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C O N T E N T S

P a r t I

DEVELOPMENT OF EUROPEAN INTEGRATION

	page
I. <u>GENERAL PROBLEMS</u>	3
1. The French Government's position in regard to political co-operation in Europe	3
2. The unification of Europe and monetary matters as viewed by Mr. Schmücker, the Federal German Minister for Economic Affairs	3
3. The German "Europa Union" supports the appointment of Mr. Walter Hallstein to the chairmanship of the Single Commission	5
4. Open letter to the Dutch Minister for Foreign Affairs endorsing the foreign policy of the Dutch Government	6
5. Mr. Linthorst Homan: Does the Treaty require us to arrest the development of the Community?	9
6. Culture and technology in a united Europe	11
7. Meeting between Mr. Couve de Murville and Mr. Fanfani	12
II. <u>ECONOMIC POLICY AND ECONOMIC SECTORS</u>	15
1. The Federal German Government on energy questions	15
2. Statement by Mr. Blessing, President of the Bundesbank, on the international monetary system	16
3. In support of a European policy in the matter of American investments	17
4. Kennedy Round of trade negotiations	22
5. Italian Agriculture in the European Community ...	25
6. Developments concerning the Community Energy Policy	27
7. Statement by the Italian Minister for Agriculture on the sugar problem	28

	page
III. <u>EXTERNAL RELATIONS</u>	31
1. Austria and European integration	31
2. Meeting of the W.E.U. Council in Rome	32
3. Sir John Ward, British Ambassador to Italy, on the new Labour attitude towards the Six	34
4. Great Britain and the EEC	35

P a r t I I

THE PARLIAMENTS

I. <u>SESSION OF THE EUROPEAN PARLIAMENT FROM 22-26 MARCH 1965 AT STRASBOURG</u>	41
1. Co-operation between the European Parliament and the Parliaments of the States associated with the European Communities	41
2. Euratom Policy	44
3. Trade relations between the EEC and the Associated African States and Madagascar	45
4. The economic situation in the Community	49
5. European public contracts	53
6. A common approach to State aid for Community collieries	55
7. The Community road, rail and inland waterway transport network	57
8. Passenger transport by road	59
9. The political report of the ECSC High Authority	60
10. Europe's political unity	62
11. The activity of the Council of Ministers	70
12. Relations between the Community and the State of Israel	74

	page
13. The present state of the common commercial policy	78
14. Housing for migrant workers	81
15. Processed Agricultural Products	83
II. <u>EUROPEAN PARLIAMENT</u>	85
Work of the Committees in March	85
III. <u>NATIONAL PARLIAMENTS</u>	93
<u>Belgium</u>	93
European policy debate in the Senate	93

Part I

DEVELOPMENT OF EUROPEAN INTEGRATION

I. GENERAL PROBLEMS

1. The French Government's position in regard to political co-operation in Europe

At the close of the Council of Ministers meeting, on 31 March, the Minister of Information issued the following statement on political co-operation in Europe: "With regard to the discussions between the six Common Market countries, the Council of Ministers has confirmed that there has been no change in the French position since the 1960-61 initiative or, indeed, since the talks held between General de Gaulle and Chancellor Erhard in January. The Government regards it necessary that discussions be resumed with a view to reaching an agreement if only because the Common Market itself could not, in the long run, survive without organizing close political co-operation between its members.

A conference of heads of State or Government is therefore considered advisable as soon as the talks now in progress in Brussels, in which agriculture loomed large, have been successfully concluded by June 30. The conference would be preceded by a meeting of foreign ministers, which has already been agreed upon in principle.

It is clear, however, to the French Government that such meetings could not be held unless the aim of the discussions were agreed and unless, this time, they held out a reasonable chance of being brought to a successful conclusion. This does not appear to be the case at present. The French Government trusts, therefore, that the essential groundwork, with which, of course, it is more than willing to be associated, be engaged upon forthwith." (Le Monde, 1 April 1965)

2. The unification of Europe and monetary matters as viewed by Mr. Schmücker, the Federal German Minister for Economic Affairs

Mr. Schmücker, Federal German Minister for Economic Affairs, addressing the Société d'Economie Politique in Paris, called for the early unification of Europe. The audience consisted of leading politicians and professors.

Referring to Germany, the Minister said that with a population of 70 million, she was too small to take on a world political rôle and too large to go in for neutralism. This was why the Federal Republic had decided to join the ECSC, the European Defence Community (that foundered on French opposition),

General problems

Euratom and the EEC. Germany was dependent on Europe. Her other partners - France and Italy - were also dependent on Europe and it was therefore necessary for them all to come together as soon as possible.

Mr. Schmücker agreed with the French view that the division of the world into two power blocs was a thing of the past. Large new blocs were coming into existence and this was why the Federal Government had solved the agricultural issue in a European spirit. Germany therefore supported the Kennedy Round, a common European commercial policy and an agreement on credit arrangements with the Eastern bloc. Energy problems too had to find their solution at the European level. "The economic course to be taken by the European countries is necessarily a political one and it would be better if all countries developed a common political nucleus." The Minister for Economic Affairs was in favour of all countries, which were ready to follow the European path, being invited to negotiations. "The French pet idea about the former kingdom of Charlemagne, is at all events one I prefer to a pitiless pattern of petty states," he added to the applause of his audience. In modern economic terms only "a Europe open to the world", which others could join, was possible; France and Germany had to pursue this course, for the European Community had nothing to offer but advantages.

In the talks between Mr. Schmücker and Mr. Giscard d'Estaing the French Minister for Economic and Financial Affairs, there were discussions as to how French and German firms might co-operate more closely. It was agreed that this co-operation could find expression in international calls for tenders; co-operation on the domestic markets was also discussed. Working parties should be set up to look into co-operation problems and to examine administrative and fiscal co-operation possibilities.

Mr. Schmücker advocated in Paris a third reserve currency in addition to the pound and the dollar, in order to make Europe a third monetary power. This presupposed, however, the creation of a European monetary union in which European currency reserves could be fused. The collective reserve unit proposed by Mr. Giscard d'Estaing evoked very little interest from Mr. Schmücker who described it as a dwarf scheme; he referred in this connexion to bygone attempts to create a synthetic European language. The gold standard was not commensurate with the volume of world trade. An additional unit for international payments could not be brought into use artificially as it required a third economic power. Countries like France, Germany or Italy were too small on their own; instead of an "esperanto currency", what was needed was a third force in Europe. "This third force must be achieved through the progressive realization of a European monetary union."

The Minister here referred to the speech made in Zurich by Mr. Blessing to the effect that balance of payments deficits could be settled in part in gold and, in part, in currency. This represented a concession on the part of the Federal Republic of Germany to the ideas of Mr. Giscard d'Estaing; the time was not ripe for a monetary union but the Federal Republic of Germany was in favour of working out a common approach to bank notes in order that a European monetary union might ultimately come into being.

