would see a final common external tariff rate for steel and standard protection measures for the main steel producing States.

On technical research, the Parliament trusted the iron mines too would have their technical research committee. The action taken by the High Authority on investment and research was a key feature in the Community industrial policy; it must be pursued and expanded in conjunction with the merger of the Executives and the Treaties.

The Parliament was also appreciative of the High Authority's policy on health protection and social affairs. It awaited with interest the initiative referred to in the High Authority's political report, namely the introduction of a more systematic redevelopment and regional policy. It urged the High Authority to co-operate closely with the EEC Commission in drafting its report on the real growth of incomes. The Parliament finally noted with satisfaction that the terms of reference of the Standing Committee on Safety in the Mines now included industrial health and hoped that they would include the iron mines. It trusted that additional means would be made available to the Standing Committee so that it could discharge its important duties, particularly as regards releasing information about its activity.

## 2. Budgetary questions of the European Coal and Steel Community

On 9 July 1965, in accordance with its usual practice, the High Authority submitted to the European Parliament the following documents in appendix to its 13th General Report:

a) the administration expenditure of the ECSC during the financial year 1963-64;

b) the Auditor's report;

c) the draft estimates of the administrative expenditure of the Community for the financial year 1965-66.

The Budget and Administration Committee, to whom these documents were referred, appointed Mr. Baas rapporteur. In his report (1) Mr. Baas noted the administrative expenditure incurred in the financial year 1963-64. He also noted with satisfaction that, on the whole, the Auditor's report contained no serious criticism of the financial management which could therefore be regarded as sound. He called upon the Parliament to approve the draft estimates of the ECSC administrative expenditure for the period 1 July 1965 to 30 June 1966, standing at 20,240 million units of account.

The Rapporteur said, with reference to the general ECSC budget, that as from 1 January 1966 the budget and financial responsibility of the High Authority would perhaps be transferred to the single Executive and it had to be pointed out that:

a) the single Executive would exercise in full the powers entrusted to it under the ECSC Treaty and which had enabled the High Authority to discharge important duties in the spheres of research and the building of workers' houses;

b) the rate of the levy would in future not be set by the single Executive until it had received the Opinion of the Parliament, in compliance with the practice formally established by the High Authority;

c) the financial position of the ECSC had to be sound at the time when it was taken over by the single Executive. While in recent years a deficit was called for to absorb excess reserves, it now appeared necessary, for 1965-66, to raise the rate of the levy from 0.20 per cent to 0.25 per cent. This increase was the more necessary as the coal crisis would entail the conversion of more undertakings to other activities and an increased drive to resettle and retrain the manpower employed in the collieries;

d) raising the levy rate would however still not suffice to cover expenditure in 1965-66. The deficit would be approximately 14 million units of account, only half of which would be covered by the unappropriated balance and by drawing on the receipts of future years. This would appear reasonable if it were remembered that all the commitments of the High Authority were included in the budget even though the relevant expenditure might be spread over several financial years. On this subject, the Rapporteur

(1) Document 65/1965-66

suggested that in future the single Executive should make a distinction between appropriations for current payments and appropriations for future expenditure.

The Report by Mr. Baas was examined at the plenary session on 15 June 1965 and Mr. Kreyssig (Germany, Socialist) signified the agreement of his Group for the report. Speaking for himself, he said that he would have preferred the rate of the levy to be 30 per cent so that the High Authority would not have to use up its financial reserves. Following the debate, the Parliament passed the draft resolution submitted by the Committee. In this resolution the Parliament approved the draft estimates of administrative expenditure for the ECSC and the budgetary policy pursued by the High Authority, subject to the observations made by the Rapporteur.

## 3. Draft estimates of the income and expenditure of the European Parliament

On 10 March 1965, the Bureau referred to the Budget and Administration Committee its preliminary draft estimates of Parliament's expenditure for 1966. It appointed Mr. Weinkamm Rapporteur (1). He called for the draft estimates, standing at 6,647,670 units of account, to be approved. During the debate in plenary session the Rapporteur stated that it would probably be necessary to submit supplementary draft estimates at the time of the merger of the Executives, scheduled to take place in 1966, since the new expenditure that might stem from the merger could not be estimated accurately at the present moment. Mr. Kreyssig (Germany, Socialist) signified that his Group approved the preliminary draft estimates.

Following these speeches, the Parliament passed the draft resolution tabled by its Committee, approving the preliminary draft estimates of Parliament's expenditure for 1966.

## 4. Management accounts of the European Economic Community and the European Atomic Energy Community

The EEC and Euratom Commissions sent their management accounts to the European Parliament on 9 February 1965; they also submitted their financial accounts for 1963 and the report of the Control Committee on the accounts for that period.

(1) Document 67, 1965-66

The Budget and Administration Committee, to whom these documents were referred, appointed Mr. G. Kreyssig Rapporteur.

In his report, Mr. Kreyssig made several observations on the Control Committee's report. He noted that this report had been submitted to the European Parliament slightly behind schedule owing to the difficulties of getting it published in the four official languages of the Community. He also felt that the report would be better for being briefer.

Mr. Kreyssig further pointed out that the Control Committee had found itself obliged to repeat certain comments made in its previous report, particularly about the effectiveness and the regularity of the technical controls made by servants of the Committee on the use of considerable funds expended by the Development Fund.

During the debate on 15 June 1965, Mr. Kreyssig drew attention to difficulties arising in the accounts of the joint Press and Information Services concerning the creation of its own library, and in the forwarding of substantiating documents. Mr. Margulies, a member of the Euratom Commission, replied that this involved additions to the Euratom Library for the special benefit of the Press and Information Services. He pointed out that the difficulties in forwarding documents from the Joint Office was no longer the subject of criticism by the Control Committee. The Commission representative stated that to avoid any delay in forwarding accounts to the Parliament, the suggestion had been made that the final date should be brought forward from 15 September to 15 December. Finally, he mentioned difficulties experienced in auditing expenditure incurred in Africa.

Following the debate, the Parliament passed a resolution adopting its own accounts for 1963 and giving a discharge to the President and the Secretary-General. It passed a second resolution calling on the EEC and Euratom institutions carefully to study the criticisms made by the Control Committee and to inform the responsible Parliamentary Committee of its conclusions and the action envisaged. Lastly it gave a discharge to the EEC and Euratom Commissions in respect of the budgets for 1963.

## 5. Eighth General Report on Euratom's activities

At its June session, the Parliament heard the introductory report given by Mr. Chatenet, Euratom President, on the Eighth General Report on the activities of the European Atomic Energy Community.

Mr. Chatenet began by saying that this was the last activity report of its kind; he emphasized its significance and said this was why the report was no mere summary of work done but also dealt with nuclear issues in the wider context of future prospects. In submitting his report, Mr. Chatenet briefly summed up the seven years of Euratom's career. He spoke of the men whose efforts, at the Common Research Centre, had helped to build up the basic nuclear services; he stressed the line taken in pursuing the nuclear purpose scientifically, industrially, economically and in terms of regulations: the whole experience gained in the seven years should be valuable to the Commission's successors; this would be embodied in an economic dossier which would be handed to the single Commission.

After the summer recess, when the Parliament came to discuss the report, the Commission would be giving its views on the future of nuclear co-operation in the Community.

## 6. Euratom's supplementary research and investment budget

In December 1964, the Council adopted a budget in which it provisionally limited its credit appropriations to the amount needed to ensure the continuity of work in progress, pending an agreement on how the second five year teaching and research programme should be made up. Agreement was reached on 13 May 1965 and the Council then passed a draft supplementary budget, on the basis of provisional estimates submitted by the Commission, at its session on 14 and 15 June.

Mr. Leemans, appointed rapporteur by the Budget and Administration Committee, concluded his report by asking that the draft budget be approved (1).

He had, of course, certain reservations to make and the first concerned a point of form. The speed with which the Parliament found itself obliged to return its Opinion on the draft budget precluded any thorough analysis of the issues arising from the second programme, especially since the draft budget gave no indication, in its explanatory statement, about the revised policy of Euratom in these spheres. The Rapporteur also had reservations on points of substance. In deciding to plan the five year programme, the Council had not taken into

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account how costs had risen since 1962; nor had it taken into account that it had been possible to concentrate the funds available on a few work headings in the programme only by reducing the funds available for eleven out of eighteen of the other work headings. As to staff expenditure, the Rapporteur was surprised that the funds earmarked by the Commission in its preliminary draft - and which followed on the amendments to the salary scale decided upon in January 1965 - had been omitted from the draft established by the Council. The Council preferred the Commission, where possible, to resort to credit transfers and submit a supplementary budget at the end of the year only if these fell short of requirements.

Despite these reservations he found the draft budget constructive, since through its emphasis on intermediate reactors, fast reactors and thermonuclear fusion, it ushered in a policy of expansion for the nuclear industry. The second programme and the draft supplementary budget that stemmed from it, had this in their favour too that they dissipated the uncertainty surrounding Euratom's future.

Hence the Rapporteur felt that the supplementary budget should be passed without delay. He left open the possibility of the Parliament's returning to the policy line of the recast second programme when it examined the Eighth General Report on the activities of Euratom. This view was shared by the Committee for Research and Cultural Affairs.

The Parliament examined the draft supplementary budget at its session on 15 June 1965. Mr. Pedini (Italy, Christian Democrat) signified the approval of his group for the draft budget, although he did indicate his concern about the new policy line implicit in the second research and teaching programme. He felt that there was too great an emphasis on the reactors of the future to the detriment of reactors now potentially operational.

The Parliament endorsed the Rapporteur's conclusions and adopted the draft resolution tabled by its Committee, thus finally passing the budget.

## 7. Amendments to the Euratom Treaty

The Euratom Treaty lays down that unless the Council decides otherwise, chapter VI of Title II may be modified after a period of seven years has elapsed from the Treaty's coming in force, that is 1965.

The twenty-five articles in this chapter deal with the supply of ores, source material and special fissile material. The Euratom Commission, finding these provisions no longer consistent with present-day needs, placed a re-draft text of Chapter VI before the Council. The Council referred this to the Parliament for its opinion on 3 February 1965. Mr. Leemans submitted a report for the Internal Market Committee (1) dealing in turn with:

a) the fissile material needs of the Community and the supplies available;

b) the present provisions of Chapter VI of the Treaty and the amendments proposed by the Euratom Commission;

c) the principles advocated by the Internal Market Committee.

The Rapporteur began by noting the extremely fast rate at which new nuclear capacities had been installed; this, in turn, called for a commensurate expansion in terms of supplies. The proportion of electricity generated from nuclear sources, now standing at 1.5 per cent, was expected to reach 22.9 per cent in 1980 and 53.6 per cent in the year 2000. Given such large-scale needs, the Europe of the Six, with its relatively low reserves of natural uranium, depended on the United States Government for enriched uranium and on the United States and the United Kingdom for plutonium.

The present treaty provisions were based on the principle of a market in which supplies fell short of demand. Hence the Supply Agency had been endowed with wide-ranging powers, including the right of option on fissile materials produced by the Member States and the sole right to conclude contracts in regard to ores and special fissile material. The treaty also established the principle of equal access to resources. The Commission thought it was now necessary to amend these principles in view of changed conditions in the nuclear energy sector, that is because nuclear energy had gone from the research to the industrially operational phase.

The Euratom Commission therefore proposed, under the new provisions to substitute, for the principle of equal access, that of non-discrimination. The Agency would no longer be obliged to apportion supplies of ores and fissile materials on a pro rata basis, without regard for the want of foresight on the part of some or for the forecasts of others. In principle

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this ended the trading monopoly of the Agency which, except during times of shortages, would no longer have the sole right of option or the sole right to conclude contracts.

On the whole, the Internal Market Committee approved the Euratom Commission proposal. It did feel however that the competition rules which were, under the new provisions, to be worked out by Euratom, should be in line with those of the EEC and hence provision should be made for the Parliament to have its say in the drafting of these rules. It had some observations also about the institutional aspect. As regards the decision-taking power of the Council, unanimity should be required only if it involved a decision on a modification of treaty principles. The Parliament should be brought in each time the supply policy called for a political confrontation at the highest level. It felt that the impending Council decision to amend the treaty should, failing any parliamentary ratification, take into account the principles and policy views expressed by the European Parliament.

The Rapporteur then concluded by summing up what had transpired on the Committee. The amendments moved hinged mainly on the re-drafted article 59. The Committee felt it should be made clear in this article that:

a) the general objectives should be sent to the Parliament as well as to the Council;

b) the Council should, acting on a Commission proposal and by a qualified majority, lay down common programmes for prospecting, common supply operations, price regulations and aids;

c) all other relevant provisions should be passed by the Council acting on Commission proposals, after consulting the European Parliament.

Another amendment accepted related to the re-drafted article 62 on stockpiling. The Internal Market Committee proposed that the machinery for financing such stockpiling operations should be approved according to the procedure for budgets. The Committee also felt that article 63 should be amplified to clarify the implications of the sole right to conclude contracts.

The Energy Committee, consulted for its opinion, felt that an amendment to Chapter VI was not quite as essential as the Commission considered it to be:

a) "dependence" on the United States ensured that the latter had a valuable market;

b) the non-discrimination principle implied a definition of objective criteria, to which the Commission made no reference. It appeared less precise than the principle of equal access;

c) the right of option was at present limited since it only concerned material available in the Member States and it was hard to see why the Commission should wish to forego a right entrusted to it under the Treaty;

d) the Commission invoked no argument concerning energy policy.

During the debate held on 15 June, the following took the floor: Mr. Schuijt, for the Christian Democrat Group; Mr. Fanton, for the European Democratic Union; Mr. Battistini, Mr. Ferretti, Mr. E. Martino, Mr. Sassen, a member of the Euratom Commission, Mr. Toubeau and Mr. Carboni.

The Christian Democrat Group supported the Commission proposal. It felt that far from parting with its policy instruments, the Commission intended to use them in a manner suited to changed circumstances.

The European Democratic Union felt that any modification of the sole right to conclude contracts of the Supply Agency could lead to arbitrary practices, whereas this right could have been embodied in the common supply policy. It further deplored that in the amendments proposed by the Commission there was no parallelism between the need for the Parliament to be consulted and the unanimity rule for the Council on questions of principle.

Mr. Battistini (Italy, Christian Democrat) could not see why the Commission wanted to transfer the Agency's right of option to the Council of Ministers. He also felt that equal access to resources was a much more definite principle than that of non-discrimination. Mr. Ferretti (Italy, Liberal) put the case for free trade. Although ores and fissile materials were plentiful at present, there was no reason why the Agency should continue to have sole right of option in this connexion. Mr. E. Martino (Italy, Christian Democrat) felt that the principle of equal access had caused a certain amount of injustice but that it was the foundation of Euratom, conceived as an atomic pool. Subject to this reservation, he intended to vote in favour of the Commission proposal. Mr. Toubeau (Belgium, Socialist) also felt that it was unreasonable, on the eve of the merger of the executives, to curtail the powers of the Supply Agency and, hence, increase those of the Council. Responsibility for this transfer of powers should be entrusted to the single Executive.

Mr. Sassen replied, as follows, to the points made:

a) The Agency could not act arbitrarily because its sole function was to carry out decisions taken under the common supply policy.

b) The principle of equal access had to be replaced by that of non-discrimination because the Commission felt that present circumstances allowed greater freedom for enterprises in concluding of supply contracts. The principle of non-discrimination had already been endorsed both by the treaty and by legal practice. It could not be described as "imprecise".

c) The Opinion of the Parliament could also be provided for in the definition of general regulations on which the Council would have to pronounce by a qualified majority.

d) While ores and source materials were at present in plentiful supply, there were however signs that supplies would become short in the years ahead. Users in the Community would then be in a stronger position to negotiate supply contracts if they are represented by the Agency.

e) The right of option was no longer the corollary to the sole right to conclude contracts. Under the new proposal, it became a way of preventing speculative stockpiling at times of incipient shortage.

After the general discussion, the Parliament rejected the three amendments moved by Mr. Fanton requiring the Council to take certain decisions unanimously rather than by a qualified majority and to regard the sole right of the Agency to conclude contracts as an exceptional right that was the subject of a decision by the Council. It also rejected the five amendments submitted by Mr. Ferretti to liberalize supply contracts, especially those involving ores and source materials and to embody in the new text the possibility of a simplified revision after a period of seven years from the coming into force of the new provisions.

When the vote was taken on the resolution as a whole, Mr. Carboni (Italy, Christian Democrat) stated he would abstain since the reasons advanced for amending the treaty did not seem convincing to him, especially in respect of the introduction of the non-discrimination principle.

At the close of the debate, the Parliament adopted the draft resolution submitted by the committee. This signified its endorsement of the Euratom Commission proposal, subject to the reservations mentioned above.

## 8. Competition in the European Economic Community

At the session on Wednesday 16 June 1965, Mr. von der Groeben, a member of the EEC Commission, addressed the European Parliament on "Competition policy as part of economic policy in the Common Market".

"The prime purpose of the EEC, the member of the EEC Commission stated, is to establish the economic order most conducive to prosperity and economic freedom and, hence, one that also serves the interests of the consumer. Such an economic order does not come about of itself but only through a revision of the law of competition, characterized as it is by a multitude of rules and practices. The Commission has always pursued a constructive and wide-ranging competitive policy. Its principles are as follows:

- domestic markets to be open;
- all internal frontiers and all frontier controls to be abolished;
- competitive anomalies to be eliminated;
- a workable competitive system to be set up within the Community;
- Community enterprises to be more competitive; and, hence, an international competitive system, as free of anomalies as possible, to be promoted."

Mr. von der Groeben summed up the action taken by the Commission to eliminate anomalies acting as a brake on the phased opening up of domestic markets.