The Federal Minister for Economic Affairs also advocated a liberal economic policy for Europe and an improvement in competition regulations so that everyman at the outset had a guarantee of equal competitive conditions. "It should not be for the State but for the individual to decide where he should invest his efforts and his capital."

On the development of the economy in its relations with the world at large, it was necessary for the individual economies to be exposed to international competition to make them better adjusted as a result of the "tough training of world competition". Mr. Schmücker therefore called for a further customs dismantling and measures for harmonizing taxes. On the introduction of the "added value tax" in Germany, he felt that there was a difficulty here, viz. reducing direct taxation and raising the relatively low indirect taxation to an average European level. (Frankfurter Allgemeine Zeitung, 10 and 11 March 1965; Süddeutsche Zeitung, 11 March 1965; Le Monde, 11 March 1965; Handelsblatt, 11 March 1965; Neue Zürcher Zeitung, 13 March 1965)

3. The German "Europa Union" supports the appointment of Mr. Walter Hallstein to the chairmanship of the Single Commission

The German "Europa Union" has proposed to the six countries of the European Community that Mr. Walter Hallstein, President of the EEC Commission, be appointed President of the "Single European Commission". Press announcements indicate it as certain that the Federal Government will make this proposal once the Parliaments of the six EEC countries have ratified the merger of the Executives of the three European Communities.

The Brussels merger decision furthermore has been welcomed unanimously by all the German parties. Press services of the CDU/CSU spoke of a "further important step towards European integration" and the FDP stated: "this is a significant achievement". Mr. Willy Brandt, SPD Chairman and candidate for the

General problems

Chancellery, said "after many months of stagnation in European politics this is good news." (Die Welt, 4.3.1965)

4. Open letter to the Dutch Minister for Foreign Affairs endorsing the foreign policy of the Dutch Government

On 2 March 1965, a group of 38 distinguished Dutchmen addressed an open letter to Mr. Luns, the Dutch Minister for Foreign Affairs, in which they declared:

"The maintenance and strengthening of the Atlantic Alliance has been the corner-stone of Netherlands foreign policy since the North Atlantic Treaty Organisation came into being. This alliance is now being shaken to its foundations by developments in the Europe of the Six.

The integration of Europe is also a key factor in our foreign policy; but because our country has always taken the view that this integration should strengthen the Atlantic Alliance, the Netherlands are now faced with a serious choice between priorities.

The Netherlands have always endeavoured to maintain the outward-looking character of the Brussels Communities; the Netherlands have always regarded economic integration as a particularly important factor in achieving the ideal in view - the unity of Europe. Our country has always striven to ensure that the integration process was not restricted to the Six but open also to the United Kingdom and other countries of Europe.

At the political level, the Netherlands have endeavoured to bring these countries in on the unification of Europe to ensure that the Europe of the future is democratic in character and politically stable.

In defence and on international policy issues that have the greatest bearing on world peace, our policy has always been guided by the belief that our country - and not only our country but the whole of Western Europe - can only be secure and strong inside an Atlantic organization in which the full power of the United States comes into play.

The Netherlands have always rejected as disastrous the concept of a united Europe as a third force between the United States and the Soviet Union.

The signatories fully endorse the policy of the Netherlands but feel that its chances of prevailing are at present jeopardized. France's veto of January 1963 on the accession of the United Kingdom was a heavy blow to the efforts to give the European Communities an open character. It is clear that this veto was not exercised for economic but exclusively for political reasons. The accession of the United Kingdom would certainly have constituted a guarantee of an Atlantic orientation to the process of European integration. France's current efforts to organize Europe in the spheres of defence and foreign policy are, on the contrary, aimed at loosening the links with the English-speaking countries and pursuing a policy that is independent of that of the United Kingdom and the United States. Moreover, this continental European policy is being pursued on the basis of the continuing sovereignty of the member States. Such a policy which is liable to break up the NATO solidarity, is a serious threat to the essential cohesion of the West. It leads to a revival of nationalism. It would seriously affect the ability of Europe to defend itself and it threatens the achievements of post-war western co-operation.

The process of erosion has already begun. A solution to the nuclear problem on an Atlantic basis has been postponed and, if appearances are not deceptive, unhealthy ideas are spreading on an increasing scale about the rôle of Europe in western co-operation. The positive results which are being achieved in the economic communities, and which, as such, must be accounted very favourable, are no adequate compensation for this.

In the present situation we urge that at the earliest possible point in any discussions on political union a renewed demand should be made by the Netherlands for the participation of the United Kingdom. Without wishing to endorse the policy which British Governments have pursued on European integration since 1945, we are convinced that it is in the interests of Europe that the United Kingdom should be brought into the process of European integration. The British Government has clearly evinced a desire to be part of this political Europe.

The refusal to invite the United Kingdom to these talks is, in our opinion, further evidence of a disturbing trend in Europe, especially since it would appear that these talks would only be held at inter-governmental level. The Western European Union would be the natural setting for such talks.

We entirely reject the setting up of a political union of the Six on the basis of a treaty, if only because there is no agreement between the Six on the fundamental objectives of foreign policy, in particular as regards relations with the United States. Likewise, we have serious reservations about institutional consultations between the Six on these problems.

General problems

We regard it as meaningless to argue that such consultations would provide an excellent opportunity to clarify the respective standpoints of the Five and of France. Events in recent years have shown clearly enough that the Six are not in a position to adopt a common line. Further consultations between the Six would merely result in further concessions to France and would widen the split in the Atlantic Alliance.

We also oppose the idea of defence being discussed at these talks. There is no identity of view on the foundation of a common defence policy and the military potential is lacking for an independent European defence system. We do not hesitate to say that the Europe of the Six could never constitute a force capable, even imperfectly, of guaranteeing our security.

Only NATO can guarantee our security, for thanks to the participation of the United States, NATO forms the only framework within which our defence can be effectively organized, and therefore the only one deserving consideration. Any attempt to discuss defence problems outside NATO and within a Continental European framework would ultimately lead to disintegration, with all the dangers that this would imply for us and for our country. We support a greater measure of military integration, even at the level of nuclear arms, within the Atlantic Alliance.

We urgently appeal to the Government to stand unflinchingly by its policy principles in the coming months - when it may have to make a very important and perhaps final choice - and not allow itself to be dragged along, under the label of European Union, on a course which would cause irreparable damage to European integration and to the cohesion of the Atlantic world.

A strengthening of the links between Europe and the United States and concerted action by the countries joined together in NATO deserve both now and in the future to retain the highest priority in Dutch policy."

The Minister for Foreign Affairs commented as follows on this open letter:

"I greatly appreciate what was said in this open letter, signed by many distinguished Dutchmen, concerning important issues now confronting the Netherlands with regard to European and Atlantic co-operation.

I value very highly the affirmation of a widely felt conviction that the Dutch Government must keep faith with the principles that have underlain its foreign policy for many years and that it should continue to pursue its aims. This

letter justifiably emphasizes the vital importance of our being closely associated in the progress of Atlantic co-operation and the construction of a Europe that is both integrated and outward-looking. I cannot conceal that the dangers which threaten the healthy development of the European unification process and Atlantic co-operation, as referred to in this letter, are a source of concern to myself as well. I am grateful to this group of distinguished Dutchmen for their valuable and unequivocal support of the policy that the Government has so far followed in agreement with the Parliament."

The European Movement of the Netherlands shared the disquiet expressed in the open letter but considered that it was not a matter of choosing between the Atlantic Alliance and European co-operation. Dutch policy should be guided by both European and Atlantic considerations. The Six had now to take decisions about political consultations and democratic structure. The democratization of the Community through enhanced powers being vested in the European Parliament had become an urgent requirement and it was regrettable that there was no reference to this open letter. The need for political consultations followed on naturally from the multiplicity of Community interests and on this subject there was general agreement at present. There was no obligation for the Netherlands to join in the setting up of political unions with an anti-American bias, in the creation of new institutions, in the pursuit of an incoherent foreign policy. But to reject the idea of political talks between the Six would be yielding the initiative to those who seek to conduct Europe along the wrong course. (Statement by the Bureau of the European Movement of the Netherlands, 3 March 1965)

5. Mr. Linthorst Homan: Does the Treaty require us to arrest the development of the Community?

Speaking about European integration and the problems it is currently faced with, Mr. Linthorst Homan of the High Authority, stated in Hilversum on 12 March, that he was opposed to a "European Europe". The Foreign Ministers had not acted on the engagement they had entered into in 1959 regularly to consult with the three Executives on current political problems; they had, thereby, neglected an opportunity to achieve a political rapprochement. The speaker felt that the Treaties had become "crutches" serving to keep the Community upright. Not all the Member States had really kept faith with the ideals of Robert Schuman, either as regards internal co-operation between Member States or even less as regards external relations.

General problems

Despite the difficulties that occurred in 1963 - the failure of plans for the accession of third countries to the Community, due to the veto of the French Government - economic integration had continued and the five other States still had faith in the future and were convinced that the blow dealt by the Head of the French State was merely a passing setback.

The speaker wondered whether the present crisis was characteristic of European integration and inherent in the efforts to achieve it. He was "among those who regarded the current Gaullist bid as a mere contretemps and felt that it was possible to create a United States of Europe while still keeping faith with the Atlantic Alliance, and even strengthen it at the defence level. The European Defence Community plan, geared to the defence of the Atlantic area, had proved that this was both acceptable and feasible for most Member-States." Against this view are those who consider that the most characteristic feature of our intention is a concern above all to be Europeans and who for this reason would like to replace European integration by a direct Atlantic integration." Mr. Linthorst Homan added: "I personally regard Atlantic integration as a mirage but I find wholly reasonable the idea of intensive Atlantic co-operation between North America and an integrated Europe."

"Between these two extremes there are those who are aware of the danger of any inclination among the Six towards too exclusive a desire for independence but who, at the same time, would not feel any anxiety about such a danger if the United Kingdom and other countries of Western Europe were in the Community. My own answer to them is that we still trust that the United Kingdom and other countries will join the Community and that we should continue to do our utmost to obtain this and that there will come a time when we shall have to demand it."

There was nothing in the Treaties, according to the speaker, to warrant the Gaullist claim that the sovereignty and the isolation of Europe should be fully maintained.

Mr. Linthorst Homan felt that the main issue now was whether it was in the best interests of Europe to persevere or whether it would be preferable to stop and resume work later. The speaker personally believed that as long as it was reasonable to hope that French aspiration to European independence were a passing phenomenon, one had to go on trying to increase the membership. But he felt that if France showed that she was absolutely determined to create a "European Europe" particularly in regard to defence, the Treaty would oblige us to give up. Neither the spirit nor the letter of the Treaties authorized any attempt to create a bloc. (Text of the speech by Mr. Linthorst Homan)

6. Culture and technology in a united Europe

On 10 March, Mr. Louis Armand, the French academician and former President of the Euratom Commission, spoke in Milan, at the Institute of International Political Studies, on the contribution that culture and technology could make to the construction of Europe.

Culture and technology, he said, could act on each other as a brake or as a stimulus, although, thanks to the new dimensions our continent was acquiring, it was the stimulus which was today prevailing. Bled white by two fratricidal wars and shaken by conflicting ideologies, Europe had lost the lead it once had; this would certainly be regained through the new dimensions it assumed and through the diversity of its approach to culture and technology.

The means to this end, Mr. Armand felt, were to be found among the younger generation which was readier to co-operate at the European level for reasons cultural, spiritual and above all technological. The younger generation viewed the unification of Europe with a very much more realistic eye, being in fact quite adjusted to the idea. They had before them the constant example of the United States of America, whose immense market produced a flow of consumer goods and services at a low cost and of better quality.

The dimensions of Europe, the speaker said, should be modelled on those of the United States. To date the Common Market had reduced internal customs duties but this was not sufficient and related more to the past than to the future. Business organizations, the hives of production, had also to take on dimensions commensurate with a united Europe. In other words it was necessary to float "European" business organizations. This was underlined by the fact that new activities and new branches of industry would, in a few years time, be equal to, if not greater than those today operating in somewhat restricted economic fields which hampered their technical progress.

Mr. Armand took the view that Europe was in a position to acquire all that others already possessed, while others could never obtain what Europe already had. In other words, Europe possessed cultural reserves that had accumulated in the course of time and on which it could draw provided it knew, of course, how to make the most of them. He recalled that productivity, primarily technical in nature, was reducing and would reduce still further the hours normally worked, thus freeing more time for cultural pursuits. There was no contradiction between the two phenomena, since greater productivity would make it possible to develop culture and this, in turn, would allow for expanding productivity.

General problems

"Associating culture and productivity, Mr. Armand concluded; would give the world an example of the symbiosis between technological and cultural expansion and this was the vocation of the European countries. It is their duty to achieve this symbiosis since it is one of the conditions if not the condition upon which their political and economic unification depends." (Relazioni Internazionali, 27 March 1965)

7. Meeting between Mr. Couve de Murville and Mr. Fanfani

At the invitation of Mr. Fanfani, the Italian Foreign Minister, Mr. Couve de Murville, French Foreign Minister, went to Italy on an official visit from 27 to 29 March 1965.