One of the main things the Commission had concentrated on had been the variations in the tax burdens borne by business concerns in the Member States, with the introduction of a standard added-value taxation system, the elimination of fiscal frontiers and a levelling down of disparities due to the direct taxation systems.

The Commission had dealt with State aid; it had drawn up a list of State-aids and authorized those of regional or structural interest.

Thirdly, it had attacked legal frontiers standing in the way of: the creation of European domestic markets, industrial concentrations, mass production in compliance with uniform standards, the exploitation and protection of inventions and the establishment of effective sales organizations beyond national frontiers. This was why the Commission intended to submit to the Parliament and to the Council a comprehensive programme for the approximation of laws.

Lastly Mr. von der Groeben discussed the controversial issue of the position of public undertakings in the Common Market. Under the Treaty they came under the same dispensation as private undertakings. The Articles of the Treaty, however, referred this matter to the Member States. The Commission would therefore endeavour to co-operate closely with them. It hoped that they would be convinced that open markets made recourse to the instrument of public undertakings increasingly difficult whereas the ends in view could be attained in different ways.

The Commission felt that the elimination of all these obstacles made for practical competitive conditions. Hence it intervened to stimulate the competitive process and tried to ensure that business concerns did not erect fresh barriers to technical and economic progress in the form of cartels or monopolies.

The creation of a workable competitive system had to be supplemented by measures to help enterprises to adjust to industrial progress. "In many cases," said Mr. von der Groeben, "the present economic structures of Europe still do not measure up to the two shifts in the economic focus - the creation of a single European market and the development of a world-scale market." He felt that only the combination of enterprises could provide a broadened financial basis and opportunities for scientific and technical research. In this connexion, the Commission had three main aims:

- the elimination of artificial obstacles to concentrations deemed economically desirable;
- the elimination of artificial competitive anomalies as between large enterprises and medium and small-sized ones;
- ensuring that competition met its object.

This is why the Commission envisaged: framing articles for a European limited company, to be registered either under national or European law. It is worth remembering that both the Commission and the Member States have done important work on company law on the reciprocal recognition of companies, on company mergers, on the transfer of registered offices, on the co-ordination of guarantees required of companies, the enforcement of court orders and the law of bankruptcy.

Secondly, the Commission was dealing with fiscal obstacles to company mergers. Thirdly, it was dealing with European patent law.

Such a programme, of benefit to the combination of business concerns, would not prejudice the position of the smaller or medium-sized concerns. The Commission felt it was even desirable through different measures to improve the position of the latter since they catered for a vast range of needs in present times. It also felt that any action to promote concentrations must not artificially lead to the creation of positions of financial predominance especially where the firms concerned are large-scale foreign concerns.

Under the Treaty, the Commission had to keep competition alive. Its policy of promoting concentrations was consequently subject to limitations: in fact no restriction could be waived if an enterprise were thereby enabled to eliminate competition in respect of a substantial part of the market in the products concerned. Competition presupposed: open access to the market; supply and demand changes being reflected in the prices; no artificial restriction on production or sales; complete freedom of action for supplier, buyer and consumer.

The Commission felt that, despite the controversy surrounding this point, only Article 86 of the EEC Treaty, concerning the improper exploitation of a dominant position, applied to concentrations; Article 85 was only applicable to agreements i.e. where the share-holding relationship between undertakings was not irrevocable. Consequently, it would examine each case in the light of the market situation to ascertain whether, in the sense of Article 86, the undertaking was making "improper" use of a dominant position.

Mr. von der Groeben concluded by recognizing that competition policy could not solve every problem. "Where it is impossible to make competition the guiding factor, the instruments of competition policy have to be supplemented by the medium-term economic policy framed by the Commission. But," he added, "the interventions deemed necessary must be co-ordinated and adjusted in such a way that they do not impair the normal operations of the market except when this is absolutely unavoidable." He trusted that the Member States would, in compliance with the federative process implicit in European integration, endeavour to approximate divergent ideas on the relationship between the competition and economic policies of the Member States.

## 9. Competition in the European Coal and Steel Community

Mr. Linthorst Homan, a member of the High Authority, gave a report at the session of 16 June 1965 on "The importance of competition rules to the economic policy of the ECSC." He described the conditions under which the ECSC was established. The authors of the Treaty had rejected the idea of unrestricted competition and endeavoured to make it a constructive factor, operating as a stimulus to modernization and an ever increasing specialization, in the greater interest of producer, worker, trader and consumer. As can be seen from a number of plainly-worded provisions in the Treaty, they looked upon the Common Market as an indivisible whole. Since, however, it was restricted to two branches of the economy, the integration factor, which had made it possible to create a single market, was unable, in contrast to what was possible in the EEC, to bring social and economic policy within its scope. To integrate Europe in fact, the three Treaties had therefore to be merged; an entirely new treaty might even have to be devised, notwithstanding the need for a fairly distinct differentiation as between different branches of the economy.

Mr. Linthorst Homan then drew one or two conclusions from the work done by the High Authority in enforcing Articles 65 and 66 of the ECSC Treaty. Over the years and through individual decisions, a policy had slowly emerged; this was in contrast to the EEC whereby the principles emerged through regulations. This policy found expression in a few general principles:

a) preserving the necessary degree of competition;

b) the influence of agreements between or combinations of undertakings on the market. This influence is generally discussed under the "relevant market" heading;

c) competition from substitute products and supply from non-member countries.

Such criteria are sufficiently flexible to be appropriate in such changing conditions as the present swing in favour of the combination of enterprises. In focusing attention on concentrations, the High Authority also looked into the indirect effect of a group being formed having a greater capacity to reduce competition. This was why, on occasion, it made such concentrations dependent on certain decisions to curtail or eliminate links that might heighten the effect of the merger to a greater degree than is permissible.

The High Authority can be flexible in its approach to concentrations; but not when it comes to agreements, Article 65 of the ECSC Treaty is categorical. It lays down a limited number of conditions under which agreements are not declared null and void.

The single Executive would have to decide whether Article 60 of the ECSC Treaty (on prices) and Article 65 and 66 (on agreements and concentrations) could be embodied in a single treaty. It would have to find an interim solution between "a posteriori" control and prior authorization for concentrations. It would have to consider the possibility of setting up a cartel office. It would have to examine the possibilities of regulations being differentiated according to the branch of the economy involved.

Mr. Linthorst Homan was gratified to note that despite the differences between the ECSC and EEC Treaties, there was a fairly wide identity of views between Mr. von der Groeben and himself on economic organization based on law and the need to pursue a structural policy.

## 10. Increasing the effectiveness of the European Social Fund

At its session on 16 June 1965, the Parliament heard a report submitted for the Social Committee by Mrs. Elsner (Socialist, W. Germany) on two draft EEC Commission regulations designed to make the European Social Fund more effective (1). The first of these deals with amendments to Regulation No. 9 which governs the activities of the Social Fund; the second entrusts further duties to the Fund.

The Parliament has repeatedly recommended that Regulation No. 9 should be revised. Indeed, it was devised under conditions that have now ceased to obtain, as is evident from the records of the activities of the Social Fund. The Fund had, for instance, proved practically useless as a stimulus to occupational retraining in the Community. It has never intervened in the conversion of a business concern and requests for its assistance are dwindling. All of which shows that its operating rules are no longer in touch with reality.

(1) Doc. 53, 1965-66

There are two major social problems arising in the Community which the Social Fund should help to solve i.e. the shortage of skilled labour and the housing shortage. On the first point, the Fund cannot step in on the occupational retraining of workers engaged in jobs that have no future. The resettlement of workers in areas other than their area of origin is, furthermore, often doomed to fail, for workers can not have their families join them because of the housing shortage.

As to the Fund's total inability to assist in the conversion of concerns, this is due to the fact that it is rare for a conversion to take place within a business enterprise and when conversions do take place, the concerns retain their labour force - who are thus not redundant and cannot get the benefit of any help from the Social Fund - because they are afraid of losing their manpower. The machinery for Social Fund intervention here needs modifying.

Following this review of the shortcomings of the present regulation, the Rapporteur went on to approve, by and large, the amendments proposed by the EEC Commission; these, he felt, were a real improvement. The amendments principally affect:

a) the possibility of intervention by the Fund even where a retrained worker subsequently exercises an independent productive activity;

b) the possibility for the Fund to grant advances. In fact the system of subsequent reimbursement was hampered the Fund's intervention in countries having only limited financial resources, i.e. those that should have been helped first. The training of migrant workers has often failed because the training centres lacked sufficient financial means of their own. The Rapporteur felt, however, that certain criteria and certain scales should be set for deciding the amounts to be advanced;

c) extension of the time-limits set by which requests for Social Fund intervention have to be submitted;

d) increase in the proportion of establishment allowances and relevant expenses that the Social Fund may reimburse;

e) possibility of the Fund intervening in the case of the conversion of a concern, even where the concern does not place its redundant workers on the unemployed register. In this way the concerns will be encouraged to make the necessary conversions without risking losing their labour force.

The Social Committee asked, however, for the Commission proposals to be amended on one point, to wit the abolition of the minimum age (16 years) at which unemployed workers could obtain the benefit of Social Fund assistance. The Rapporteur felt this age limit should be retained as otherwise there would be the risk that young workers would opt for crash occupational retraining courses in preference to serving normal apprenticeships. This would not be conducive to young workers acquiring any advanced degree of skill and would conflict with the general policy of enabling young workers to get the benefit of the longest period of training possible. To allow for the special needs of some regions, however, exceptions to the age rule might be authorized. The report therefore proposes the age limit be kept and exceptions authorized in certain developing regions during a running-in period.

The new responsibilities which the Commission envisages entrusting to the Fund are designed to enable it to assist workers in the pre-redundancy phase and make it possible, in particular, for certain categories of under-employed farm workers to be found jobs elsewhere and, at the same time, to remedy the shortage of skilled workers prevailing in the Common Market. The proposals also envisage the Fund's assistance in order to encourage firms to settle in the developing regions; for this purpose the Fund would guarantee the wage bill for the period between a firm closing down and the opening up of a new firm and it would contribute towards the cost of retraining workers, if necessary. Lastly the EEC Commission proposes that the Fund should step in to help in the building of occupational retraining centres, housing for workers and partly to re-imburse expenditure incurred by the social services.

Mrs. Elsner broadly endorsed the EEC proposals to widen the terms of reference of the Fund but suggested that the financing machinery for social housing should be modified to improve its effectiveness.

In conclusion, the Social Committee felt that the Commission proposals would allow a wider economic expansion of the EEC to the benefit of every region and it asked the Parliament to pass a resolution approving the draft EEC Commission regulations, subject to the observations made by the Social Committee.

Mr. Vredeling (Socialist, Netherlands) regretted the fact that social policy in the Community was lagging so far behind economic policy. While thoroughly approving the Commission proposals, he felt that the revision of the Social Fund should be part of the overall regional policy and that it would have been better to wait until the regional policy were finalized before creating its machinery. But the headway that the proposals represented gave, he felt, cause for satisfaction and he trusted that it would be the beginning of a truly Community social policy.

On behalf of the European Democratic Union, Mr. Catroux said he shared the concern shown by the Commission to adjust the Social Fund to present needs. He particularly approved of the Fund's now being able to extend assistance to the "non-unemployed". Yet he regretted not having sufficient data to assess the financial implications of enlarging the scope of the Fund. Referring to the new responsibilities that would fall to the Fund, i.e. financing occupational training centres, housing and social services, the speaker found that in fact it would be the Commission that decided whether or no to extend advances and he showed concern at the fact that there would be no control over this power of decision.

Both Mr. Sabatini (Italy, Christian Democrat) and Mrs. Elsner pointed out to Mr. Catroux that the powers of initiative entrusted to the EEC Commission should not be overestimated. The Fund could only intervene at the request of a Member State; the Commission then had to obtain the opinion of the Social Fund Committee before deciding whether or no to make an advance. Experience had shown, furthermore, that the Community authorities could be trusted to evaluate the general interest. Finally although no figures were available of estimates of the expenditure which the enlarged Fund might incur, it was pointed out to Mr. Catroux that in the past France, and other Member States had made good use of the Fund since 96 % of the contributions France had paid into the Fund had been returned in the form of reimbursements. Any lack of confidence on the part of France would be misplaced.

Winding up the debate Mr. Levi Sandri, Vice President of the EEC Commission, recalled that when the first regulation governing the Fund was passed, the problem was to combat unemployment. The situation had changed and the records of the Fund showed that it was no longer attuned to current needs and that it was intervening less. The proposals were designed to remedy these shortcomings and to remove something of the legal formalism that had hampered certain activities. The emphasis would in future be less on full employment than on the need to improve employment opportunities and conditions through the "geographical and occupational mobility of workers". As regards the new duties falling to the Fund (not laid down in the Chapter of the Rome Treaty dealing with the Social Fund) these were based on Article 235 of the Treaty and required the unanimous approval of the Council.

Lastly Mr. Levi Sandri felt that the fears voiced by the Social Committee about abolishing the age limit for occupational training were groundless. He felt it preferable for the Commission to have some room to manoeuvre and not be too hidebound by an over-explicit text in this context.

The Parliament then passed unanimously the draft resolution (1) submitted by the Social Committee.

## 11. The social aspects of "Initiative 1964"

At its May session the Parliament had already discussed the economic and financial aspects of the EEC Commission proposals to the Council embodied in its "Initiative 1964". At its June session it was given note of two further reports on this programme, one on widening the powers of the European Social Fund and the other on the application of Article 118. The Social Committee therefore submitted a very short report (2) on "Initiative 1964". (Rapporteurs: Mrs. Elsner and Mr. Nederhorst). There was no debate.

In conclusion to its report, the Social Committee called upon the Parliament to pass a resolution asking that the social measures envisaged in "Initiative 1964" be fully implemented, even if other measures could not be given effect simultaneously. It asked the Council of Ministers to support the Commission's efforts to finalize a community social policy; lastly it called upon the EEC Commission to study the possibility of submitting proposals to the Council of Ministers to set a definite time limit for the approximation of social provisions. The Parliament passed the resolution (3).

## 12. The implementation of Article 118 of the EEC Treaty on social harmonization

On 16 June the Parliament heard a report submitted for the Social Committee by Mr. Nederhorst (Netherlands, Socialist) on the implementation of the social provisions of Article 118 in the EEC Treaty (4).

The Rapporteur began his report by pointing out that Article 118 simply advocates "close collaboration between Member States in the social field" but does not provide for any common policy. This is in contrast to commercial, agricultural or transport policy. Hence, social policy is left purely to the discretion of Member States. They are bound only to

(1) Resolution of 16 June 1965
(2) Doc. 59, 1965-66
(3) Resolution of 16 June 1965
(4) Doc. 60, 1965-66

collaborate in finding joint solutions to common problems; the EEC Commission is required to promote such co-operation. This collaboration, furthermore, does not find expression on the Council of Ministers, the Community body, but in meetings between the Ministers of Labour of the six countries. In short, the only legal instrument under Article 118 is "the giving of opinions" and this has no compelling power. The Rapporteur pointed out that certain Member States had deliberately endeavoured further to tie the hands of the Commission by stipulating - contrary to the letter of the Treaty - that the Commission must obtain their prior approval before engaging in the study of fresh social questions or before stating the implications of studies in progress.

It would however be misleading to describe Article 118 as the focal point of the Community social policy. In one way this Article is merely supplementary as is evident in its preamble which reads: "Without prejudice to the other provisions of this Treaty and in conformity with its general objectives, the Commission shall have as its task... etc.". The Rapporteur therefore suggested that recourse should be had to Articles 100, 121, 155 and 235 to endow action taken by the Community in the matters listed in Article 118 with greater effectiveness and a more imperative character.

The Rapporteur then looked into the various aspects of social policy in regard to which the Community can under Article 118 take action. Mr. Nederhorst would like the Commission to work out a common policy on employment, embracing occupational guidance, conversions and the effects of automation, and which could serve as a guide to governments in framing their own employment policies. The EEC Commission is either planning or conducting enquiries into pay scales, working hours and work on Sundays: the Parliament will be interested in their findings. The EEC Commission also intends to recommend to the Governments that the rules for the protection of young workers and women at work should be standardized. The Commission's recommendations on industrial health, the endorsement of a European list of occupational diseases and social services for migrant workers are being put into effect.

The Rapporteur concluded by finding negligible the social progress made despite what had been done (e.g. the Social Fund, free movement and occupational training) because of the vagueness of EEC Treaty clauses and the reluctance of certain governments to co-operate. He did however note with satisfaction that the Italian Government had sent to the Council of Ministers a "Memorandum on the progress of social policy in the Community". This was the first time in the history of the EEC that a Government had issued a comprehensive statement on social policy setting it in the Community context.

Mr. Nederhorst then made several suggestions to initiate practical steps at the Community level. Firstly he called upon the European parliamentarians to exert pressure in their national Houses on their respective Governments to get them to act on the EEC Commission recommendations. This, done simultaneously in the six Parliaments would be bound to tell. He also called upon the EEC Commission to say where it stood on the relative importance of the various points in Article 118 and to make a list of the social matters which it felt should have priority and to draw up a time schedule for dealing with them. It also trusted that the standing contacts between the social partners at the European level would be improved and stepped up. Lastly he stressed that it would be valuable for the six Ministers of Labour to hold consultations prior to tabling any amendments to their national social legislation.

Opening the debate, Mr. Pêtre, spokesman for the Christian Democrat Group, gave his support to the theories outlined by the Rapporteur and stressed the need for social and economic progress to go hand in hand.

Mr. Krier, speaking for the Socialist Group, deplored the reserved attitude taken by certain Governments to social approximations at the Community level. He asked the Council of Ministers to state its position on the Italian Memorandum without delay. Since the single commission would probably not comprise a trade union member, the speaker laid special stress on the importance of contacts between the social partners. He expressed satisfaction at the steps already taken by the Commission and trusted that it would soon work out a specific Community social policy and establish the means needed to implement it.