The talks held in Rome were set against the background of the latest phase in the attempt to create a European political union and they were designed to establish whether a sound basis for a fruitful resumption of work on European integration existed for the meeting which was to have been held on 10 May in Venice between the Six foreign ministers.

Before the arrival in Rome of Mr. Couve de Murville, some indication of the French attitude was given by Mr. Peyrefitte, French Minister for Information. Following a meeting of the French Council of Ministers he had stated that the French Government had agreed in principle to the conference provided that all the conditions conducive to its success had first been met. Furthermore, during the first day of the talks and while the ministers of the two delegations were still in session, a communiqué from "France-Presse" agency stated that France had rejected the Venice Conference as the French Government wanted to know exactly what such a Conference would aim at.

In fact, Mr. Couve de Murville confirmed what had been learned beforehand; he reaffirmed the support of his Government for the principle that lay behind the recent Italian move; in essence, however, he remained officially guarded and cautious in his attitude towards future political developments.

Returning to the position adopted by the French Council of Ministers, Mr. Couve de Murville stated that a further setback in the progress of European integration could have a serious, adverse effect and that before calling a meeting of the Six, it would be preferable to hold further bilateral talks.

ANSA, the Italian Press Agency, commenting on the Fanfani-Murville talks said that the inference to be drawn was that the French Government supported the principle of a new drive towards political union by the Six; it approved the Italian move although, at the same time, it wished to reflect further on the ways and means for relaunching the political construction project.

This resolve on the part of the French, which the Italian Foreign Minister also found following his direct contact with his French colleague, was confirmed during the meetings between the French delegation and the President of the Republic and the President of the Council and constituted a factor of considerable importance in indicating the lines that could be followed, not only by Italian diplomacy but by that of the other interested countries to reappraise the existing difficulties and to take a decisive step towards political union. (Relazioni Internazionali, 3 April 1965)

II. ECONOMIC POLICY AND ECONOMIC SECTORS

1. The Federal German Government on energy questions

Following the French Government proposal to hold consultations on drawing up quantitative objectives for coal for 1970, the Federal Republic in turn proposed consultations on the principal energy policy measures. These consultations stem from Article 10 of the Energy Protocol, passed by the Council on 21 April 1964.

The Federal Government's consultation proposal consisted in three measures:

1. Bill for promoting coal consumption by thermal power stations.

The proposal was that power stations that use coal should attract tax concessions for a limited period. The justification was that the promotion of coal consumption in the production of electricity would mean a stabilization of the future marketing opportunities for coal. The measures would also serve to ensure supply security in the electricity sector. The Federal Government indicated that because of the favourable cost situation for fuel oil, new power stations would be geared to oil power if the use of coal were not promoted. Fiscal aid should be available to absorb excess costs arising from the construction and operation of coal-powered generating stations so that coal plant would be built into new or extended pithead power stations.

These aid measures should be put into application throughout the Federal Republic without regard to the location of the stations if the beneficiaries undertook for a period of ten years to use coal mined in the Community. These advantages would be extended to those concerns that came into operation between 30 June 1965 and 1 July 1972.

The assistance would be organized as follows: during the construction period and the first five years in operation, provision would be made to create a reserve, distinct from taxable income, amounting to 45 per cent of the cost of the plant. After ten years the reserve could be spread, so as no longer to affect the operating costs. If the plant operated for a period of ten years continuously with Community coal, tax concessions would be granted, i.e. the reduction brought about through the reserve or rebate would produce the final tax concessions. The Federal Government estimated the additional coal consumption that would result from such support measures at around 150 million tons.

2. Promoting the construction of district heating plants

A financial programme had been drawn up that would call for about DM 40 m. up to December 1969. The qualification for assistance would be that the district heating plants operated for at least 20 years to the extent of 90 per cent on Community coal.

3. Obligation to declare the construction of oil refineries and pipe lines

Through this measure the Federal Government will be able to keep an eye on developments concerning oil on the German energy market. This should allow for control of the expansion of the oil industry, possibly with a view to introducing a system of import licences for crude oil and fuel oil.

2. Statement by Mr. Blessing, President of the Bundesbank, on the international monetary system

On the occasion of the annual general meeting of the German - Swiss Chamber of Commerce held in Zurich on 8 March 1965, the President of the Bundesbank came out unequivocally against a return to the gold standard. Referring to the press conference given by General de Gaulle, he stated that an effort had to be made to hold back the tide of inflation, but by other methods. "Our French friends would like to abolish the gold exchange standard completely and restore gold to a major rôle. We do not disagree as to the end, but as to the means."

The Bundesbank took the view that the gold exchange standard now in operation could be so adjusted as to become a useful international monetary system. Mr. Blessing spoke, in this connexion, of a gradual "harmonization" of the currency reserves held by the IMF member countries. In practice, two-thirds of the reserves could be held in gold and a third in currency; the countries showing a deficit could pay their debts in the same proportions. A ratio of three-quarters gold to one quarter currency would also be conceivable; these proportions could also be varied to suit the situation prevailing. Through such measures the gold exchange standard could be tightened up and the "discipline of the gold standard" restored.

The President of the Bundesbank urged that all proposals made to improve the present monetary system be considered. Among the disadvantages of the present system he instanced the lack of

confidence in the dollar and the pound as a result of balance of payments deficits.

The rejection of the Gaullist monetary theory by Mr. Blessing in Zurich was on the whole a surprise to no one since in recent years the Federal Government of Germany has always argued in favour of maintaining the gold exchange standard in the interests of the smooth operation of world trade. Similarly, the proposals on the proportions applicable to reserves were no novelty; these have been discussed in financial circles for a long time.

The new feature of Mr. Blessing's proposals was that, apart from gold, national reserves could be held in currencies other than dollars or pounds. This slight difference in meaning was certainly not expressed unintentionally; why indeed should future currency reserves not be held in German marks or French francs? Given the present external trade volume of the Common Market the use of "EEC currencies" as reserves could not be rejected on any grounds of expediency. It was in essence a question of reaching a compromise appropriate to the practical requirements of world trade whose operation would only be complicated through intricate shipments of gold.

Referring to the monetary policy in the Federal Republic of Germany, Mr. Blessing stated that he still believed in liquidity restrictions and higher rates of interest as instruments of the short-term economic policy. With reference to latest balance of payments situation, which also showed deficits, he stated that the restrictive issuing bank policy had been effective, although at the same time it had aggravated the German competitive strength on the world market. The German cost and price situation could not be regarded as favourable and, in this respect, he criticized the expenditure policy of the public authorities. "I have nothing against healthy optimism. But what is being done in the field of public finance and house building is unfortunately taking optimism too far." (Frankfurter Allgemeine Zeitung, 9 March 1965)

3. In support of a European policy in the matter of American investments

Writing in "Le Monde", on 23 and 24 February, Mr. Pierre Uri analysed the problems arising from American investments in Europe; he attempted to suggest how they might be resolved.