Mr. Catroux (European Democratic Union) took a rather different view. He felt that the Commission had assumed powers whose roots in the Treaty might be regarded as tenuous. It was clear that Article 118 laid down that for the present the responsibility for domestic social matters should be left to the Member States. The speaker stressed the principle of close collaboration between Member States rather than that of harmonization. Mr. Sabatini replied that collaboration weighed light when the political will was wanting; if the alternative of Communism was to be confronted effectively, haste had to be made with the construction of Europe.

Mr. Levi Sandri, Vice-President of the EEC Commission, gave a reminder that social policy should not be treated in isolation but set in a wider context. He stressed the dynamic part played by the Commission which, under Treaty Article 118 had "as its task the promotion of close collaboration between Member States in the social field". When intergovernmental dealings were struck with paralysis, the Commission was empowered, under Article 118, to take steps under other Articles

to achieve the social objectives implicit in the Treaty. As to priorities in harmonization, part of the answer lay in the "Action Programme for the Second Stage". The medium-term economic programme would also provide part of the answer. Lastly, on the social partners taking part in the work of the EEC Commission, that body was aware of the importance of this issue. Collaboration, the speaker concluded, was the watchword. He therefore asked the members no to attach too much importance to the "institutional" aspects of the question.

Following the debate, the Parliament passed a resolution (1) stressing the need for a Community social policy. It advocated that Article 118 be interpreted broadly for this gave the Commission an undisputable right of initiative and a coordinating responsibility for social action. The Parliament rejected the view taken by certain Governments to the effect that the matters listed in Article 118 were outside the jurisdiction of the Commission, failing the prior consent of the Six Member States. Lastly it called upon the Commission to draw up a common employment policy, to step up the joint consultations and to establish a time schedule for the implementation of Article 118.

13. The situation on the Community labour market

On the basis of information supplied by the EEC Commission, a report has been drawn up for the Social Committee by Mr. Berkhouwer (Netherlands, Liberal) reviewing the situation on the Community labour market in 1964 and the prospects for 1965 (2).

The importance of forecasts of labour market trends was the first point made by the Rapporteur; such forecasts made it much easier to preserve or restore economic balance and to offset the uncertainty about employment opportunities that could be one unfortunate sequel to economic imbalance of the type mentioned. Regret was then expressed about the lack of comparability in the statistical data supplied by the Member States. The Social Committee stressed the need for early standardization.

With the exception of Italy, the main feature of the labour market situation in 1964 had been full employment throughout the Community; there had been labour shortages more or less everywhere. In 1964 the number of unfilled vacancies

(1) Resolution of 16 June 1965
(2) Doc. 61, 1965-66

in the Community as a whole was 800,000. The EEC Commission anticipated that in 1965 the pattern would be similar but with a slight easing of this tension. It felt that it was vital to make the fullest possible use of the labour force (where it had been under-employed) and to increase its capacity by improving occupational training and specialization - a conclusion heartily endorsed by the Social Committee.

It was essential to co-ordinate national employment policies. The Social Committee therefore asked the Commission to give this matter special attention. Several moves had been made to step up co-operation between the Six; these had included a fact-finding conference for civil servants specializing in finding jobs and arranging transfers for workers; studies into the structure and operation of employment exchanges, into occupational guidance and drawing up comparable occupational tables. Mr. Berkhouwer noted with satisfaction that in the development programme for 1966-1970, currently being drawn up by the EEC Commission, special attention was to be paid to labour market trends.

The Social Committee regretted that there was still no real Community employment policy; Member States acted independently without regard for their partners in dealing with labour shortages. Indeed it was wondered whether countries experiencing labour shortages showed sufficient respect for the principle of Community priority and did in fact address their offers of employment to Italy in the first instance, where the number of unemployed workers was still large. No doubt the organization of labour recruitment in Italy would have to be improved; the procedure for advertising jobs and returning replies would have to be speeded up. The engagement of workers from non-member or associate countries was in a state of anarchy and this could lead to serious disparities with regard to conditions of employment, pay, housing facilities and so forth; these in turn could lead to unfair competition and to differences in the treatment extended to workers on the basis of whether or no they came from an EEC state. The Social Committee asked the Commission for fuller details on the immigration of workers from associate and non-Member States.

The Rapporteur concluded by drawing attention to the initiative taken by France and Germany in endeavouring to transfer certain firms to Southern Europe and to the Overseas States, giving the necessary assistance in training the labour force available locally; it asked the Commission for fuller details.

Mr. Levi Sandri, Vice-President of the EEC Commission, assured the Rapporteur that he would bear his observations in mind. He said that employment policy was a matter for the Member States but that the Commission, although not explicitly

required by the Treaty to implement a Community employment policy, had taken advantage of the Treaty provisions on occupational training, the Social Fund, the free movement of workers and so forth to try to promote such a policy in so far as this lay within its power.

The Parliament then passed a resolution (1) expressing concern at the diversity of the measures taken severally by the Member States to deal with labour shortages. The States were under an obligation to give priority to Italian labour and Parliament called upon them without delay to co-ordinate their initiatives to work out a proper Community employment policy. Lastly, it asked the EEC Commission to study the spread of foreign workers and the effects this was having socially and economically in the Community and the social measures to be taken at once on behalf of workers from non-Member countries and Overseas States.

## 14. Selecting and training special advisers to agricultural workers - Learning new trades in agriculture

On 16 June, two EEC regulations were endorsed by the European Parliament; these concerned:

a) Community grants to promote the training and specialization of employment advisers for agricultural workers;

b) Community grants for retraining agricultural workers who wish, without leaving the land, to take up a different trade.

The two regulations had sufficient in common to be dealt with in one and the same debate.

Under the first regulation, the EEC Commission proposed that the Community should make financial assistance available to promote the creation of training and specialization centres for advisers. This assistance would take the form of Community grants:

(1) Resolution of 16 June 1965

a) to promote the building of such centres;

b) to encourage attendance and

c) to train the advisers.

These measures bear a direct relation to the policy for improving agricultural structures; hence their being widely differentiated. The grants would be paid through specially designated offices in each Member State; the Community would lay down the conditions attaching thereto and set up the relevant machinery.

The Agricultural Committee agreed with the Commission that the implementation of the common agricultural policy called for adjustment in depth on the part of the farming population; whence the need for special advisers. The Committee view was given in a report by Mr. Baas (1). It pointed out, however, that unless sufficient care were taken to avoid dispersing efforts over too wide a field and to ensure continuity, these measures would have no effect. It endorsed the Commission view that the action taken should be "regionalized", to fall in line with the Community programmes under the EAGGF.

However, the report questioned whether the proposal under consideration afforded sufficient guarantees as to the continuity of the adviser's action; the requirements for intending advisers were, furthermore, too high; this meant that in practice recruiting them would be a ticklish problem.

On the regulation itself, the report suggested amendments concerning: the percentage of operating expenditure for the first five years, the machinery for obtaining EEC Commission approval for training and specialization centres, the delineation of the relevant areas and, lastly, the minimum requirements with which the centres would have to comply.

The Agricultural Committee concluded its Opinion by endorsing the EEC Commission proposal. It did, however, point out that there were still a number of unknown factors, such as who would be responsible for training the advisers. In a resolution attached to the report, the Committee stressed that any training programme had to be part and parcel of the Community regional policy and pointed out that the success of the Commission proposal would to a great extent depend on co-operation between the Commission and the national authorities, with whom the main jurisdiction for teaching lay. If the Member States were not

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willing, in the educational field, to follow through the implications of the Common Market, the action proposed would have little effect.

The Parliament then went on to look into the second draft regulation, taking as its basis a report (1) submitted on behalf of the Social Committee by Mr. Sabatini.

The Rapporteur noted with satisfaction that the EEC Commission intended to take action at the Community level to promote the training of manpower in agriculture under the common agricultural policy. This would be pursued in conjunction with action for organizing markets, supporting prices and incomes and rationalizing production. This proposal was the first step giving practical effect to a common occupational training policy.

The draft regulation would be applicable to farmers and to members of their families working for them. The Commission was justified in putting forward similar regulations for farm workers as part of the re-organization of the Social Fund. The Rapporteur wondered if it would not be better to bring within the scope of a single fund - the Social Fund - the entire field of training and retraining in order to avoid any disparity between the treatment extended to independent farmers and that extended to farm workers. This problem would have to be reviewed when the Community had independent revenues.

Going on to study the text of the draft regulation, Mr. Sabatini suggested several amendments. As regards Community grants, he enquired why the Commission should propose to give grants of up to 75 per cent during the first five years and only up to 25 per cent in the subsequent years; why was there no machinery for long-term subsidies related directly to the special requirements of the various occupational retraining centres and to the period needed to put through the redevelopment of both the structure and overall policy of agriculture. Mr. Sabatini thought the text should be amended. He proposed that the grant extended should amount to 75 per cent of the expenditure for the first five years; prior to 1 January 1970 the Council should - acting on a Commission proposal and after consulting Parliament - lay down the regulations for grants to be extended after that date to ensure the continuity of the retraining centres. The Rapporteur also thought that despite the reasons advanced by the Commission, it was impossible to make the extension of grants to farmers attending retraining courses subject in every case to their entering upon the new occupation that measured up to the qualification they obtained

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for a period of 6 months after they finished their course. Exceptions should be made to allow those concerned to take advantage of better conditions where these occurred in other branches of the economy. Lastly, the Rapporteur suggested that where there were no retraining courses financed by the Social Fund, farm workers should take courses under the present regulations and financed by the EAGGF.

In conclusion, Mr. Sabatini submitted a resolution which the Parliament passed. By this resolution (1) the Parliament endorsed the draft regulation subject to the amendments moved by the Social Committee. It also approved in principle the methods envisaged by the EEC Commission but suggested that they should be as flexible as possible.

Mr. Estève (France, European Democratic Union) made the point in the debate that a big publicity drive should be launched to acquaint farmers with the tremendous opportunities available to them under the Treaty of Rome and the Community grants that agriculture could attract. Referring to the training of agricultural advisers, Mr. Estève felt that training 60 people a year with EEC funds fell far short of the needs of agriculture and he asked the Commission to step up its efforts in this direction.

Mr. Vredeling, speaking for the Socialist Group, found it regrettable that when it came to occupational retraining, independent farmers should come under a different dispensation from that enjoyed by wage-earning farm workers. Retraining centres open to all categories of farmers should be fitted into the new context of the common agricultural policy.

Mr. Bersani (Italy, Christian Democrat) said he agreed with Mr. Baas and Mr. Sabatini and emphasized the importance of training for the various categories of the farm population. He deplored the tardiness of action in this sphere but endorsed the EEC Commission proposals, adding that he thought caution and realism should be the watchwords at this particular juncture.

Mr. Levi Sandri, Vice-President of the EEC Commission, referred to the report by Mr. Baas and disputed the statement that the EEC Commission could do no more than encourage the Member States to streamline their occupational training systems. Community provisions did exist; he drew attention to Article 41 of the Treaty and to the general principle of putting through a

(1) Resolution of 16 June 1965

common occupational training policy under which the Community institutions enjoyed wider prerogatives than those mentioned in the report. Referring next to the report by Mr. Baas and Mr. Sabatini, he pointed out that the amendments suggested therein were inconsistent with the Commission's intention. The Commission hoped that Member States would take the necessary action as soon as possible, that is within the next five years.

Mr. Levi Sandri concluded by agreeing with Mr. Sabatini that farm workers should also get the benefit of the regulations; he agreed with Mr. Vredeling that such interventions should come within the scope of the common regional policy. Lastly, he pointed out to Mr. Estève that the 60 advisers trained yearly would be very highly qualified; they would have to take on assistance to discharge their duties in full.

## 15. The medical supervision of workers

On 16 June the Parliament studied the report submitted for the Health Protection Committee by Mr. Fohrmann; this concerned a draft EEC Commission recommendation to the Member States concerning the medical supervision of workers subject to special hazards.

The Health Protection Committee recalled that in July 1962 the EEC Commission addressed two recommendations to the Member States on the approximation of national regulations on industrial health and on the adoption of a European list of occupational diseases; it further made reference to Recommendation No. 112 issued in June 1959 by the International Labour Organization setting out the aims of the industrial health services.

The report went on to give the gist of the recommendation, the main aim of which is to make medical supervision obligatory in the case of workers engaged in occupations where they are subject to special risks; a list of such occupations is appended to the recommendation. This supervision should consist in a medical examination when workers sign on, periodic "medicals" and examinations by specialists. The responsible supervisory authority should have the right to take other measures in the sphere of medical supervision, especially preventive; it should be able to extend its supervision beyond the points listed in the recommendation and in particular to occupations other than those covered by the European list of occupational diseases and the table appended to the recommendation, and to workers other than those directly subject to such risks.

The Rapporteur congratulated the EEC Commission on its initiative, stressing the urgency of the measures to be taken and the importance to be attached to the function of the industrial health officers. The EEC Commission recommendation made to the Member States in July 1962, he recalled, was an attempt to organize the profession of industrial health officers in a practical manner; he noted that the Member States had still not acted on these directives and enjoined them to quicken their pace in this field.

The Health Protection Committee stressed that additional medical examinations over and above a number of medical examinations prescribed by the recommendation should be obligatory and it hoped that the EEC Commission would ensure that measures taken by the Member States were not too divergent. The report further considered that the EEC Commission should ask the Member States to comply with the recommendation within a period of two years.

The Rapporteur approved the recommendation's provision that the tables of occupational diseases should be periodically reviewed; he advocated exchanges of views on this subject.

The report concluded by stressing how urgently measures were needed in all the spheres mentioned by the recommendation. Mr. Levi Sandri, Vice-President of the EEC Commission, intervened to stress this urgency and to call upon the Member States to intervene more directly.

The Parliament passed a resolution approving the initiative taken by the EEC Commission, subject to the observations made by the Committee in its report.

## 16. Speech by Dr. Hallstein on the occasion of the submission to the Parliament of the Eighth EEC Activity Report

On 17 June, Dr. Walter Hallstein submitted the annual EEC report to the European Parliament. This was the occasion of an important speech.

Mr. Hallstein quoted figures illustrating the economic expansion of the Community and discussed the five subjects that loomed largest in the work of the Community institutions in 1964:

a) in the process of completing the Common Market, success had been achieved in setting a single price for cereals; the Commission felt that by 1967 a single price would be set for the other agricultural products and that by then the European industrial market would be in full operation;

b) the financial organization of the Community, connected with greater powers for the European Parliament, had been the subject of Council deliberations, on the basis of a Commission proposal;

c) in the sphere of economic policy the Commission had recommended increased integration;

d) the Kennedy Round and the merger of the three Communities had demonstrated to the world the solidarity of the Community.

Dr. Hallstein then reviewed the state of progress in terms of the common general economic policy: the system of free competition prescribed by the Treaty presupposed the abolition of internal tax frontiers; the Commission had proposed that a common 'added value tax' system should come into force no later than 1970. The Commission had furthermore finalized its policy on cartels and State aid. A European set of articles of association for business undertakings had to be devised and a joint scientific research drive undertaken. Common rules had to be established for budgetary policy, credit policy and if possible for an incomes policy and for interventions by the public authorities in the affairs of the economy; the States should comply with the directives issued by the Committee for medium-term economic policy. A common policy had not yet been finalized with regard either to energy or regional affairs; action was needed in these fields as, indeed, it was needed on transport policy. Headway was being made with the common social policy. The Commission was concerned at the slow progress on the common trade policy and emphasized that action was urgently needed.

Dr. Hallstein set off the present state of the Community against the action programme that the Commission had set itself and went on to analyse Community issues in more general terms, seen from the political angle: the desire of European States to pool their economic potential clashed with the special interests of national communities; such special interests must not be allowed to prevail. Dr. Hallstein felt this was the essence of integration policy. A balance had to be struck in Europe; to date it had only been struck through the "European system of States"; but it was an unstable system, based on a system of alliances and was not self-stabilizing. The only method today by which a fresh balance could be struck in Europe was to introduce an institutional order. How could this be done, despite the divergent interests of the States? Some disappeared of themselves, as was illustrated by the abolition of customs barriers. There was no automatic formula for eliminating other conflicts of interest, but the conciliatory approach had proved effective so far.

Dr. Hallstein concluded by saying that the effort to achieve balance in Europe had to go on, even after the transitional period. The Community would then be mature enough to achieve its unification.

## 17. The supremacy of Community law over the national law of the Member States

On 16, 17 and 18 June the European Parliament debated the Legal Committee's report drafted by Mr. Dehousse on the supremacy of Community law over the national law of the Member States (1).

The report followed a number of national judicial decisions involving a conflict between Community and national provisions, where Community law had been challenged in more or less explicit terms. The Legal Committee was not seeking to bring pressure to bear on national courts but to draw attention to the existence of Community law, which all the States undertook to respect, and to provide national authorities with the information that would ensure the balanced development of the Communities.

Community law and national law constituted two, closely related, legal systems of different origin. Preventing any clash between them was both legally and politically important, for the way in which national authorities interpreted and applied Community law was decisive for the development of Europe.

The Dehousse report began by examining where Community law stood in relation to international law of the traditional mould.

Although, generally speaking, the report believes in the monistic theory whereby international law takes precedence over national law in the universal legal order, it does point out that Community law has certain special features which preclude its being considered equivalent to international law of the traditional type.

The European Treaties themselves and their implementing regulations constitute a law that may be described, to dis-

(1) Doc. 43, 1965-66

tinguish it from international law of the traditional type, as "trans-national".

In a summary of the main legal theories on the relationship between Community law and domestic law (viz: the orthodox dualist theory whereby subsequent national law makes it possible to depart from Community law; the theory of a specific Community law that is accepted by the States on the basis of the principle of reciprocity over which a subsequent unilateral measure may not be allowed to prevail; the federalist concept whereby matters governed by Community law are outside the normative scope of the Member States and, lastly, the pragmatic theory based on the principle "in dubio pro Communitate") the report endeavours to demonstrate that the provisions of the Treaties and, hence, their direct application to various subdivisions of law, are a direct adjunct of domestic law. This means that existing provisions become void where they clash with the provisions of the Treaty and that the Member States are bound to take the necessary steps to implement the Treaties without there being any need for the national Parliaments to intervene.

Another point arising here is the relationship between national constitutions and Community law, with reference to which the report points out that the legislative responsibilities entrusted to the Community institutions may be regarded as a new legislative source that supplements the national constitutional sources. Mutatis mutandis, the same argument can be advanced as regards the indirect legislative responsibility entrusted to the Communities which finds expression in the recommendations of the High Authority and the directives of the Brussels Commissions.

Endowing the Communities with legislative powers implies a transfer of powers from national constitutional bodies to the Community institutions and consequently subordinating national legal systems to the Community system.

This is why the terms of the Treaties (Article 86 of the ECSC Treaty, Article 5 of the EEC Treaty and Article 192 of the Euratom Treaty) as well as the implementing regulations cannot be repealed by subsequent national laws. In the event of any clash between national and Community regulations, the national judge is explicitly empowered to sanction the supremacy of Community law in that he can always refer the matter to the Court of Justice of the European Communities for a preliminary ruling (Article 177 of the EEC Treaty).

The question of consistency also arises in connexion with provisions passed by the Member States in compliance with the Treaty or with recommendations or directives, in regard to other domestic laws. Here again it is for the Court of Justice to assess whether new domestic laws clash with Treaty obligations.

The report then devotes a chapter to the constitutions of the Member States and the principal legal disputes.

In his introduction, Mr. Dehousse points out that under the technical appearance of the report rests a matter of vital interest for the European Communities. What is the actual nature of the Treaties? Can their validity be disputed, bearing in mind the circumstances under which some States ratified them? What happens to legal provisions passed on the basis of the Treaties?

The constitutionality of the Treaties came up in the ruling of the Italian Constitutional Court in the Costa versus E.N.E.L. case. It is also pending before the Constitutional Court of Karlsruhe.

In summing up the grounds for its judgement in the Costa versus E.N.E.L. case, the Italian Constitutional Court states that Article 11 of the Italian constitution did not confer any particular status on the law ratifying the EEC Treaty and that therefore it might be departed from through subsequent national laws.

The Legal Committee considers this viewpoint debatable. Indeed the Italian Parliament could not have ratified the Treaty had the constitution not allowed it to do so. This is why the law of ratification can not be likened to a normal domestic law that can be rescinded by a later law. Under Article 11 of the Italian Constitution, the Italian Parliament ratified the Treaties of its own free will and thereby ceded some of its powers so that any conflicting legislation would in fact clash with Article 11 of the Constitution.

The report deals exclusively with legal findings on the interpretation and enactment of Community law.

Jurisprudence is still strongly under the influence of the dualist theory whereby international law involves States but does not affect their domestic legal systems. According to this theory there is no possibility of any conflict between a treaty and domestic law since only national law applies.

The speaker completely disagreed with this viewpoint. Since the end of the 19th century, treaties have had virtually the same substance as national laws. They have therefore acquired

a legislative character. In terms of legal reality, there is a hierarchy of laws. What other purpose could a treaty serve? The speaker therefore felt that, even in general, a treaty could not be departed from through a subsequent law.

This notwithstanding, it still had to be borne in mind that the European Treaties had a specific character. The application of the adage "lex posterior derogat priori" imperilled the aims of Article 5 of the EEC Treaty. The latter moreover laid down a procedure whereby Community law might be departed from. Article 189 of the EEC Treaty laid down that "Regulations shall have general application. They shall be binding in every respect and directly applicable in each Member State." All of which proved that derogation from these regulations through subsequent national laws was out of the question, since the national bodies lack the power to do so.

Assuming even that the Treaty had been ratified by a competent body, acting within its constitutional powers but contravening certain constitutional rules on points of substance, it would none the less have to be deemed valid, were it only on the grounds of "bona fides". It would indeed be extremely difficult for the negotiators of a country to accept treaty provisions that were incompatible with some constitutional provisions of that country.

The specific nature of Community law was, the rapporteur felt, of the essence, as was borne out by the ruling of the Court of Justice of the European Communities given on 15 July 1964 which confirmed it to be a law "sui generis": the European Treaties introduced into the legal systems of the six Member States were an independent legal order with which they had to comply; they also had to follow through its constitutional implications.

The constitutionality of the Treaties, the rapporteur felt, simply did not arise.

The second point concerns the law created by the Communities. A later report may in due course deal in greater detail with certain disquieting practices in the sphere of national legislation and its application by the national authorities. In assessing whether national legislation conflicts with Community law, the national judge can invoke Article 177 of the EEC Treaty and refer the matter to the Court of Justice of the European Communities for a preliminary ruling.

The European Parliament and its Legal Committee will, without seeking to infringe upon the independence of the judiciary, have to concern itself with the future of the Court of Justice, so that it may have the opportunity to state that the interpretation of Community law depends ultimately on the Court of Justice of the European Communities; which should be enlarged and reorganized for this purpose.

The nature, content and procedures of this Community law, being, of course of recent origin, are still not very well known. This explains the difficulties encountered in the judicial application of Community law. The present report and the debates on it are intended to enlighten the legal world on Community law.

The general debate began with reports from the three Commissions.

Mr. Hallstein, President of the EEC Commission, considered that the position of Community law in relation to domestic law was of considerable moment in regard to furthering the economic and social integration laid down in the Treaties. He also emphasized the extraordinary political importance attached to this legal issue.

This problem is more important in principle than in practice. It could become acute if the principle were not settled in good time. Herein lay the importance of the exchange of views in Parliament, which by no means involved its interfering in matters within the jurisdiction of the judicial authority.

Community law and domestic law constitute two independent legal systems, which means that the terms and the validity of the legal provisions they contain can only be subject to the conditions in the relevant legal dispensations. National legal systems are geographically parallel and therefore mutually exclusive. The relationship between these legal systems is governed by international law, by inter-State regulations and by private international law.

The Community legal system, on the other hand, is geographically confined to the same area and applicable to the same subjects as domestic law. It governs matters which to date have, for the most part, come within the jurisdiction of national law. Disputes therefore are possible and even likely on this point.

Where two legal provisions clash, the first requisite, obviously, is to consider their sources. If it is the same legal source, the later legal provision usually prevails but where the origins differ, it should be ascertained whether one of the legal provisions stems from a higher authority of from a body which is empowered to settle the point at issue.

In practice, however, the question is less clear-cut for it is difficult to pinpoint the conflicting aspects of two legal provisions; moreover, both provisions may be justified by the competence of the authority that enacted them. Only a court can give an objective ruling on this point. The Court of Justice of the European Communities is not, however, empowered in the event of a dispute to rule that a domestic regulation is not applicable.

None of the Member States has any regulations which can prevent a national judge from giving a ruling in concreto and according to his legal convictions on any conflict between national and Community law which is directly enforceable in the Member States, both for the people and the legal authorities, without there being any need for national intervention at any stage.

There is no danger that for the legal authorities to have such a power, which implies an obligation, will disrupt legal life or undermine the national authority for there have been very few disputes so far and there is no reason to suppose that there will be more in the future if the Member States and the institutions of the Community continue to co-operate in the same way.

If the national judge is given a power of censure in case of a dispute, this would raise the point of the standing of Community law in the "hierarchy" of legal systems. It should not be forgotten that the Community has no administrative substructure; it cannot exercise any direct constraint; it has no army, no police; in discharging its duties, it can only rely on law. The law it defines is therefore the only instrument available to it. This law differs fundamentally from traditional international law because it is usually directly enforceable and because, in exceptional cases, it is restricted to the obligatory relationships between the Member States and the Community and because it constitutes an organized legal system with its own bodies. It is therefore quite wrong to equate this independent law with traditional international law.

The rules for implementing traditional international law for the individual States do not therefore apply to Community law. Community law owes its status to the unique nature of the European Community. The speaker regarded the creation of a Community, viz. a higher authority than the various States, taken individually, and having powers and institutions of its own, as implying that the Member States had accepted this authority in so far as they had vested it with powers. This held good for the whole public administration and hence too for the judicial power. It followed that national regulations inconsistent with Community law, even if passed subsequently, gave way to laws passed by the Community acting within its jurisdiction.

In fact the national judge will begin by endeavouring to interpret the national law in such a way as to make it consistent with the Community provision. He will then ascertain whether the Community provision is really in conflict with national law and, in cases where it has been elaborated by Community bodies, whether it was legally passed. A judge whose ruling is not final may himself assess the validity of the Community law and interpret it accordingly. He can also - and a judge giving a final ruling is even bound to do so - refer the matter to the Court of Justice of the European Communities for a preliminary ruling. It is only after the inconsistency of two legal systems has been established on the basis of an interpretation given by the Court of Justice that the national judge must pronounce on the dispute in the lawsuit that comes up before him. His ruling can only be that the national provision does not apply.

As regards the connexion between Community law and the constitutions of the Member States, the speaker indicated that the consistency of the Treaties with the national constitutions was thoroughly examined when the Communities were established; the six countries stated quite positively that there was no inconsistency.

As a result of the autonomous nature of the Community's legal system, the constitutions of the Member States are not directly applicable to actions taken by the Community's institutions. The applicability of the general legal principles of the Member States to the Community's legal system, which compels the Community to take into account the legal traditions of the Member States, constitutes a correction of this state of affairs. The Court of Justice of the Communities has confirmed these two principles on several occasions.

The constitutional rights of the citizen were not curtailed, but appreciably amplified by the establishment of the Communities.

Mr. Sassen, of the Euratom Commission, stated that the primacy of Community law necessarily derived from its unique character. He considers however that it is a little too optimistic to claim that the difficulties referred to by Mr. Dehousse in his report are entirely due to the fact that Community law and the Communities are still insufficiently well known. Community thought must progress hand in hand with the work of the Communities.

The speaker did not feel that it was necessary to approximate national constitutions in order to enhance the supremacy of Community law since the latter was of itself constitutional in character. It was therefore preferable not to base this supremacy on legal tenets of another type.

Now that the merger of the Treaties had been decided upon, it might however be asked whether it would be necessary or useful or desirable further to stress the principle of the supremacy of Community law in the new Treaty.

It might also be worth while to study the desirability of extending the scope of Article 150 of the Euratom Treaty to the effect that the national judge and, in the event, the highest national legal authority, should be obliged in due course to refer to the Court of Justice of the European Communities for a preliminary ruling an issue raised by one of the parties in a dispute - if that party so requested - where the supremacy of Community law was of the essence.

Finally it might be asked whether it was desirable to include in the Treaties a provision empowering the Court of Justice of the European Communities to pronounce judgement on the merits of an appeal lodged on behalf of the Community where the Public Official at that Court considered that the national judge, whether of no responsible in the last instance, unduly refused to recognize the supremacy of Community law.

Mr. Del Bo, President of the ECSC High Authority, considered that the difficulties in question stemmed from the fact that the national legal systems had failed to make sufficient adjustments. The information available had not been adequate. The na-

tional and Community bodies were both responsible for this. He further thought that the differences between constitutional provisions and, consequently, between the legal systems in the Member States, was a contributory factor.

In cases of conflict the national authorities, both judicial and administrative, were reluctant to recognize that national and Community legal systems served the same end and that they were therefore quite compatible. Secondly, these authorities did not know which legal system had supremacy and made only reluctant use of the opportunity to refer to the Court of Justice of the European Communities for a preliminary ruling.

The speaker showed that any divergence or incompatibility between the aims of the national and Community legal systems was out of the question. By ratifying the Treaties, the Member States had established that there was no incompatibility or if there were, it had to be eliminated. Any Member State that had not yet taken the necessary action was legally obliged to do so at once.

Going on to the second point, Mr. Del Bo thought it inappropriate to speak of the supremacy of Community law since the Communities applied directly to the Member States on various points of law and hence, could not be regarded merely as international organizations. Moreover, the Treaties themselves made no provision for such supremacy. On the other hand, the Member States had to meet their obligations under the Treaties, cooperate with the Community institutions and do nothing which might go against the aims of the European Treaties. There were thus two independent legal systems where no hierarchic relationship could be established: each system had the power to legislate in well-defined areas but could not intervene in those that were the preserve of the other.

The whole question of disputes was, thence, simply a matter of jurisdiction, so that the national judge could intervene in the same way as if it were a matter of deciding within whose jurisdiction a given issue lay or of deciding between a general and a specific legal provision.

The relationship between the regional and the central legal systems in Italy as also between the legal systems of the Länder under the federal system in the Federal Republic of Germany was a similar but not identical case. These States in fact had a constitutional court empowered to interpret which rule took precedence. As regards the relationship between national and Community legal provisions, a provision to the effect that the national judge must call for a preliminary ruling could perhaps solve this problem, at least in so far as the Treaties of Rome are concerned.

The position is not the same in the case of the ECSC Treaty where Article 41 lays down that "the Court shall have sole jurisdiction to give preliminary rulings on the validity of resolutions of the High Authority and of the Council, where such validity is challenged and a suit brought before a national court." This without prejudice to Article 65. The speaker hoped that when the Treaties were merged, the terms of the Treaty of Rome would be the ones adopted.

A national judge may at times be concerned at his authority being whittled down through his appealing to a specialized court to interpret a Community rule. Such fears are groundless and are, furthermore, prejudicial to a sound administration of the law, especially since the procedures open to the Commissions where Member States do not fulfil their obligations are extremely complicated and time consuming. The sound administration of the law is only likely to come about as a result of merging the Executives, when the powers of the Court of Justice will be better defined and conflicts between national and Community regulations will finally be out of the question.

Mr. Del Bo thought however that the national courts had already shown that they were in a position, even within the framework of old established legal institutes, that had, hence, to some extent been superseded, to take appropriate measures to establish the terms of coexistence within the Community of the two legal systems.

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Mr. Van der Goes van Naters (Netherlands) stated that the Socialist Group endorsed the conclusions submitted to Parliament by the Legal Committee. Community law could not be equated with classical international law or national law. Pure and simple integration of Community law into the national legal systems would not lead to a single Community law but to six different systems differentiated by national jurisprudence to an increasing extent. This was why the speaker was opposed to this solution and referred, in support of his argument to the more appropriate views of such men as Léon Duguit, or Hugo Krabbe, who 50 years ago, coined the term "supranational law" to describe the law of international Communities grouping States together, and to the views of such men as Hans Kelsen and Georges Scelle who considered it was impossible to approximate national and supranational laws while the doctrine of constitutional law continued to assert the supremacy of the national authority. This was why the indi-

vidual states of the American Union and the Länder in the Federal Republic had to bow to the federal laws. This is also why national law takes precedence over communal law, although two different legal spheres were involved in this case.

Hence, the speaker went on, there could be no doubt as to the position of Italy, which like all the other partners was obliged, under Article 5 of the Treaty, to "take all measures, whether general or particular, appropriate to ensure the carrying out of obligations arising out of this Treaty or resulting from the acts of the institutions of the Community."

The speaker hoped that all Governments would endeavour to ensure that the point of view put forward on 11 December 1964 during a debate on European policy in the Italian Senate by Mr. Valsecchi, Secretary of State for Foreign Affairs, prevailed. His view was that ratification of the Treaty implied acceptance of its provisions and, hence, the binding nature of decisions taken by the Community; these decisions required no formal sanction on the part of the countries concerned to acquire the force of law; and national legislative provisions taken on the matter were intended solely to bring rules passed by the Community to the knowledge of the people.

Mr. Berkhouwer (Netherlands, Liberal), speaking on behalf of the Liberal and Allied Group, stated that he shared the views of the previous speakers in favour of amplifying the powers of the Court of Justice so as to make it competent to judge whether Community provisions and subsequent national laws were in conflict.

Mr. Battaglia (Italy, Liberal) dealt in detail with the question whether the European Treaties had, constitutionally, been integrated in the Italian legal system; this arose in every instance where the sovereignty of the Italian State was involved on the legislative, executive and judicial levels. This question was answered in the affirmative not only by the Chamber of Deputies during the debates on the ratification of the European Treaties; the Italian Constitutional Court, although guided by the dualist theory, had also ruled to this effect on 7 March 1964. Constant and strict compliance with the Treaty implicitly cancelled, in accordance with the universally recognized principles of international law, any irregularities that might have arisen in the ratification and implementation procedure. The ratification law was therefore endowed with what is normally known as "the appearance of law" so that the constitutionality of the European Treaties was above suspicion. To deny the constitutionality of the Treaties would thus be tantamount to rejecting the constitution itself.

It would be absurd if subsequent national laws could prevail over Community law. The speaker argued on the basis of Article 11 of the Italian constitution that any national law which came into conflict with Community law was simply violating the Treaty and that even in terms of domestic law it had no legal foundation.

Lastly the speaker considered that the grounds for the ruling of the Italian Constitutional Court whereby an ordinary law could derogate from the law which ratified the European Treaties did not take into account the fact that Article 11 of the Italian constitution authorized a transfer of sovereignty under the normal decision-taking procedure, provided that the conditions laid down in this Article were met.

Mr. Furler (Federal Republic of Germany, Christian Democrat) intervened briefly to re-emphasize the conclusions of the Dehousse report, pointing out that the legislative work of the Communities had tended to centre too exclusively around agriculture.