The writer emphasized the advantages of a European approach to these problems which might be based on a more impartial evaluation of the factors at work and the interests at stake. France could not act alone in this context. Assuming any one country did attempt to introduce special restrictions within the Common Market, the products of firms set up or taken over by American capital in another country would still flow into the French market, thus rendering such restrictions ineffective.

Our first concern, Mr. Uri continued, should be to free the discussion from its emotional overtones. In terms of size, American investments amounted to no more than 1 per cent of all the capital invested in Europe. As a basis for comparison, Europe in the Nineteenth Century held 15 per cent of the total capital invested in the United States. It would be conceded that the USA had not done too badly out of that colonization.

In the writer's view the influx of American firms was not a mark of imperialism and would not diminish one whit the control individual States had over their economies. What did arrest attention, on the other hand, was the large scale influx of American firms into a small number of sectors; this concentration in their action made it more spectacular especially in the food and motor industries. The nuclear, electronic and computer sectors, however, raised the most sensitive problem.

Mr. Uri felt that no one would dispute Europe's need to stay in the race: its overall technical progress depended on its playing an active part in key technological fields. But everything depended on how one interpreted this participation. Let there be no mistake: protests against American investments were simply the old protectionism writ large. It was found easier to withstand competition from products when they were manufactured elsewhere. There was a temptation "to take up arms" against competition from firms that came to establish themselves within the Community. If this trend were to prevail, the consequences would be no less disastrous than those that had resulted from a policy which had for so long condemned both French agriculture and industry to stagnation and retrogression.

There was none the less a real problem: that of new industries in which the United States were so far ahead that the danger was that Europe would never be able to catch up. Was this any reason for closing the door? The emergent nations had only acquired the most modern techniques through attracting foreign firms, even where this had meant extending tariff protection to their subsidiaries. It would be paradoxical at a time when the barriers against the inflow of products were being lowered, to

re-erect them or make them higher against the inflow of business organizations. What progress could Europe make in the key industries if it refused to be spurred on all the time by those who were in the van of progress? It was by tacking on quite another course that Europe could take up the challenge.

In a further article, Mr. Uri outlined the factors that could make for a solution to the problem of American investments in Europe. First of all, he broached the question of the scale of business concerns.

It was all too often believed that the scale of a business was an advantage in every instance. Yet there was a point in most industrial undertakings beyond which profitability ceased to increase. An analysis of American business undertakings showed that quite average firms, provided they were soundly run and sufficiently specialized, could be more productive and more profitable than enormous business concentrations. Even in the motor industry, the expert view was that, technically speaking, the European firms had grown to the necessary size and that the only progress that could result from concentration would be in the sphere of distribution costs. Where size was of the essence was in research and in financing research. There could be no question of Europe's turning away the most up-to-date techniques or the results of the most advanced research. Europe had to rise to the occasion and it could not do this through protection; it was through research on a much more intensive scale and through public contracts that helped to make such research possible and, if need be, through substantial direct aid albeit degressive. It was furthermore not by closing the door on the vast business organizations outside that Europe was going to progress. It was by the stimulans that such competition could give to promote the necessary concentrations.

Attention should focus on abnormal factors which provided an artificial stimulus to foreign firms to settle here: the removal of these anomalies, far from causing any clash between Europe and the USA, would provide the basis of a common policy commensurate with their common interest.

One thing was immediately apparent. Anti-trust laws in the United States were such that they prevented the largest business concerns even from acquiring further holdings in their own sectors. Part of their expansion, therefore, had to consist in purchasing holdings outside the USA. It would be perfectly normal for European countries jointly to restrict the acquisition of holdings by firms which were not allowed to make similar acquisitions in the USA.

Economic Policy and Economic Sectors

American tax law was for a long time the cause of another anomaly; profits earned outside the USA were taxable only if the relevant funds were transferred back to the USA. This encouraged firms to re-invest locally, where the local tax rates were lower than those obtaining in the USA. In practice the Federal Republic of Germany, France and the Netherlands had tax rates that were comparable with those of the United States. The situation was more complex in Italy where several different taxes had to be added up to arrive at the final figure and in Belgium where the rate was distinctly lower. Yet this was not the most acute problem.

It was not at all difficult, through the medium of companies registered in Switzerland, to transfer the profits of subsidiary companies towards that financial haven. This practice virtually ceased once the United States began to tax profits irrespective of whether the profits were transferred back to the USA or not, the only deduction allowed being tax paid in the country or countries in which they conducted their operations. It would be no less reasonable for Europe to negotiate with the USA a new registration convention under which foreign companies would be quite free provided they were managed from their country of origin or from a registered office located in the Common Market and not from an office linked with any third country. This would preclude any of the "country of convenience" practices liable to act against the EEC interest.

Yet Mr. Uri considered there was another factor whose prevalence was far more serious. To contain its foreign deficit and reduce the capital outflow that played such a big part in causing it, the United States Government had placed a 15 per cent tax on the purchase of foreign shareholdings - for the most part in western Europe - where the sellers were not American nationals. These provisions applied equally to borrowings and to purchases of quoted shares. This had produced a sag on the European stock exchanges, for the American buyers were constrained to withdraw. They were in fact powerless and without remedy: re-use after sale would have made them liable to a tax, except within the narrow circle of shares already held by other American nationals. As for new issues, the resulting distortion was considerable. American firms could obtain on the New York market the funds they needed to create or acquire plant in Europe; such facilities were in practice simply not open to European firms which would in such an eventuality be competing with the American ones. No doubt equality was theoretically maintained: if European firms wished to gain a footing in the USA they would have the necessary facilities in New York. But this parity was purely theoretical. This movement, which should grow in volume, bore no relation at all to the movement of American capital in the opposite direction.

The competition was in fact unfair. The most recent measures announced by Washington only aggravated the situation by extending the tax to loans repayable over more than one year extended by banks to foreign firms. Should Europe endeavour to negotiate with the USA for the abolition of this 15 per cent tax so that the New York market was really open to European firms wishing to create or acquire plant in Europe itself? This would increase the deficit. Parity, however, could be restored in another way, if direct investments by American firms in Europe were taxed at the same 15 per cent rate which they avoided when borrowing. Failing this, Europe would be justified in taking it upon itself to charge a compensatory tax insofar as American firms alone enjoyed financial facilities that only the American market was able to provide.

Mr. Uri considered that it should be possible to negotiate with the United States on all these points; the USA had everything to gain by acceding to what it could not fail to regard as a legitimate claim. No doubt big business would feel this was interfering with its investment policy. Yet it would be rational to go further. Taxing even those profits not sent back to the USA had already corrected an unfair stimulus to foreign investment: the former system could be reversed, making provision for tax concessions on profits which were sent back to the United States. At the same time, the capital available for re-use outside would be reduced. Such rules would help America's adverse balance of payments more than any monetary machinery of a general type.

Such measures, Mr. Uri continued, could be the instrument of a large-scale policy: American investments were only one aspect of capital movements in the world. It was not a matter of restricting them but far more of expanding and re-directing them. Half of American investments went to Europe, a quarter to Canada; i.e. most of it went to the developed world. At the same time, Europe, a large importer of capital, preferred short-term loans coupled with its sales and was rather chary of long-term investments. Europe should step up its capital outflow and change its foreign investment methods. It was thus and not by going back to the gold standard that it would stop piling up dollars. It would then cease to complain that Europe itself provided the funds for those who bought its business companies. (Le Monde, 23 and 24 February 1965)

4. Kennedy Round of trade negotiations

I. The participation of the less-developed countries

At its meeting on 18 March the Trade Negotiations Committee adopted the Plan for the participation of the less-developed countries in the Kennedy Round of trade negotiations. The full text of the Plan is as follows:

- A. 1 - Less-developed countries which intend to participate in the trade negotiations in terms of the Principles laid down in the Ministerial Resolution of 21 May 1963 and of the Conclusions embodied in the Ministerial Resolution of 6 May 1964, would formally notify the Executive Secretary by 15 April 1965 of their readiness to table on 1 August 1965 a statement of the offers which they would make as a contribution to the objectives of the trade negotiations. Provided that, in the case of less-developed countries with a predominant interest in exports of agricultural products, the statement of their offers would be tabled on 1 August 1965 or thirty days after the day agreed upon for the tabling of offers on agricultural products, whichever is the later. Less-developed countries wishing to act in terms of this proviso should so indicate in the notification to be presented by 15 April 1965.
- 2 - a) A list would be drawn up composed of items contained in the lists submitted by individual less-developed countries in accordance with the procedures laid down by the Subcommittee on the Participation of the Less-Developed Countries (TN.64/21 and TN.64/31). Countries participating in the trade negotiations on the basis of a linear reduction in tariffs would make information on the exceptions on items in this list available on 1 May 1965 to less-developed countries indicating their readiness to make offers in accordance with paragraph 1 above. At the same time, the relevant supporting reasons contained in the exceptions lists would also be made available to those countries.
- b) The report by the Chairman of the Trade Negotiations Committee on the exceptions list would also be made available to these less-developed countries on 1 May 1965.
- c) An examination of the lists of excepted items referred to in paragraph 2(a) above would be held in the light of the decision of Ministers that in the trade negotiations every effort shall be made to reduce tariff and non-tariff barriers to the exports of less-developed countries. This examination would take place in the second half of June 1965.

- 3 - Participants in the trade negotiations may make, on 1 May 1965, suggestions as to the offers which participating less-developed countries might make as a contribution towards the overall objectives of the trade negotiations.
 - 4 - Less-developed countries having tabled a statement of their proposed contributions would thereafter take part in the trade negotiations and would receive the full exceptions lists.
 - 5 - Less-developed countries not following the procedures laid down in paragraphs 1, 2 and 3 above would not be debarred from tabling a statement of their proposed contributions at a later date.
- B. 1 - In presenting to the Sub-Committee the draft which was used for the preparation of the text set out in A above, the Chairman made the following comments:
- 2 - First, all offers put forward would be initial offers to provide a first move for the opening of negotiations. It was clearly for the less-developed country presenting the offer to decide for itself, taking into account the objectives of the trade negotiations and the provisions of Part IV of the General Agreement, what offer it could make. In referring to the objectives of the negotiations the Chairman clarified that the offers need not be confined to offers of tariff reductions, but could take other forms. As regards the adequacy and value of the offers made, the discussion of this would be part of the purpose and the substance of the negotiations.
 - 3 - It is understood that the "agricultural products" referred to in paragraph A 1 above, include tropical agricultural products.
 - 4 - While paragraph 2 of the plan refers only to countries participating in the trade negotiations on the basis of a linear reduction in tariffs, the one other participant in the trade negotiations which had already made a specific offer will supply information on that offer similar to the information to be supplied under paragraph 2(a) by the countries making a linear offer and will work out in collaboration with the secretariat arrangements for an examination of their offer which would take place in parallel with the examination referred to in paragraph 2(c).
 - 5 - It is further understood that in the course of the examination provided for in paragraph 2(c) it would be open to less-developed countries to ask what reasons led to the inclusion of items on exceptions lists.

- 6 - With reference to paragraphs 2 and 5 above it was further understood that each participant will have the right to decide whether a basis for negotiation exists.

II. Procedures for the negotiations on agriculture

At its meeting on 18 March the Trade Negotiations Committee adopted procedures for the negotiations on agriculture in the Kennedy Round of trade negotiations. The full text is as follows:

- 1 - The Committee on Agriculture has been given the responsibility of defining rules to govern, and methods to be employed in, the creation of acceptable conditions of access to world markets in agricultural products in furtherance of the significant development and expansion of world trade in such products.
- 2 - The Committee has had comprehensive discussions about the possibility of establishing methods and rules acceptable to all parties in the negotiations/ In the light of these discussions the proposed method would be to proceed by means of specific offers on individual products designed to achieve the objectives set out by Ministers.
- 3 - For this purpose the following procedures should be applied:
 - a) Negotiations on grains will be resumed in the Cereals Group on 17 May 1965 on the basis of specific proposals, including concrete offers, by participating governments, with respect to each of the elements already agreed upon as entering into the negotiations. Accordingly, participating governments which are members of the Group agree to table such proposals by 26 April 1965. (As the work of the groups progresses, consideration will need to be given to the time and manner in which non-members of the groups would be brought into the negotiations on these products.)
 - b) As regards meat and dairy products, the proposals and the offers shall be tabled not later than 16 September 1965 relating to each of the elements already agreed upon in the groups as entering into the negotiations. (As the work of the groups progresses, consideration will need to be given to the time and manner in which non-members of the group would be brought into the negotiations on these products.) The groups shall meet in April to consider whether further work is necessary on the identification of these elements. In respect to these commodities, they

shall also conduct the discussion referred to in (d) below.