Mr. Carboni (Italy, Christian Democrat) discussed the legal character of the Communities; these were sovereign bodies under public international law which, in certain instances, could even amend the Treaty on which they were based. The speaker did not believe that powers could be transferred from the States to the Communities. The Community's sovereignty derived of course from the will of the States and these participated, through the Community bodies, in the drawing up of a law which far transcended national frontiers and which enabled the States and their peoples jointly to exercise a sovereignty they did not theretofore possess. The powers held by the Community did not therefore impair those of the States since they were on the same level. Any conflict between the two legal systems was therefore not anomalous; such conflicts indeed occurred nationally and at every level.

Mr. Scelba (Italy, Christian Democrat) pointed out that the Treaties could not be amended unilaterally. The argument, that a judge had to enforce a law passed after the Treaties which amended an international agreement, was he felt without foundation. The States could however openly denounce or repudiate a Treaty. But States that felt that they could act unilaterally assumed a heavy responsibility in regard to the international obligations they had voluntarily accepted.

The speaker regarded the supremacy of Community law as the logical consequence of ratifying the European Treaties which restricted the freedom of action of the Member States in certain spheres. Without such supremacy the Communities would be unable to operate normally nor could justice be soundly administered.

The uncertainty at present prevailing in the field of legal practice - which for a long time had been governed by the principle of national sovereignty - was inevitable but it should not be dramatized. It would diminish as the Communities became better known and were in due course amplified by a "political umbrella" which, however, should be built in relation to what had been achieved before.

Mr. Herr (Luxembourg, Christian Democrat) and Mr. Pedini (Italy, Christian Democrat) commented on their amendments to the resolution appended to the Dehousse report and Mr. Weinkamm (Germany, Christian Democrat), speaking as Chairman of the Legal Committee, stated that in his opinion the progress made in European law was much more significant than had so far been believed.

It was not for the Parliament to give rulings on points of theory; it could however comment on what it thought to be desirable from the political standpoint. The Parliament noted however with satisfaction that there was between the Community law and national law a specific relationship which transcended that existing in a confederation and that this idea was gaining ground every day.

The European Treaties established the principle of the supremacy of Community law; without this it would be impossible for the system to work. What was the legal basis for this supremacy? The speaker asked whether the general public in the six countries were ready to accept a federal formula here. In support of the supremacy thesis, he compared Community law to that of the local authorities. Every country had its associations of local authorities whether they were called "syndicat intercommunal" or "consorzio per il raggiungiamento di uno scopo commune" or "Zweckverband" established with a particular end in view. Such terms of co-operation had a specific nature in every State. They enabled the authorities concerned to achieve jointly what they could not achieve severally. The law which they elaborated took precedence over the by-laws of individual local authorities. In this sense the Community was a "Zweckverband" which also had an international and constitutional character.

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The draft resolution on the supremacy of Community law over the law of Member States and the amendments tabled were referred back to the Legal Committee for further study.

## 18. Approximating European laws

The approximation of national laws within the framework of the EEC was the subject of a report (1) by Mr. Weinkamm which was discussed on 17 June. This approximation is intended to eliminate the divergencies between national laws that stand in the way of the establishment or the operation of the Common Market and to remove disparities between these laws that disrupt competition and, hence, cause distortions. Under the Treaty, this approximation is effected through the Member States' adopting parallel laws based on directives or recommendations from the EEC Commission. There are also cases where the Treaty provides for the conclusion of new conventions.

The report studies the whole range of issues that may, under the Treaty, be subject to approximation; the relevant provisions give the Community institutions and the Member States the opportunity to elaborate a European law. The report then describes what has been and is being done in this connexion.

The report concludes by pointing out that the approximation of national laws has not been carried through on schedule in every instance. The pace has therefore to be stepped up. The now favourable circumstances must be put to good use to engage in an extensive approximation of domestic laws.

It is not only from the point of view of the growth of the Common Market that approximation is of interest: it ushers in a legal order that could be a decisive factor in uniting Europe, by enabling small and medium-sized firms to enjoy a modicum of legal security, notwithstanding the maze of six national legal systems.

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(1) Legal Committee Report on approximating European laws (doc. 54)

Legal integration should not be considered merely as the inevitable rider to economic or political integration; it is an important means for achieving Treaty objectives. Theoretically this should be done systematically to preclude piecemeal adjustments which would, in turn, call for approximation after a few years had elapsed. In many cases a simple adjustment of national laws would suffice. But where international legal relations have to be fostered to promote international law, an attempt should be made to standardize laws completely. This could be done through multilateral conventions or through a Community law directly enforcible in each Member State.

The report considers that national law should in future be viewed from the Community standpoint. Any national amendments or reforms should show due regard for the evolution of Community law. The approximation of laws within a more restricted framework - such as the Benelux group - should be discouraged.

The report advocates that criminal law be brought within the scope of this approximation.

The report further considers that adequate arrangements should be made to amend Community law, wherein the Parliament should play a decisive part, acting as a consultative body, endowed with genuine legislative powers; this would counterbalance the weakening of parliamentary democracy through the transfer of powers to the executive and administrative bodies of the Community. The approximation of laws should be supplemented by the approximation of jurisprudence; this would involve widening the scope of Article 177 of the Treaty.

Community law is marked out for an increasingly important rôle in law and in justice in the Member States and it should become an integral part of the studies and examinations of Faculties of Law.

In the introduction to his report Mr. Weinkamm described the wide range of issues now covered by laws that had been brought into line with each other and he recalled the principles from which this approximation sprang.

Speaking on behalf of the Socialist Group, Mr. Van der Goes van Naters (Netherlands) stressed that under Article 2 of the EEC Treaty, approximation is intended to be the means to integration in every sphere, economic, social and cultural, in civil law and in criminal law.

Mr. Berkhouwer (Liberal, Netherlands) stressed that approximation was not restricted to the Community context. It was also in progress in the Benelux Group and in the framework of the Council of Europe. The approximation of laws within the Community, however, must be restricted to measures essential to make the Common Market work properly. It should pave the way for a full-scale standardization of laws either through the adoption of standard laws under multilateral conventions or through the introduction of a Community law directly enforcible in each Member State.

The methods of enforcing Community law through national courts and implementing directives through the national governments might vary widely from one State to another. Hence the Court of Justice should be empowered to ensure that Community laws and national laws promulgated in pursuance of Community regulations, followed the same pattern in application in all the Member States.

The speaker also felt that the Court should be given special jurisdiction in disputes between domestic and Community laws.

The EEC Commission might also envisage incorporating in directives, a provision requiring that where the validity of a regulation enforcing an EEC Council or Commission directive is in dispute, the matter should be referred to the Court of Justice.

Laws approximated on the basis of directives have, on occasion, been short-circuited. Under a Euratom directive on health protection, all forms of transport used to carry nuclear materials have to comply with the same basic standards. Some States have laid down various additional safety regulations. Consequently, the flow of nuclear materials from one Community country to another has been brought to a standstill.

Approximation in a given sector of the Common Market may therefore be prejudicial to other sectors. This could affect the work on bringing company law up to date now in progress in most Member States. It might be useful to ask the leading lawyers of the Member States to study the possibilities of working out a European company law.

The speaker concluded by advocating that the broad outlines of Community law be spelled out on democratic and parliamentary bases; for in fact Community law is outside the legislative

jurisdiction of the national parliaments. A law emanating from national hegemonies could not win permanent acceptance as the basis of Europe. The new Europe had to be a Europe of parliamentary, democratic and constitutional law.

Mr. Dichgans (Fed.Rep. of Germany, Christian Democrat) considered that the Weinkamm report showed once again that the development of Europe was much further advanced than had appeared at first sight.

The overriding need to overhaul the legal systems could be summed up in a single phrase "a Common Market calls for a Community law".

The speaker would prefer a directly enforcible Community law for "parallel" laws in the Member States might have the same substance but this would not ensure full approximation because of the difference in jurisprudence between the Member States.

Referring to the speech by Mr. Berkhouwer, he suggested that the European Parliament itself should take the initiative in drawing up a European company law.

To enhance the prestige of the Court of Justice of the European Communities, a court of first instance should be set up to weigh the facts of a given case. The European judge would give a ruling only in the last instance in respect of the uniformity of European law.

Mr. von der Groeben, a member of the EEC Commission, felt that the approximation of laws would assume even greater importance during the remainder of the transitional period but that it should be carried through only in so far as the proper working of the Common Market required.

The EEC Commission felt it desirable to speed up the approximation advocated in the Weinkamm report but recalled that modifying national laws and administrative practices often raised greater difficulties than economic integration itself.

There was no doubt that approximating criminal law throughout the Member States - unhesitatingly advocated in the Weinkamm report - would be possible only to a far more limited extent than other laws. The EEC Commission had already begun looking into infringements of Community rules. The next task would be to approximate national rules for dealing with infringements of Community rules in the economic sphere.

Mr. von der Groeben stressed that the Rapporteur was right in pointing out that the adjustment of laws had to be carried through according to a pre-arranged plan. It would therefore be necessary, right at the beginning of the third stage of the Treaty, to draw up a general programme dealing specifically with the adjustment of law; this programme would have to lay down the procedure to be followed and the general line that the work should take.

Recourse to the most effective instrument, that is the regulation, was only possible in cases specifically listed in the Treaty. The directive opened up several alternatives ranging from a very restrictive interpretation of approximation to a type of standard law. Finally, it was always possible to adjust laws by means of conventions in which case the Community institutions could do no more than co-operate.

It was also possible to combine these various methods but where possible, preference should be given to the method with the most pronounced Community emphasis.

Generally speaking, the Member States intending to amend their national laws did not consult the EEC Commission in compliance with Article 102 of the Treaty except where the problems under consideration had Community implications.

The EEC Commission made no comment on the question of strengthening the position of the Court of Justice of the European Communities. It did however point out that the arrangements under Article 177 had already yielded quite appreciable results in regard to the interpretation of Community law.

The speaker described the work being done on company law; he trusted that the Commission would state its position once and for all before the summer recess. He further thought that it was essential for a convention to be concluded without delay on the reciprocal recognition and enforcement of court orders.

Finally Mr. Margulies, a Member of the Euratom Commission, stressed the limited nature of the legal foundations for approximating laws under the Euratom Treaty. It was true that under Article 98, there were possibilities for approximating insurance law but to achieve a balance in this specific field implied a much more thorough-going approximation, especially in the matter of responsibility. Negotiations were in progress on this subject.

With reference to the basic standards for public health protection and the preservation of foodstuffs through irradiation, he pointed out that it would be inacceptable for veterinary surgeons or other specialists to take over the functions of customs officials within the Common Market. The Euratom Commission would also be looking into approximation in this sphere.

At the close of the general debate the Parliament adopted, without recourse to a vote by show of hands, a resolution in which, referring to its resolution of 22 October 1964, it stressed that the transfer of legal powers from national parliaments to the executive and administrative bodies of the Community had weakened the principle of parliamentary democracy. After endorsing the conclusions of the Weinkamm Report, the Parliament recalled that under Article 3,h of the EEC Treaty the Member States had to approximate "their respective national laws to the extent required for the Common Market to function in an orderly manner." The Treaty provides them with an adequate basis here. The approximation of laws had lagged behind the timetables laid down, either in the Treaty or the general programmes established by the EEC Commission with the agreement of the Council; the Parliament therefore called upon the EEC Commission and the Council to remedy this as soon as possible.

Without a comprehensive plan, approximation, limited to particular spheres in the Member States, could lead to distortions and upset the smooth progress of European integration. The Parliament recommended that the Council transfer certain powers of a technical nature to the EEC Commission, thereby making fuller use of the opportunities open under Article 155 of the EEC Treaty.

The approximation of laws should not be restricted to civil, commercial and administrative law but should also embrace criminal law. The Parliament then asked the Member States to see to it that the reciprocal recognition and execution of court orders became a fact without delay and to make no changes or reforms in their laws without taking into account the evolution of Community law and the present approximation measures.

Suitable arrangements for creating and revising Community law had to be made before the treaties were merged; the Parliament would play a decisive part in its legislative and supervisory capacity. The Parliament was convinced that the approximation of European laws had to go hand in hand with an approximation of jurisprudence. The training of lawyers specializing in Community law was, the Parliament felt, a matter of necessity.

## 19. The common organization of markets for fats

At its session on 18 June, the European Parliament returned its Opinion on a draft EEC Commission regulation placed before the Council with a view to a common organization of markets for fats.

The regulation was in four parts:

a) The trade system;
b) Olive oil;
c) Other oleaginous products of the Community;
d) General provisions.

The first part is in respect of intra-Community trade and trade with third countries in the products covered by the regulation.

The second part concerns olive oil, with respect to which the Commission proposes introducing at once a common market organization and a price system based on four factors: target price, guide price, intervention price and admission price. Provision is also made for direct grants to olive oil producers if the target price falls below the guide price. This part also regulates trade in olive oil with third countries.

The third part dealing with other oleaginous products produced in the Community regulates the market for rapeseed, colza and sunflowerseed. In each of these products, target and intervention prices would be set each year. This part also deals with the grants that may be made in respect either of these or other oleaginous products.

The regulation finally contains general provisions analogous to those in other market regulations.

The report submitted on behalf of the Agricultural Committee by Mr. Richarts (1) endorsed the underlying principles of the regulation but drew attention to the lack of any reference to the interdependence between the vegetable and animal fats markets, a factor frequently emphasized by the European Parliament. It therefore urged that the regulation should embody an article obliging the Commission to submit proposals on the action to be taken if adoption of the vegetable fats system should lead to serious disturbance on the animal fats market.

(1) Doc. 72/1965-66

With regard to the system for olive oil, the report emphasized the need for a Community programme to improve both the production and marketing of olives and olive oil and the position of regions engaged in olive production. This programme would stand in direct relation to the policy pursued concerning production and price levels. With reference to the problem of grants to producers, the report asked the Commission to draw up forms of contract that might be concluded between independent producers or producer groups and the processing industries to ensure that the grants were in fact received by the producers themselves.

The report proposed that white and black mustard and grape seed used in manufacturing dietetic oils should also come under the system for other oleaginous products. Lastly, it was noted there would be a transitional period in regard to these products; this would be inconsistent with the proposals made in "Initiative 1964"; whence the report asked for the relevant dates to be brought in line.

Subject to these observations the report called upon the Parliament to endorse the regulation.

Mr. Richarts (Christian Democrat, Fed.Rep. of Germany) in submitting the report stressed the special features of the fats markets and recalled that the Council of Ministers had taken this into account at the agricultural "marathon" session in December 1963 when it passed a resolution on the basic principles to underlie the organization of the fats market. Going on to examine the regulation, the speaker explained the amendments suggested by the Agricultural Committee, emphasizing the interdependence of the vegetable and animal fats markets, a factor which the Parliamentary Committee had moved to incorporate in the regulation. It therefore called upon the Commission to make explicit reference to this principle in the regulation. The speaker further recalled that the resolution on financing the common agricultural policy - approved by the European Parliament - stated "Parliament should be able to supervise and when necessary approve or censure common agricultural policy decisions affecting price levels, trade policy, structural improvement programmes and social policy". He deplored the fact that the draft regulation under examination did no more than introducing a machinery divorced from these problems. Despite these shortcomings in the regulation, the speaker called upon the Parliament to endorse the regulation bearing in mind the amendments tabled by the Agricultural Committee.

Mr. Dupont (Christian Democrat, Belgium) said that, although he was in favour of grants to oil producers, he intended to ab-

stain when the vote was taken because the regulation itself was a negation of the point of principle that vegetable and animal fats were interdependent sectors. He referred to the regulation introducing a tax on margarine, designed to safeguard butter production, and asked whether this would have the desired effect. He very much doubted it.

Mr. Bading (Germany), speaking on behalf of the Socialist Group, said he recognized the Community obligation to assist olive producers in certain regions of Italy where yields were very poor both in terms of quantity and quality. Yet the proposed market organization would not solve all the problems in this sector. The speaker endorsed the proposals made in the report, particularly those concerning forms of contract which would be beneficial to producers, but stressed the need to bear in mind the interests of the consumer and urged that an attempt be made to solve the structural problem of the sector under examination.

On the question of interdependence, he said that this arose in other sectors and he asked that the relevant clause be amended.

Mr. Sabatini (Christian Democrat, Italy), referring more specifically to structural reforms in the olive-growing sector, said that in making these reforms there were many factors that had to be taken into account. He thought that this problem had to be seen against the background of market prospects, which were not always easy to assess.

The speaker welcomed the prospect of financial intervention on behalf of olive growers and emphasized that safeguarding this production was in the interests of the whole Community.

Mr. Dichgans (Christian Democrat, Germany) opposed the idea of a tax on margarine since this would hurt the consumer without helping the butter producer. He endorsed the report by Mr. Richarts and supported grants to the Italian olive oil producers, although he felt that structural reforms were needed to solve their problems.

Mr. Kriedemann (Socialist, Federal Republic of Germany) stressed the need to organize the vegetable fats markets but felt that if its organization were to remain conditional upon measures being introduced for the animal fats sector the whole issue would become paralysed. The interdependence of the two sectors did not mean that the measures taken had to be analogous. He therefore submitted two amendments, on behalf both of himself and some of his colleagues, to the Agricultural Committee report, to the effect that the vegetable and animal fats sectors

should be subject to separate regulations and, hence, that exemptions from the regulation should not be made with regard to trade with non-member countries in the event of serious disturbances on the animal fats market of the Community.

Mr. Lücker (Christian Democrat, Germany) and Mr. Blondelle (Liberal, France) gave their unreserved adherence to the views of the Agricultural Committee and stressed that the interdependence of the two markets was more pronounced in this sector than in others, since the various fats were interchangeable. If, moreover, the relation between the two sectors were thrown out of balance this could be seriously prejudicial to the consumers for the sake of whom, he felt, the possible repercussions in the animal fats sector of the vegetable fats measures, ought to be taken into account.

Mr. Mansholt, Vice-President of the EEC Commission, agreed that the animal and vegetable fats sectors were interdependent but pointed out that extreme views could only hamper a fair solution of the problem. He was therefore in favour of retaining the margarine tax; this moreover went back to a Council of Ministers decision which it would be difficult to reverse. Referring in particular to the draft amendments submitted by the Agricultural Committee, Mr. Mansholt said he could not accept the amendment to Article 3 which allowed exemptions to the regulation in the case of trade with non-member countries in the event of serious disturbance on the Community animal fats market. He considered that in such an eventuality recourse could be had quite simply to Article 43 of the Treaty which lays down that the Council, acting on a Commission proposal and after consulting the Parliament, shall take all necessary measures to organize the markets.

He considered that the amendment in question would deprive the Parliament of any possibility to intervene which would automatically confer upon the Commission and on the Council a power not subject to Parliamentary oversight.

In conclusion, the speaker gave an assurance that by 1 June 1966, as anticipated in the regulation, the Commission would draw up a Community programme to improve the structures of the olive-growing sector.

At the close of the debate, the Parliament approved by a show of hands the two amendments submitted by Mr. Kriedemann, on behalf both of himself and some of his colleagues.

Subsequently Mr. Dupont, Mr. Blondelle, Mr. Mauk and Mr. Lücker said that they would vote against the draft regulation as a whole and Mr. Richarts said he would abstain. Mr. Lardinois and Mr. Bading, on behalf of the Socialist Group, Mr. Baas and Mrs. Strobel were, on the other hand, in favour of the draft regulation.

20. Oleaginous products originating from the Associated African States and Madagascar

On 18 June, Mr. Aigner submitted to the European Parliament a report on behalf of the Committee for Co-operation with Developing Countries on the draft regulation placed before the Council by the EEC Commission concerning special arrangements for oleaginous products imported into the Community from the Associated African States and Madagascar and the Associated Overseas States and Territories (1).

The rapporteur began by reviewing the oleaginous production of non-member countries and gave details of their exports; he quoted the relevant figures. These showed that the EEC was the largest importer of fats, a third of which consisted of oleaginous products from non-member countries. Exporters of these products needed steady markets and fairly stable price-levels. Yet the world market was subject to considerable price fluctuations. The rapporteur quoted from a UNO report, published in 1964, on food and agriculture.

The Committee then examined the draft EEC Commission regulation: its intention was to promote the marketing of exports of oleaginous products from the Associated African States and Madagascar to the Community and to protect them against world price fluctuations liable to jeopardize their economies. The Committee suggested that further clauses might be added to the draft regulation; it advocated certain amendments.

The Parliament then adopted the draft resolution tabled by the Committee, endorsing the draft EEC Commission regulation.

21. The introduction of a tax on fats

In December 1964, the EEC Council referred to the Parliament an EEC Commission proposal, in pursuance of Treaty Article 201, to introduce a tax on fats. The Budget and Administration Committee, to which this matter was referred, appointed Mr. Vals as rapporteur (2).

(1) Doc. 62/1965-66
(2) Doc. 68/1965-66

At its May session, the Parliament passed a resolution on the Commission proposals on financing the common agricultural policy. This supported the budgetary principle of pooling income and expenditure, i.e. not earmarking given income for given items of expenditure. The rapporteur could only recall this principle during the discussion of a Commission proposal to meet, from a tax on fats, the whole expenditure incurred under the arrangements for oleaginous products originating from the Associated African States and Madagascar and the Overseas States and Territories as well as expenditure incurred by the European Agricultural Guidance and Guarantee Fund.

The rapporteur agreed that Community producers and imports from the Associated African States and Madagascar and the Overseas States and Territories should attract assistance. But he felt that independent revenues of too specific a nature were undesirable since they would bear little relation to the wealth of individual States or, hence, to the wealth of the Community.

He therefore felt that it was uncalled for to create specific revenues to finance the assistance planned, especially since the revenues proposed by the Commission deriving from all imports from third countries appeared sufficiently ample to cover them.

The rapporteur suggested the Parliament should ask the EEC Commission to reappraise its proposal to introduce a tax on fats. If this tax were none the less introduced, he felt that the procedure, whereby the expenditure covered by the tax was established, had to comply with Article 203 of the EEC Treaty, as amended by the parliamentary resolution of 12 May 1965.

By contrast, the Agricultural Committee consulted for its opinion, endorsed the tax in principle, subject to the following reservations:

a) for the sake of consistency, the authorization given to Germany and the Netherlands to postpone the application of the fats tax should be valid only for the shortest possible period;

b) to arrive at the total of 87.5 million units of account set by the Council the amount of tax should not vary with imports from year to year; after a trial period, the Commission should suggest a fixed rate;

c) the EEC Commission should draw up annual reports on the experience gained in this sphere.

The following spoke in the debate: Mr. Baas (Netherlands) for the Liberal and Allied Group, Mr. Dupont, Mr. Lardinois, Mr. Van der Goes van Naters, Mr. Sabatini, Mr. Kriedemann, Mrs. Strobel, Mr. Kapteyn, Mr. Berkhouwer and Mr. Mansholt, Vice-President of the EEC Commission.

The Liberal and Allied Group considered that the method by which the expenditure planned under the regulation was to be met would lead to protectionism. It was also opposed to the idea that the first Community tax should be borne by fats consumers, especially since the Parliament, in returning its Opinion on the common agricultural policy, had supported the principle of pooling income and expenditure. It had therefore endorsed the approach advocated by the rapporteur.

Mr. Dupont (Belgium, Christian Democrat) defended the case put by the Agricultural Committee, in support of the tax on fats.

Mr. Van der Goes van Naters (Netherlands, Socialist) felt that no one would want to reject the tax since it came as the result of a political transaction which might become a dead letter if one side of it were rejected.

Likewise, Mr. Sabatini (Italy, Christian Democrat), tabled an amendment designed to avoid prejudice to the political compromise upon which the regulation was founded.

When Mr. Mansholt stated that if the tax were rejected, it would undermine established practice, Mrs. Strobel pointed out that the Parliament had not been consulted at all on the agreement reached by the Council in December 1963 on the tax in question. It was then, she felt, that the foundations of the Community had been undermined.

Mr. Lardinois (Netherlands, Christian Democrat) trusted that the question of parliamentary control in respect of the fats tax would be settled before the proposal were sent to the national Parliaments. If such a solution were not arrived at, the opposition of the Dutch Parliament might be read as a rejection of the tax and not, as was the case, as opposition to the lack of parliamentary control.

Mr. Berkhouwer (Netherlands, Liberal), then asked if the expenditure planned under the fats regulation had the Community qualification. Mr. Mansholt replied that the Commission did not rule out the possibility of introducing a tax that would take the form of a few extra centimes on the turnover tax; it would, however, act on the taxation principle agreed on in December

1963. He felt, furthermore, that the debate on the margarine tax was not the time to discuss independent revenues or parliamentary control.

Following the general debate, the Parliament rejected two amendments tabled by the Socialist Group opposing any special consumer tax to finance the oils and fats section of the common agricultural policy. On the other hand, it did pass Mr. Sabatini's amendment to safeguard the principle of the December 1963 compromise. The resolution then adopted opposed the introduction of a specific tax considering that it was inconsistent with the principle of pooling income and expenditure.

It asked the EEC Commission to reconsider its proposal and recalled, if the special tax were none the less to be introduced, the requirements formulated in its resolution of 12 May on financing the common agricultural policy, concerning procedure for setting the tax and parliamentary control.

## 22. The trade agreement between the Community and the Lebanon

On 18 June the European Parliament heard a report (1) submitted on behalf of the External Trade Committee by Mr. Kapteyn (Socialist, Netherlands); this concerned the agreement on technical co-operation and trade between the EEC and the Member States on the one hand and the Lebanese Republic on the other.

The part of the agreement covering technical co-operation was the subject of an Opinion by the Committee for Co-operation with Developing Countries.

The rapporteur described the negotiations and explained the trade policy details and general purport of the agreement. It had already been pointed out that in extending to the Lebanon the benefit of the "most favoured nation" clause, the Community had consolidated a de facto situation.

The political import of the agreement lay mainly in the fact that through its conclusion, the Lebanon had forged closer links with the West. The Lebanon was the first Arab country to

(1) Doc. 74/1965-66

establish concrete relations with the Community. This could have far-reaching implications for the future. Although the concessions the Community had made so far were not very considerable, they did, to some extent indicate an outward-looking attitude towards non-member countries.

The rapporteur emphasized the political and institutional value of setting up a joint technical co-operation group in pursuance of Article VII of the Agreement. This form of co-operation had still to be finalized with regard to Community intervention.

To sum up, the rapporteur felt that it was hardly to be expected that there would be any short-term improvement in the balance of trade or in the balance of payments, although this had been the main aim of the Lebanese Government. It might even be asked what effect it would have to increase production through technical co-operation since marketing opportunities had not been appreciably enhanced. For the time being the economy of the Lebanon would continue to depend, to a large extent, on the supply of services and especially on the supply of financial services - a sector in which, thanks to its political stability, the Lebanon had long been making its mark in the Near East.

The Agreement, said Mr. Kapteyn, prompted the comment that the Community still did not have any real, overall trade policy.

In the opinion submitted by Mr. de Lipkowski on behalf of the Committee for Co-operation with Developing Countries, it was stressed that the original feature of the Agreement was the technical assistance co-operation clause. Under the Treaty of Rome this had remained a matter for the Member States and was not the subject of a common policy. The co-ordination of independent action by each of the Member States that had thus been introduced would preclude duplication and be conducive to a more rational policy in this vital sector.

The Parliament passed a Resolution approving the agreement with the Lebanon and expressing the hope that it would help to improve relations between the Arab countries and Israel. The Parliament reiterated its conviction that the problems facing Mediterranean States could only be solved under a comprehensive arrangement that would hold good for all the countries concerned and this implied a clearly defined Community trade policy.

## 23. Capital issues

On 3 February 1965, the EEC Council referred to the Parliament an EEC Commission proposal on a directive concerning indirect taxes on capital issues. The matter was referred to the Internal Market Committee, Mr. Seuffert being appointed rapporteur (1).

The purpose of the proposal was to promote the free movement of capital and the creation of a single capital market for the Member States. To this end, the Commission felt all Member States should abolish stamp duty on shares and standardize excise duties at a maximum of 1 per cent of sums subscribed. No other charges on operations normally attracting excise or stamp duties would be allowed under the directive and discrimination in the charging of taxes such as those on stock exchange operations, that continue to attract these taxes, would be prohibited.

The rapporteur was, in principle, in favour of the complete abolition of stamp and excise duties. But because of the different effects that might follow from the abolition of excise duties for the budgets of Member States, he felt that at present alignment should be of the excise duty on the normative rate of 1 per cent.

As regards territorial jurisdiction, the EEC Commission proposed that the tax should be charged by the State in which the actual working headquarters was situated rather than by the State where the registered office was. The rapporteur supported this; it was moreover in line with an OECD recommendation and with a series of bilateral agreements that followed from that recommendation.

The rapporteur went on to examine the problems arising from the reduction of or exemption from the rates applied as excise duties. The reduction of the excise duty rate when two firms amalgamated, split or changed their status would create a preferential situation as compared with that normally obtaining upon any increase of capital. This proposal was not reasoned out in detail by the Commission and should be re-examined.

(1) Doc. 64/1965-66

As regards exemptions, he felt it was justifiable to free from tax, for reasons of a social nature, the cession of shares to workers. He also believed that this could benefit firms on a point of fiscal equity.

The Economic and Financial Committee was consulted. Its view was that the failure to standardize income taxes was the main bar to the free movement of capital. It regretted that for reasons of the Member States' convenience the Commission had not suggested abolishing the subscription tax. This could later be an obstacle to the creation of a sounder capital market. It would clash with present trends in Community economic and fiscal practice.

The Parliament studied this report at its session on 18 June 1965. In a resolution passed after a short debate, it endorsed the views of the rapporteur and approved the draft directive.

## 24. Report to the Consultative Assembly of the Council of Europe

At the close of its session the Parliament adopted a draft report by Mr. Achenbach to the Consultative Assembly of the Council of Europe on the Activity of the European Parliament from 1 May 1964 to 30 April 1965. As was the case last year, the first part of this report is a detailed study of a specific issue: this year, trade relations between East and West.

This report will serve as a basis for discussions at this year's joint meeting of the European Parliament and the Consultative Assembly.

## II. ACTIVITIES OF THE COMMITTEES OF THE EUROPEAN PARLIAMENT IN JUNE 1965

### Political Committee (1)

Meeting of 17 June in Strasbourg: Discussion of problems concerning the responsibilities of the Parliament and the democratization of the Communities against the background of the merger of the Executives (Rapporteur: Mr. Illerhaus).

Meeting of 25 June in Brussels: Discussion attended by representatives of the EEC Commission on the external relations of the Community with particular reference to the current negotiations between the Community and non-Member countries or international organizations (1).

Meeting of 28 June in Bonn: Pesumption of the discussion on the question of the responsibilities of the Parliament and the democratization of the Communities against the background of the merger of the Executives (Rapporteur: Mr. Illerhaus). Examination of the parts of the 8th EEC General Activity Report within the terms of reference of the Political Committee (Drafter of the Opinion: Mr. Faure). Examination of the parts of the Eighth EEC General Activity Report coming within the terms of reference of the Political Committee (Drafter of the Opinion: Mrs. Probst).

### External Trade Committee (2)

Meeting of 14 June in Strasbourg: Examination and adoption of the draft Opinion submitted by Mr. Kriedemann on an EEC Commission draft regulation to establish a common market organization for fats. Adoption of a draft Opinion by Mr. Kriedemann on a draft EEC Commission regulation to introduce special provisions for seed-oil and oil seeds imported into the Community and originating in the Associated African States and Madagascar and the Associated Overseas States and Territories. Examination and adoption of a draft report by Mr. Kapteyn on the agreement between the EEC and the Lebanese Republic on trade and technical co-operation.

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(1) Joint Session with the External Trade Committee

Meeting of 25 June in Brussels: Discussion attended by representatives of the EEC Commission on the external relations of the Community, with particular reference to the current negotiations between the Community and non-Member countries or international organizations (1). Discussion attended by representatives of the EEC Commission on a draft regulation on protection against dumping practices, export aids and subsidies of non-Member countries (Rapporteur: Mr. Blaisse). Discussion attended by representatives of the EEC Commission on the parts of the 8th EEC General Activity Report coming within the terms of reference of the External Trade Committee. Appointment of Mr. Klinker as Rapporteur. Discussion attended by representatives of the Euratom Commission on parts of the 8th Euratom General Activity Report coming within the terms of reference of the Committee (Rapporteur: Mr. de la Malène).

## Agricultural Committee (3)

Meeting of 8 June in Brussels: Examination and approval of an Opinion by Mr. Dupont to be referred to the Budget and Administration Committee on an EEC Commission proposal concerning the provisions adopted by the Council in pursuance of Article 201 of the Treaty relating to the introduction of a tax on fats. Adoption of the report by Mr. Richarts on an EEC Commission proposal to the Council concerning a regulation on the common organization of markets in the fats sector. Examination and approval of the report by Mr. Baas on a draft regulation concerning Community grants to promote the training of employment and information advisers to give guidance to persons working in agriculture. Adoption of an Opinion sent by letter to the Internal Market Committee on a Decision further to prorogue the Council Decision of 4 April 1962 levying a countervailing charge on processed agricultural products.

Meeting of 22 June in Milan: First exchange of views on those parts of the Eighth EEC General Report concerning agriculture. Approval of a document, to be sent through the offices of the President of the European Parliament to the President of the EEC Council of Ministers, on financing the common agricultural policy, independent revenues for the Community and widening the powers of the European Parliament. Talks with representatives of producers and processors of dairy produce from the Lombardy region.

(1) Joint Session with the Political Committee

## Social Committee (4)

Meeting of 28 June in Milan: Study of problems relating to the harmonization of social security. Appointment of Mr. Krier (Luxembourg, Socialist) as rapporteur on the social chapters of the EEC Commission 8th Annual Report. Exchange of views on a draft EEC Commission recommendation on the protection of young workers.

## Internal Market Committee (5)

Meeting of 8 June in Brussels: Resumption of the study of the draft report by Mr. Leemans on the Euratom Commission proposal to the Council amending the provisions of Title II, Chapter 6, of the Euratom Treaty. The report was adopted. The meeting was attended by members of the Euratom Commission.

Examination and adoption of the draft report by Mr. Seuffert on the draft EEC Commission proposal to the Council for a directive on indirect taxes on capital issues. The meeting was attended by members of the EEC Commission.

Meeting of 25 June in Milan: Examination and adoption of the second draft report by Mr. Kreyssig on an EEC proposal for a directive implementing the freedom of establishment and the freedom to supply services in activities connected with the press.

Resumption of the examination of the draft directive on co-ordinating company law (Rapporteur: Mr. Berkhouwer).

## Economic and Financial Committee (6)

Meeting of 21 June in Brussels: Discussion of the Opinion drafted by Mr. Bersani for the Internal Market Committee on the amended draft proposal for a regulation directed at approximating the laws of Member States on turnover taxes and of a proposal for a second Council regulation on approximating the laws of the Member States with reference to turnover taxes. Appointment

of Mr. Van Campen as Rapporteur for the Opinion of the Economic and Financial Committee on those parts of the Eighth EEC General Report within the terms of reference of the Committee; exchange of views on the relevant parts of the Eighth General Report.

## Committee for Co-operation with Developing Countries (7)

Meeting of 10 June in Brussels: Appointment of a drafter for the Committee Opinion on the EEC General Report. Discussion attended by representatives of the EEC Commission on the progress made by the Association in the first year of the new convention. Discussion attended by representatives of the EEC Commission on the results of the second meeting of the Association Council. Discussion with the EEC Commission on the progress of the negotiations with Nigeria.