- c) As regards all other products, concrete and specific offers on individual products relating to all relevant elements of agricultural support or protection or to the total effect of these elements and designed to achieve the objectives referred to in paragraph 1, shall be tabled by 16 September 1965.
 - d) With regard to products referred to in paragraph (c) above, discussions shall commence on 3 May 1965 with a view, inter alia, both to seeking to identify the relevant elements of support or protection which could enter into the negotiation and to exploring the views of the participating countries regarding the type and content of offers required to achieve the objectives referred to in paragraph 1 above.
 - e) As regards sugar, it is noted that in the view of the Community it would be useful and desirable to establish a group on sugar, and it is agreed that this possibility will be considered by the Trade Negotiations Committee if and when a specific proposal is submitted to the Committee by the Community.
- 4 - Negotiations based on the offers referred to in (c) above should start by a multilateral confrontation in the Committee on Agriculture in the course of which participating governments should be prepared to furnish explanations on the content and the scope of their offers, in relation to the objectives stated in paragraph 1, to the interested participating governments which so request. Where exceptionally particular products are excluded from the offer list explanations for their exclusion could also be requested.
- 5 - Thereafter, the negotiations would proceed on the basis of the offers tabled in accordance with paragraph 3(c) above.
- 6 - The Committee on Agriculture shall meet as necessary to facilitate the carrying out of the foregoing procedures. (GATT, Press Release, 22 March 1965)

5. Italian Agriculture in the European Community

On 1 March Mr. Venerio-Cattani, a Socialist Member of the Italian Parliament and Under-Secretary of State for Agriculture, addressed the Association for Economic Progress on the subject of "Italian agriculture in the European common market".

After briefly outlining the background to the Community's agricultural policy the speaker stated that it was a policy of a distinctly "dirigiste" hue. "It is strange to note," he added at this point, "that those most strongly opposed to the fairly flexible planned economy which the centre-left would like to introduce in Italy, do not appear to be aware that they are already committed to a European system of controlled economy which - for agriculture at least - is quite stiff and fully binding. Indeed, whereas for industry, the Community system is relatively straightforward, consisting in the gradual abolition of internal duties and establishing common external tariffs, the aim in regard to agriculture is to achieve common stable prices for nearly all products and to standardize the relevant market structures." All of which, Mr. Cattani felt, would finally provide agriculture with the essential stability for its recovery.

The speaker went on to say that "the amendment of the regulation on fruit and vegetables was of particular importance to Italy. This sector had been left outside the scope of the levy system and was protected only by the Community duty. This had raised understandable anxieties among the fruit growers, especially those producing citrus fruits, about their ability to bring their products to the markets of countries that had lower labour costs as in the case of Spain, Morocco and Algeria, or a better production and marketing organization as in the case of Israel. An "arithmetical" reference price had been arrived at on the basis of the average of the past three years and a "countervailing charge" would be added to the franco-frontier price for those countries wishing to import and these would be equal to the difference from the reference price.

The speaker felt that it was obvious that maintaining prices that were too high was of immediate benefit to Italian farmers but would subsequently benefit those countries that had already much lower costs as these would be encouraged to produce more and thus flood the markets of "weaker" countries. A forewarning of this danger had been given when it was seen how France's grain production rose. It might be asked more generally whether Europe was not thus being forced to produce such commodities as cereals which should in fact be the subject of agreements with third countries such as the USA and Canada.

Italy's advantage in the Community did not in the long run consist in keeping prices unduly high but rather in offering stability and, above all, in specializing and becoming organized so as to reach as soon as possible the level of the other Community countries. The Italian Government had therefore to pay special importance to: the drafting of the next Green Plan; reshaping the farming system to allow for cost cutting and mech-

anization; creating co-operatives and means for controlling the market; stabilizing production as much as possible and centralizing it in specific areas.

"The Common Market," Mr. Cattani concluded, "spelt the end in Italy of the sort of farming redolent of individualism, subsistence yields and absentee landlords. A farm system based on sound management, specialization and co-operation was the only one that could bring country and town closer together and dismiss forever the notion that the farming population consisted solely of serfs." (Avanti, 2 March 1965)

6. Developments concerning the Community Energy Policy

On 9 March Mr. Dino Del Bo, President of the ECSC High Authority, addressed the Industrialists Association in Genoa on European energy problems.

The basic features of Europe's energy problems were a steadily rising consumption and the gradual diversification of the various energy sources used; the speaker stressed that coal had gradually given way to other energy sources and that in 1965 it was no longer the most used energy source in the ECSC.

"This trend and the state of affairs resulting from it," President Del Bo went on to say, "raised two problems: the first concerns the long-term policy for coal which we should adopt; the second concerns the sources of energy that are to be used by the six States of the Community but which are produced outside the European Continent."

As regards the first problem, Mr. Del Bo felt that Community coal production should not be discontinued: supply security, heavy investments required to rationalize and modernize the coal firms and the number of workers engaged in mining justified this view.

To continue to produce coal and to make it competitive with other sources of energy there were, the speaker stressed, two alternatives: a closed market could be established for other energy sources and oil in particular, by means of a quota system and prohibitive customs duties or the coal firms could be subsidized on a preferential basis to enable them as quickly as possible to contend with the economic and social challenge facing them.

The High Authority had chosen the latter, which was more liberal and appeared more in line with the exigencies of progress and more likely to be consonant with the interests of the consumers.

In this connexion, Mr. Del Bo referred to a project approved in February by the Council of Ministers of the ECSC designed to enable coal producing firms to get the benefits of a Community subsidy system.

Going on to examine the problem of energy produced outside the Community, the speaker pointed out that it was technically and economically possible to find alternatives in terms of energy requirements to the extent of 70 per cent. This had to be borne in mind by the major producing States (in particular the oil-producing States) for it was certain that if, for example, there were an excessive increase in price, it would result in a fall in Community purchases.

In conclusion, President Del Bo drew special attention to the action of the ECSC High Authority. It was acutely aware of the lack of a common energy policy and had persuaded the Six Governments in April 1964 to sign an agreement protocol which had helped to solve the most urgent problem of subsidies for coal and which also served an international purpose in that it obliged the Governments as from 1970 to bring the common market for energy into being. (24 Ore, 10 March 1965)

7. Statement by the Italian Minister for Agriculture on the sugar problem

Following the Council of Ministers meeting on 17 March, Mr. Ferrari Aggradi, Minister for Agriculture, made a statement which served to clarify the line that the Italian Government intended to follow in the agricultural context.

He dwelt particularly on the sugar problem, stating that: "Working out the Community regulation for sugar is undoubtedly a delicate and complex matter, in that the future of a vast area, of many sugar-farming families and of a by no means negligible branch of industry is bound up with it. An agreement is beginning to emerge on some technical points: the system of levies to apply for white sugar and brown sugar and the criteria governing the price mechanism. But a fundamental choice now has to be made: should the balance of the sugar market depend solely on the price machinery or should recourse be had to other instruments."

"The Italian delegation, the Minister explained, drew attention to our special beet farming situation where conditions were often well below those obtaining in other Community countries. For us it is a short-cycle vegetable crop, harvested in summer, whereas for our partners it is a crop harvested in the autumn, over a longer period and this had definite advantages."