Meeting of 29 June in Brussels: Discussion whether an Opinion should be submitted on the Eighth General Report on the activities of the Euratom Commission. If so, appointment of a drafter for the Committee Opinion. Discussion attended by the EEC Commission on those parts of the Eighth EEC General Activity Report coming within the terms of reference of the Committee (Drafter: Mr. Laudrin).

## Energy Committee (9)

Meeting of 17 June in Strasbourg: Appointment of a drafter for the Energy Committee Opinion on the Eighth EEC and Euratom General Reports.

## Research and Cultural Affairs Committee (10)

Meeting of 29 June in Brussels: Examination of the draft resolution appended to the second supplementary report by Mr. Pedini on the progress of Euratom's research programme.

Exchange of views with the EEC and Euratom Commissions on those parts of the General Reports within the Committee's terms of reference.

## Health Protection Committee (11)

Meeting of 11 June in Brussels: Exchange of views with the Euratom Commission on those parts of the Eighth General Report on the activities of Euratom coming within the terms of reference of the Committee (Drafter: Mr. Santero).

Meeting of 17 June in Strasbourg: Appointment of a delegation to attend a fact-finding conference on the results of medical research on "the re-settlement of victims of accidents at work and occupational diseases". Conference organized by the High Authority on 21 and 22 June 1965.

Meeting of 28 June in Brussels: M. Catroux elected second vice-chairman of the Committee. Adoption of the draft Opinion submitted by Mr. Bousch for the Social Committee on a draft EEC Commission recommendation to the Member States on the protection of young workers. Appointment of Mr. Angioy as drafter for the Committee Opinion on those parts of the Eighth General Report on the activities of Euratom within the terms of reference of the Committee. Exchange of views with the EEC and Euratom Commissions on those parts of their Eighth General Reports within the terms of reference of the Committee.

## Budget and Administration Committee (12)

Meeting of 9 June in Brussels: Examination and adoption of the draft report by Mr. Kreyssig on the report by the Committee responsible for auditing the accounts of the EEC and Euratom for 1965.

Examination and adoption of the draft report by Mr. Baas on budgetary questions arising from the examination of annexes to the Thirteenth ECSC General Activity Report.

Examination of Euratom budgetary questions attended by representatives of the Commission (Rapporteur: Mr. Leemans).

Examination and adoption of the draft report by Mr. Weinkamm on the preliminary draft estimates of the income and expenditure of the European Parliament for 1966.

Examination and adoption of the draft report by Mr. Vals on provisions to be enacted by the Council in pursuance of Article 201 of the Treaty and involving the introduction of a tax on fats.

Meeting of 14 June in Strasbourg: Examination and adoption of the draft report by Mr. Leemans on the draft supplementary budget for research and investment of the European Atomic Energy Community for 1965.

## Committee for Associations (14)

Meeting of 2 June in Paris: Examination of the Second Report on the activities of the EEC-Greece Association Council. Examination and approval of a working paper by Mr. Lücker on the Second Report on the activities of the EEC-Greece Association Council.

## Delegation to the Joint EEC-Greece Parliamentary Committee

Meeting of 15 June in Strasbourg: Examination and adoption of the agenda for the next session of the Joint EEC-Greece Parliamentary Committee.

France

1. The treaty establishing a single European Community Council and Commission submitted for ratification to the French Parliament

National Assembly

On 16 and 17 June, when the bill ratifying the Treaty establishing a single European Community Council and Commission was moved in the National Assembly, the discussion widened into a general debate on the Government's foreign policy, in which the main topic was its European policy.

In submitting his report on the bill, on behalf of the Foreign Affairs Committee, Mr. Vendroux (UNR) went back over the negotiations that had led to the signature of the Treaty and he described its main provisions. Technically speaking, the merger of the Commissions and Councils was a major step forward in streamlining the Community administration; it demonstrated the resolve of the six countries to press on towards unification and it meant that the chances of establishing genuine political co-operation within the framework of the existing Treaties were now greater. This was, however, only one stage towards merging the Communities themselves. It was generally agreed that this second step should not be deferred too long, for the single Commission and the Council would provisionally have to go on enforcing three different Treaties, whose provisions varied both as to principles, regulations and procedure. Such disparities could not be perpetuated indefinitely.

The Rapporteur emphasized that the political import of the new treaty had given rise to the expression of widely divergent interpretations and intentions. The advocates of supranationality wanted to take advantage of the merger of the Communities to enhance the powers both of the single Commission, which they described as the Executive, and of the European Parliamentary Assembly, to the detriment of those held by the Council of Ministers and the Governments. It would appear, however, that the majority of the Governments or at least five of them - paying the piper in this instance - were reluctant to launch what has been described as the "multi-stage rocket" whose successive "firings" would deprive them of an increasing number of those rights that they legally retained under the Treaties of Rome and Paris.

a) The position of the Government

Mr. Couve de Murville, the Foreign Minister, regarded the merger of the European institutions as being primarily an act of sound management. Governmental activities would be better co-ordinated on a single Council. Bringing together the three large-sized administrations established in Brussels and Luxembourg should lead to lower staff requirements, a more economic management and greater working efficiency. Generally speaking the new council and the new commission would be organized more on the lines of the Rome Treaty of 1957 than that of Paris of 1951. Experience had shown that many clauses in the Paris Treaty served no useful purpose or were out of touch with realities; indeed the authors of the Rome Treaty had acted on the implications of this. As to discussions between the Six Governments on merging the Communities, Mr. Couve de Murville thought they would be brought to successful conclusion and the treaty to be concluded become final, in about two years time. Hence towards the end of 1967 or early in 1968, the new economic Community would emerge at the same time as the Common Market assumed its final shape.

Speaking of the negotiations on financing the agricultural policy, Mr. Couve de Murville stated that the Government expected agreement would be reached in Brussels on amplifying the financial regulation along the same lines and in the same spirit as in Brussels in January 1962 and without the introduction of extraneous issues that were not raised then. Hence if the task were restricted to making a stipulation for the end of the transitional period, i.e. a stage involving no irrevocable surrender of any revenues on the part of the Governments, there would be no pretext at all for increasing the powers of the Strasbourg Assembly. Mr. Couve de Murville felt that in any event the European Parliament should remain within the bounds of the rôle assigned to it under the Treaty of Rome. that is a consultative rôle which, if undertaken seriously, could furthermore have both point and purpose.

As to the income customs duties on industrial products, this could in due course be appropriated for Community expenditure. But a decision to appropriate for the Community as of now revenue well in excess of its annual expenditure would be quite anomalous; no valid reason had been put forward in support of any such decision. Once the external tariff was applied, however, there would obviously have to be some kind of perequation to prevent countries with the competitively best-situated ports cornering the customs receipts. This could operate with

or without the profits accruing to the Community. The real issue for the Six Governments was agreeing on the use to which the customs receipts were to be put. After giving details on how the negotiations were progressing in Brussels, Mr. Couve de Murville said it was no part of France's intentions to delay the introduction of the common agricultural policy.

As for the political offshoot of the economic Europe, no one, he felt, in the Governments concerned, was still seriously talking about the supranational illusion - except to fight delaying actions. In practice it was a matter of associating the Governments and organizing their co-operation. The key issues of foreign policy and defence were not to be settled by a majority, even on the advice of a Commission. To progress, agreement had first to be reached on the aims of a common European policy on defence and foreign affairs. Europe had to be European, that is independent. A debate on these subjects could be initiated with France's partners, subject to the Common Market progressing normally under the prescribed conditions. The Government was fully prepared to discuss, with the other EEC States, the idea that Europe had to enter into partnership with the U.S.A. on an equal footing; in fact this would mean discussions on foreign policy and defence. The main question to be settled, he felt, was the relations that should be established, in the entirely new world we were entering, between the U.S.A. and not only France but all the nations of Western Europe. Sooner or later, Europe would be engaging upon a radical revision of these relationships.

Speaking at the close of the debate, Mr. G. Pompidou, the Prime Minister, said he thought that no one did or could claim that conditions were now right for a proper federation. At the present stage, the only possibility open was to promote a phased rapprochement between European states to induce them gradually to approximate their policies, laws and customs to the point where the transition to the subsequent stage might be made without undue difficulty. He did not believe in integration as an approach to European unity because the only genuine form of integration was political integration through the creation of a European State. No major decision could be taken except by a political authority answerable to those whom it committed. It would be a disaster if governmental powers were to be handed over to a commission of officials.

Mr. Pompidou wanted a European Europe, in other words an independent Europe. It was a question of bringing the personality of Western Europe into focus, of Europe realizing where its interests merged with, and when they diverged from, those of one or other of the twentieth century giants. To come into

being, Europe had to want to be independent. The Prime Minister went on: "Why do the same manifestos call for immediate integration measures in Europe on the part of the United Kingdom which is against any integration? Why is it that it is those states, that are the strongest supporters of the United Kingdom's accession, that are the most insistent on integration? Because their aim is not to build Europe but to create a so-called Atlantic Europe, that is a Europe that would eschew the creation of its own political personality, eschew a European defence, eschew a European foreign policy, whose aims would be restricted to organizing its economic and social life within supranational frameworks; for the rest, it would rely on the U.S.A. to frame policy and guarantee defence; it would not go beyond making a military contribution available to the U.S.A. and, at best, do no more than offer discreet advice on foreign policy." "A nation, Mr. Pompidou emphasized, whether it be the European nation or France, must be independent, in other words have its own policy and its own powers of decision. This is why, in defending our own independence, we are defending the independence of Europe, the Europe we belong to; we are the true Europeans."

b) The opposition viewpoint

Mr. P. Abelin (Democrat, Centre) expressed concern at the Foreign Minister's criticisms of supranationalism, for it was clear that supranationalism would weaken and disappear and that all the proposals to the supranational end would give way, no doubt quite soon, to the triumph of nationalism. Mr. Abelin held that the American-European relationship was characterized by a disparity in strength. The present strength ratio could only be modified if the countries that signed the Treaty of Rome had a common policy on defence, scientific research and investment. It was advisable to cement unity, to make the institutions work and, as a result, to move closer to supranationality. Any one who was against supranationality and against common institutions endowed with a measure of power, was against Europe and whoever was against Europe admitted dependence on the United States. Independence from the United States was not the precondition, it was the ultimate result. To bring Europe into being, there had to be equal rights between partners, institutions that worked and a truly democratic supervision of decisions taken.

Mr. A. Chandernagor (Socialist) saw the deadlock on the political Europe as all but total. It was true the responsibility was shared but even though France's partners held out serious

obstacles and reservations on political unification, the difficulties and obstacles had been aggravated by the way in which pressure was exerted, by dramatic gestures and by undue recourse to "un-community" tactics. The speaker enumerated what he saw as the effects of the French Government's policy on the European independence it professed to be seeking: a cordial misunderstanding with Germany, a resurgence of blinkered nationalism and the threat that the common market would be held back. The French government had failed to assemble sufficient common stock, sufficient means for a common policy. It had failed to win the support of other European countries for its undertakings. It had failed to win them over to its ideas on the part Europe should play and had attempted to play this part on its own until such time as its partners realized where their duty lay. This splendid isolation was full of pitfalls for it was much harder for a single country - even France - than for a powerful Community to make the most of the European sense of identity and the European ambition. Europe's finding its identity would not precede but proceed from the fact of Europe's construction.

Mr. A. Rossi (Democratic Coalition) regarded the treaty instituting a single commission and council as the starting point for merging the communities. It was important to establish what attitude the Government would take at the merger negotiations. Would the future treaty embody a federal dispensation, elections to the European Parliament by direct universal suffrage and majority rule on the Council of Ministers? The real problem arising from a fusion of the three treaties did not stem from any theoretical discussion on fundamentals. It lay chiefly in three factors: an independent Commission, a treaty establishing a Community procedure and independent revenues for the Community. It was also essential to know which competition and energy regulations would be retained - those in the Treaty of Paris or those in the Treaty of Rome? Mr. Rossi felt that the levy and the customs duties, whether industrial or agricultural, had to become a source of community revenue. The argument about the high level of these revenues carried no weight, for the Community would need this fresh source of revenue to finance the common policies. In fact what really seemed to have worried the opponents of the Hallstein proposal most was the incipiently federal form of budget. Mr. Rossi closed by stressing that the economic Europe was already political and that any fresh political impetus had to be imparted by the Community, not the Governments. An opportunity had been let slip in Brussels to carry forward a Europe endowed with resources and democratic supervision. Mr. Rossi had the impression that in fact the Government had become aware that Common Market machinery was slowly but inexorably integrating the States. Perhaps the Government wanted a breathing space; this could be no more than a pause, however, for the general public would call them to account; above all the system was in place, implacable in its logic and dynamism and it would gradual-

ly force the government finally to accept in full all the implications, even the political ones of the Treaty of Rome.

Mr. L. Michaud (Centre, Democrat) felt that merging the executives of the three communities was desirable; but it was not enough in itself. The European Communities could not be deemed an end but had to be seen as a means to promote political co-operation. What was lacking in Europe was political union and a common policy, in defence particularly. A comprehensive European defence system, dovetailing with the military strength of the United States, would give Western Europe an infinitely greater chance than the sum of the national defence systems. The construction of Europe appeared, for the moment, to have been jeopardized. Yet at a time when governments seemed to be abdicating, it was to be noted that the representatives of the local authorities in the European countries had come out firmly and unequivocably in support of pursuing the construction of Europe, notably through the intermediary of the Assemblies of European Local Authorities. The treaty merging the European Institutions should soon lead to a united Europe, endowed with a High Authority that had an economic, military and political vocation and assisted by a parliamentary assembly elected by universal suffrage.

Mr. F. Billoux (Communist) stated that his group would not lend its support to the ratification of the treaty; the treaty, he said, would enhance the integrated, supranational nature of the European Communities. The Communist opposition was the more categorical as the measures embodied in the treaty would be applicable to Berlin. This added a further obstacle to the settlement of the German question. The Communist group would continue to attack the exceptionable policy pursued by the existing European bodies, subject as they were to the direction of trusts and acting in terms of their essential interests. Since these bodies existed, the Communist group demanded that it and the other interested democratic organizations be represented on these bodies to defend the interests of the workers and of the Franch nation. The affairs of France had to be decided in Paris by the French Parliament; it was the French Parliament that should decide these issues and not the cosmopolitan bodies of Brussels or elsewhere. The Communist group was in favour, on a basis of independence and mutual interest, of a policy of co-operation with all countries, whatever their form of government or their geographical situation.

Mr. Mitterand (Democratic Coalition), after noting the sorry state of the Franco-German alliance, stated that only time would tell if France had gone to the Brussels negotiations on financing the common agricultural policy with the intention of shelving indefinitely the economic union of Europe, as agreed

upon, because of fears about the political Europe. His view was the French Government had realized that an incipiently federal budget would emerge from an agreement in Brussels, that it would be necessary to create a parliament responsible for supervising the large-scale common budget and that this would culminate in the political Europe which inspired it with so much anxiety. While the economic policy to which the Government subscribed provided a legitimate defence of French interests within the Common Market, it was a policy that was bound to lead to the very end that it sought to avoid. Mr. Mitterand felt that Europe was big enough to counteract the nationalist policy of the Government; but there was too much French nationalism for Europe to come into being, or at least, for it to come into being when it was too late. This neutralization was prejudical to all the legitimate interests of Western Europe. After helping to build the structures of the European edifice, the Government had to recognize the need for a decision-taking authority at the head of Europe and the need to accept the logical consequences of what had been achieved in spite of France, in the preceding years. The economic Europe was already political and only by dilatory action could the Government temporarily evade its implications. He was convinced that there was no more exalting way of asserting the destiny of France, the destiny of a French nation, than to build Europe.

c) The viewpoint of the majority

Mr. de Lipkowski (UNR) outlined his views on relations between Europe and the U.S.A. It was in Europe's interest to show itself as distinct from the U.S.A. Europe would only come into being if it succeeded in doing so. It was not a matter of opposing the United States but of providing them with additional backing in the pursuit of objectives that the United States alone could not attain to. Cases in point were the reunification of Germany and the problems arising in the third world. The silence of Europe encouraged the U.S.A. to act the part of master not partner. How could Europe assume any identity when its component members refused to give any evidence of identity? The political Europe would remain a dead letter until it was clearly stated in favour of what idea the sovereignty implicit in the political Europe was to be relinquished. Discussions as to the form and structure of Europe were liable to seem like alibis for not discussing the pattern of its policy. It would continue to be left to the USA to bear on its own the burden of responsibilities that were also those of Europe.

Mr. R. Boscary-Monsservin (Independent Republican) felt that if the agricultural and industrial markets were achieved as of 1 July 1967, customs duties and agricultural levies could not be subject to divergent legal systems. If they accrued to the European Community treasury, it would be unthinkable for the executive commission to have sole responsibility for the management, policy lines and use of such revenues for specific ends. This inevitably led us to reflect on the various supervisory responsibilities that might be entrusted to the European Parliament and it had to be endowed with certain powers. But great care had to be exercised for, Mr. Boscary-Monsservin pointed out, alluding to his own personal experience, one could not risk the future of Europe being decided by the cross-currents of sessions held in the European Parliament. It was therefore essential for the Governments to retain a very wide discretionary power to evaluate the adjustment possibilities. Referring to the negotiations on financing the common agricultural policy, Mr. Boscary-Monsservin stressed that it would be critical if, to offset political concessions, the Government now decided that the levies would not be paid into the Community treasury until 1970; it would likewise be critical if they agreed to defer setting prices for agricultural commodities, apart from cereals, after 1 July 1967. Such a move would be hard to accept.

Mr. Bettencourt (Independent Republican) regarded the treaty as a considerable step forward. The speaker felt that the Europe of Governments was at present the only one possible. The rules of unanimity and mutual consent were necessary. Yet the minds of people had to be prepared for genuine integration. Europe had to be something that was really wanted. Elections, by universal suffrage, to the European Assembly was the ideal towards which we should direct our steps. In the present situation, however, this ideal could not be attained.

Mr. Comte Offenbach (UNR) felt that the reunification of Germany could only succeed within the unification of Europe. Europe had to be built pragmatically and with careful reflection.

Mr. J. Mer (UNR) felt that France ought to play the European card in the third world. As long as the policy of Europe were not genuinely European, France would undoubtedly have a leading rôle to play and exert an undisputable moral influence. The African States had appreciated the Yaoundé Convention and the economic system which linked them closely with the Europe of the Six but it was not France's fault if Europe did not, at present, wish to go any further. It was not France's fault if, on events in Viet-Nam and the Dominican Republic, some of her partners had fallen directly in line with the United States.

Discussing France's responsibilities to Europe, Mr. M. Debré (UNR) felt that Government and Opposition could agree on two points: the Franco-German understanding and the concept of a strong Europe at the service of freedom. The split came on the issue of supranationality. Mr. Debré thought that it was politically unfeasible and always would be to have both nations and one super-nation severally able to act on the international stage.

As to endowing the European Parliament with any real powers, Mr. Debré had three points to make: a parliament had to deal with a true government; majority rule could not obtain in a European parliament: to what extent could a law be imposed upon nations whose representatives had not supported it? Finally, each of the members of this parliament had to represent the same number of electors. The present disparity in the relevant ratios was excessive. The only real problem today was, he thought, to see to it that the nations of Europe tried to work out a common policy before trying to see if they could have common institutions that could uphold decisions taken. Before establishing institutions which predicated the demise of the nation States, an attempt had to be made, using the nation States as components, to build the machinery for setting aims and drawing up common approaches. The association of European states had, in the service of freedom, that is, in the last analysis, in the service of independence, to create a much greater power than the nations in isolation.

Mr. J. Royer (UNR), felt that national feelings were the starting point and that supranationality was a conclusion. To attain this end, it was necessary gradually to define and implement common policies in all sectors and also create a European university which would, as of now, work out a system of values that transcended the national terms of reference.

Representatives of the Democratic Party of the Centre, the Democratic Coalition and the Socialist Party stated they would support the bill authorizing the ratification of the treaty setting up a single Council and Commission in the European Communities. But this was not to be read as support for the Government's foreign policy which they continued to oppose.

The bill was passed by 431 votes to 44.

The Senate

The Senate discussed the bill on merging certain European institutions at its session of 25 June 1965.

Mr. J. Brunhes (Independent Republican), as rapporteur for Foreign Affairs Committee, briefly enumerated the present European institutions and, with reference to the European Parliament, took the view that refusal to endow it with rights and prerogatives or at least responsibilities on the pretext that it was not directly elected was unwise. The error was compounded by the fact that the countries who used this argument were the very ones who opposed any discussion of such direct elections. He said why the European institutions should be transformed: they were no longer in keeping with the development of the Common Market, especially when it came to energy and transport.

He outlined the main changes embodied in the treaty. Referring to the fact that the Permanent Representatives Committee had been made into an institution, he feared that it might at times find itself at loggerheads with the Commission because the Commission put forward proposals that predicated compromise. Perhaps they would reach such compromises but this seemed inconsistent with the Community spirit of the treaties. The rapporteur was disturbed to see such a clause in the treaty.

Mr. Brunhes trusted that the Communities themselves would be merged as soon as possible and that all three and not just one of the treaties would be taken into account at that juncture. With reference to the negotiations on financing the common agricultural policy, he opined that it was impossible to create Europe in compliance with the treaties unless all the revenues accruing from customs duties and agricultural levies were paid into a common till which was managed by the single Commission - which in turn could only be supervised by the European Parliament.

Mr. A. Poher (MRP) was emphatic about the need for the merger envisaged. He felt that the treaties themselves should be unified, co-ordinated and adjusted. "Europeans like me," he said, "are in favour of the merger as a step towards a united Europe - why not say the United States of Europe? The "new wave" Europeans, who are against integration, want to see the ECSC

disappear because it is alleged to be supranational and give to the bodies, that will be set up under the future treaty, less independence in relation to the Governments." Mr. Poher thought this a serious crisis in the construction of Europe. Without realizing what was happening, the governments of the six States had reached the stage where they were together pursuing what was in fact a political course. The political union of Europe had, in fact, already begun. The treaties of Rome had their own inherent logic which those who signed them could not reject. For Europe to be European it was above all necessary for the Europeans to want this to come about and for them to be able freely, at the Community level, to work out the policy of such a European Europe. Only the Six together could determine the policy of the Six. The European construction would not recover its momentum unless the Governments reached the point where their views on the future of Europe and its basic policy coincided.

Mr. Moutet (Socialist) considered that the draft treaty at present under discussion represented a considerable step forward in the construction of Europe and would bring home to the general public why opinion was in favour of the political Europe that would gradually come into being. The Socialists were in favour of agricultural levies and customs duties being paid directly into the Community till and administered by the Commission under the supervision of the Parlement. The treaty on the merger of the European institutions should accelerate the constitution of the political Europe. The socialist group was against any outworn nationalistic doctrine whether for France of for the new formation of a political Europe.

In reply to the various speakers, Mr. Habib-Deloncle, Secretary of State for Foreign Affairs, recalled why certain European institutions should be merged in preface to merging the Communities, which would take some time. He stressed the usefulness of the Permanent Representatives and pointed out that the treaty consolidated existing practices and did not increase the powers of the Permanent Representatives. It was a question of regularizing a useful procedure and should make it easier for the Permanent Representatives Committee to keep in close and constant touch with the single commission.

He recalled the French Government's views on political union and the negotiations on financing the common agricultural policy; he was convinced that, as had been the custom during Council of Ministers discussions in Brussels, agreement would be reached when practical issues were broached; he felt that the outlines of such an agreement were perhaps already beginning to emerge.

The bill was passed by the Senate by 256 votes to 14. (Official Gazette, National Assembly Proceedings, 17 and 18 June 1965. Senate Proceedings, 26 June 1965)

## 2. Proposed French tax on primary sources of energy

In a written question to the Minister for Industry, Mr. Moynet (Independent Republican M.P.) asked whether it was true that a plan to put a specific tax on the various forms of energy was currently being studied. If so, he asked, how was this plan to be reconciled with the concern of the European institutions to co-ordinate the energy policies of the six countries of the EEC.

Mr. Maurice-Bokanowski, Minister for Industry, replied that the Government had drawn up a series of provisions to ensure that France obtained its energy supplies under the most favourable conditions, bearing in mind the main options of the Fifth Plan. To preclude any confusion on the fuel markets resulting from divergent price trends, the Ministry was giving close attention to the problem of co-ordinating the energy market. To this end the Ministry had studied a plan embodying a complete range of provisions including the introduction of a tax on all primary energy sources. It would furthermore be an economically neutral ad valorem tax and not a specific charge.

The adjustments envisaged in the factors making up energy prices, including the ad valorem tax, had nothing in common with the obsolete idea of a tax on energy that was simply a source of public revenue; whereas the latter stemmed from now obsolete fiscal considerations, the tax currently being studied was designed to regulate the consumption of energy products; the effect of the plan would be to cut the cost of fuel supplies to industry. The range of provisions contemplated naturally took into account the obligations entered into by France under the Treaties of Paris and Rome; indeed such an organization of the energy market - liberal in outlook - might further the introduction of a common policy for energy. The plan was now being studied by various ministerial departments concerned and it might well be quite a long time before the Government decided its position on this subject. (Official Gazette of the French National Assembly Proceedings, 9 June 1965)

## 3. French Cereal Export to the EEC

In a written question to the Minister for Agriculture, Mr. Le Guen (Democratic Centre MP) asked what measures were envisaged in respect of French wheat and barley exports to EEC countries to ensure that the opening of the European Common Market did not fall through. On wheat and barley exports to non-Member countries, France suffered an appreciable loss of profits because she had there to sell at world prices whereas cereals exported to the EEC markets sold at the full price. The resulting fall in receipts amounted to 125m dollars, a disparity covered by subsidies from the budget and subscriptions paid by producers.

In reply, Mr. Pisani, Minister for Agriculture, explained that French exports to the EEC of barley and soft wheat in the form of grain would probably total 1,150,000 tons in 1964-65 and exports to other countries, 4,450,000 tons, or 5,600,000 tons all told.

Of course, French exports to the EEC amounted to little over 20 per cent but it had to be borne in mind:

a) that for budgetary reasons, barley exports to Italy had been discontinued (they were more costly than exports to non-Member countries) whereas in 1963-64 they totalled 252,000 tons;

b) that apart from barley sales in Italy, French exports to the EEC were increasing: 650,000 tons in 1962-63, 945,000 tons in 1963-64, 1,150,000 tons in 1964-65;

c) that in 1964-65 French wheat and barley exports would be well in excess of previous years: 3,611,000 tons in 1962-63, 4,445,000 tons in 1963-64, 5,600,000 tons in 1964-65;

d) that in 1964 France's partners in the EEC had reaped good harvests, thus reducing their needs appreciably, especially as regards common grade wheat;

e) that in future the EEC was liable to show a surplus to common grade wheat which meant that the flow of exports to non-Member countries had to be maintained, especially those to the Franc area and to neighbouring countries (United Kingdom, Spain, Switzerland).

The heavy expenditure incurred in exporting cereals to non-Member countries was not borne wholly by France. Under EEC regulation No. 25, half the cost incurred under this head in 1964-65 would be borne by the European Agricultural Guidance and Guarantee Fund (EAGGF). The proportion borne by the EAGGF would increase in subsequent years; in 1967-68 the EAGGF would bear the total cost.

In order to expedite intra-Community business, France was endeavouring to secure greater flexibility in the EEC regulations in respect of the following:

a) the financial system governing French secondary cereal exports to Italy;

b) increased opportunities for setting the intra-Community levies in advance;

c) an adjustment, in sympathy with intra-Community trade, of the additional amount of levy on imports from non-Member countries which represents the intra-Community preference;

d) a modification of the temporary importation system, to enable millers in other EEC States to use French wheat as a standard by which to assess their imports;

e) a less rigid calculation of franco-frontier prices and of the rates of the intra-Community levies.

French wheat sales in other EEC countries were being held back because industrial users still wanted to use a certain proportion of American full-grained wheat. Action had been taken (and this would be intensified) to demonstrate, on the one hand, that the average French wheat made excellent bread and, on the other, that France could supply appreciable quantities of full-grained wheat at reasonable rates. (Official Gazette of the French National Assembly Proceedings, 10 June 1965)

Netherlands

1. Motion tabled in the Dutch Parliament on financing the common agricultural policy, independent revenues for the EEC and strengthening the powers of the European Parliament

The Second Chamber of the States-General tabled the following motion on 16 June:

"The Chamber,

in view of the European Commission proposals concerning:

I. Financing the common agricultural policy;

II. Independent revenues for the European Economic Community;

III. Strengthening the powers of the European Parliament;

in confirmation of its statement of 2 February 1965;

in view of the resolution of the European Parliament of 12 May 1965;

supports on political, institutional and economic grounds, the EEC Commission proposals as passed by a large majority of the European Parliament;

emphasizes in this connexion that:

a) for political reasons, the proposals must be regarded as an indivisible whole;

b) it is necessary to bring the common agricultural market and the common industrial market into being at the same time;

c) in creating independent revenues for the EEC, the Community budgetary procedure must be modified so that the supervisory function, carried out to date by the national parliaments, is exercised at the European level on the basis of effective parliamentary control;

d) it would be desirable in connexion with the foregoing to take initial measures for assigning legislative powers to the European Parliament by introducing a right of veto;

still considers that to strengthen parliamentary democracy in the EEC, it is necessary for the European Parliament to be elected by direct universal suffrage, especially when endowed with genuine powers;

considers that the EEC tax on fats should only be introduced on the basis of the procedure adopted by the European Parliament for approving the Community budget;

supports the decision of the European Parliament, endorsed by the three major political groups in that assembly, to the effect that the co-operation of the European Parliament should be sought if the EEC Council wishes to depart from a budget as drafted;

calls upon the Government to defend this viewpoint at the forthcoming talks;

asks its President to bring this resolution to the attention of the EEC Commission, the EEC Council, the European Parliament and the Parliaments of the five other EEC Member States."

This motion was discussed at a public session of the Foreign Affairs (Budget) Committee on 9 June when the annual report of the Dutch Government on the implementation of the EEC and Euratom treaties was discussed (1964).

During the debate, Mr. Luns first made the following statement:

"The Dutch Government will be taking the following position at the forthcoming talks:

It would hold fast to the Commission proposal that financing of the agricultural policy during the transitional period should be coupled with the question of independent revenues and strengthening the powers of the European Parliament.

The Dutch Government would continue to support the view of the European Parliament as to the substance of the proposals to increase its powers (especially the right of veto) and to uphold the Dutch proposal on the right of veto in the legislative sphere.

Should it prove possible to achieve a majority on the basis of the Commission proposals to increase these powers, the Dutch Government would not fail to support it. If no unanimity were reached then the Dutch Government would consider itself free to act as it thought fit. This last sentence (The Dutch Government would consider itself free to act as it thought fit) means that the Government would in that event go back to its original proposal. I would again emphasize that the present Commission proposal remains the basis on which the Government is working. The Government trusts that the Commission will stand by its proposals in full. Finally, I would recall that the Commission is not answerable to the Council of Ministers but only to the European Parliament."

At the instance of the Budget Committee, the Minister amended his standpoint as follows:

"The Government is gratified to note that the Chamber endorses the EEC Commission proposals, as amended by the European Parliament. It considers that the motion tabled will represent positive and solid support in the forthcoming negotiations. It will do all in its power to see that the powers of the European Parliament are strengthened, as advocated in the motion. The creation of independent revenues for the Community must go hand in hand with a corresponding increase in the powers of the European Parliament. The Foreign Minister did not wish to imply that the Government would stand by the Commission viewpoint for as long as the Commission upheld it. The Parliament would pronounce later on the way in which the Government put its political ideas into practice." (Debate of the Second Chamber of the States-General, 1964-65 Session, 9 June 1965)

2. The Dutch Government and the common transport policy

When the Dutch bill, establishing the budget for the Ministry of Transport and Waterways, was in the Committee stage in the First Chamber of the States-General, Mr. Suurhof (the Minister of Transport) en Mr. Posthumus, Secretary of State, made statements on the common transport policy.

a) Equal treatment for all forms of transport:
"In view of the different structural features of the various types of transport, the effect of any given

measure is not necessarily the same for all forms of transport. If, therefore, the intention is to ensure equal treatment, the effects of measures envisaged will also have to be taken into account."

b) Tariff bracket system and capacity control:
" The undersigned point out that both imply a restriction on competition. Their view is that there is no pressing need to increase the restrictions to which one form of transport is subject through introducing restrictions for another form of transport. It is far more a question of choosing between these measures, when a competitive restriction seems necessary, since any decision taken will, on the whole, depend on the end in view."

"Any system of capacity control on the inland waterways in the EEC must satisfy the requirement that the burdens involved should be shared equally between all concerned. Hence the Government takes into account not only the various domestic interests involved but also international relations."

c) The railways:
"The deficit of the German railways has a strong bearing on the whole transport system of the Community. The same is true of various other railway executives in the EEC. The Dutch Government therefore attaches great importance to holding thorough discussions on the position of the railways in the context of a common transport policy. The other Member States agree in principle. Such discussion would help to remove the difficulties facing other forms of transport which stem from the fact that the railways run at a loss in the EEC."

"As regards the position of the Dutch Government on such discussions, it is worth noting that it considers that, for reasons of international policy and bearing in mind the position of national transport, it would be advisable to adhere to the principle of the profit-earning capacity of the Dutch railways and that operations resulting in losses that are not commercially justified, such as those in the public interest, should be borne by those whom they benefit, including the State itself where applicable. It would be undesirable to charge such burdens to the operating accounts of the Dutch railways since this would hinder their efforts to balance these accounts and might impair their competitive position in relation to other forms of transport. Where the State is also involved in such operations, it would be desirable to spell out the

financial relationship between the State and the Dutch railways in concrete terms, with particular reference to the method by which finance is to be made available."

d) Road transport:
"Except for the Benelux countries where road transport has been entirely liberalized since 1 October 1962, trans-frontier traffic in the EEC is almost exclusively between the transport contractor's country and another country. The efforts of the Government are directed at removing quantitative restrictions in these bilateral relations, in strict compliance with the EEC Treaty provisions which aim at achieving the freedom to supply services. Under certain circumstances, however, the Netherlands would be ready to accept as

a compromise a quota system within the EEC which took into account the wide differences in the situation in the various Member States.

The position of the Dutch Government on the relationship between road and railway transport freight rates was explained as follows: "As a result of the increase in fares on the Dutch railways the competitive position of road transport will certainly be no less favourable and probably improved. Any corresponding increase in road transport freight rates would, in view of the undersigned, be fundamentally unsound. Dutch rates policy is directed at linking rates with costs of transport in the sector concerned. If the operating costs of the various forms of transport evolve along different lines, it would be reasonable to adjust rates in a different way."

e) Inland waterways:
"The free movement of Dutch shipping on the canals of the Federal Republic of Germany must be considered in connexion with the development of a common policy to free the supply of services in the EEC within the framework of a common transport policy. It is with this attitude of mind that the Dutch Government is endeavouring to increase the opportunities open to Dutch waterway traffic on West German canals."

(First Chamber of the States-General; final report of the Committee of drafters of the bill establishing Chapter XII (Communications and Waterways) of the State Budget for 1965, 3 June, 1965)