Mr. Ferrari Aggradi went on to say: "if production were to be regulated only through a standard price for sugar throughout the whole Community, the result would be that where the price was set at a high level - as is necessary in the particular case of Italy - large surpluses would accumulate in the other countries, the concomitant to which would be the high cost of disposing of them on the international market. If the price were set at a low level, such as the situation in France would permit, this would be liable seriously to jeopardize the Italian beet industry."

"Such a hypothesis being inconceivable, we suggested that the operative criterion should be production targets which would allow Italy to sow at least 280,000 hectares (1 hectare = 2.47 acres). This would, furthermore, leave room for expanding beet production in the southern regions. As to the price, our view is that the levels should be differentiated in such a way as to ensure that Italian producers obtained a fair return."

In conclusion, the Italian minister pointed out: "Such an attitude is distinct from criteria of autarchy and self-sufficiency: our production would not fully cover our domestic requirements and the other countries would thus have the opportunity of making good the balance from their surpluses. It should, furthermore, be clear that were countries systematically exceed the production objectives assigned to them, their surpluses should not attract any benefit in the form of rebates charged to the Community account." (24 Ore, 18 March 1965)



III. EXTERNAL RELATIONS

1. Austria and European integration

At the end of February 1965, Dr. Bruno Kreisky, the Austrian Foreign Minister made a speech in the University of Basel on European integration.

The Foreign Minister dealt less with specific Austrian problems than with the general problem of the efforts made to achieve integration since 1945. He spoke of a split in Western Europe into two separate integration areas and he warned against "unrealistic optimism about integration". In 1967, there would be two different economic blocs in Europe and because the influence of the EEC and EFTA stretched beyond Europe to Africa and Asia, this "economic demarkation line" would have political implications for every corner of the world.

The Gaullist concept of a "Europe from the Atlantic to the Urals" was described by Dr. Kreisky as an "escape from present integration problems". Before General de Gaulle's views could win any support at all a bridge to England had first to be built. Without economic unification, political unification was doomed to failure.

The Austrian Foreign Minister advanced the view that EFTA must make up its mind to do more than simply take customs policy integration measures. The industrial concerns in EFTA should co-operate on joint projects affecting particularly the Eastern European, African and Asiatic States.

He spoke of team work which could preclude any excess capacity e.g. in the steel and motor car industries. To promote such team work and to prevent the threat of an economic split in free Europe, the Minister reiterated a proposal he had made earlier for an outline agreement between EFTA and the EEC to work out a common external tariff. To settle specific problems between individual EFTA and EEC countries he suggested bilateral agreements between individual EFTA countries and the EEC. His proposals might at the present moment seem illusory but outline solutions had to be worked out for the future. As an example of close co-operation he quoted monetary policy; the recent support for the pound was an example of worldwide co-operation.

Referring to the EEC Council decision to give the EEC Commission a mandate to negotiate with Austria on customs questions, Dr. Kreisky was more guarded in his attitude than his colleague

External relations

Dr. Bock, Minister for External Trade. The Foreign Minister stated that these negotiations were simply designed to establish whether, on the basis proposed by the EEC, an agreement with Austria was possible. This was "a half-way stage between the talks that had already taken place and negotiations with a view to concluding an agreement."

Dr. Bock, Minister for External Trade, felt that it was not Austria's fault if the negotiating mandate had taken so long to obtain, it was far more a matter of political relations and the many difficulties to be overcome. Since Austria was one of the neutral countries, a special treaty was necessary. Dr. Bock stated that the exploratory talks of 1963 offered the basis for future solutions within the context of the conditions stipulated by Austria. The External Trade Minister said these conditions included the preservation of Austria's neutral status and maintenance of its trade relations with third countries.

At the Prague Autumn Fair in 1964, Dr. Bock had made it clear at the opening ceremony that as far as Austria was concerned, it could only be a question of a special treaty (respect for GATT rules, neutrality guarantee and no discrimination). On this basis, the Minister rejected all accusations, particularly those of the Soviet Union, to the effect that Austria wanted, with the help of an arrangement with the EEC, to escape her obligations under the Peace Treaty. (Neue Zürcher Zeitung, 10 October 1964; Industriekurier, 4 March 1965)

2. Meeting of the W.E.U. Council in Rome

The W.E.U. Council of Ministers met in Rome on 9 and 10 March 1965. Since 1963 when the need to improve and step up relations between the Six and the United Kingdom became evident, the meetings of the W.E.U. - which today remains the only organic link between the EEC countries and the United Kingdom - have been held quarterly; there has been general awareness that in historic terms it would be inconceivable for Europe to progress politically without, or worse still, against the United Kingdom.

Mr. Fanfani, Italian Minister for Foreign Affairs, presided over the session and welcomed in his opening address the members of the seven delegations present.

The speech by Mr. Michael Stewart, the new British Foreign Secretary, was of particular interest. He discussed the political, economic and cultural construction of Europe and, in essence, intimated the intention of the British Government to play an active part in forging the unity of Europe - not from without but from within.

Mr. Stewart's words revealed his Government's determination to strengthen its links with the W.E.U. Member States and to make increasing use of the means of co-operation afforded by the Western European Union for working out common political lines on specific issues. This would appear to indicate an appreciable measure of agreement in the United Kingdom, transcending differences between Government and Opposition, between the Labour Party and the Conservatives, so that contacts between the United Kingdom and the Six are likely to be increasingly constructive. It is not foolhardy to suggest that if, despite the heavy international commitments at present incumbent on the British Government, Mr. Stewart was present in person at the Rome meeting, it was to stress the keen interest with which the work of the W.E.U. was followed in the United Kingdom.

Mr. Fanfani fully appreciated this and thanked his British colleague for the clarity with which he had explained the position of his Government in relation to Europe; he welcomed the interest shown by the U.K. in continuing to strengthen links with the W.E.U. countries and to make use of the medium of co-operation provided by this organization in working out a common political approach to specific problems.

The review "Esteri", the unofficial organ of the Italian Ministry for Foreign Affairs, wrote in an editorial on the work of the W.E.U.: "This meeting of the W.E.U. has proved particularly valuable not only because it has been a further stage in the process of working out a common policy of the European States but also because it provided an opportunity for an exchange of ideas and information on major international questions affecting them both directly and indirectly." There is in fact no doubt that to achieve the unification of Europe in the most satisfactory manner it is essential for a common feeling to grow up increasingly between the Member States, as this will make it possible to arrive at a common appraisal of events through an analysis of the different views on the major current issues.

It is not only necessary for Europe to unite; it must also co-ordinate the main themes of the various national policies into a general pattern that will give the Continent a common platform, making use of more basic interest and increasing co-operation in

External relations

order to be able, more effectively, to maintain peace and freedom throughout the world.

In conclusion, it is gratifying to find that the crisis that had threatened Europe has not become worse and that on the contrary, the Seven have been able to meet together around a table at regular intervals to elucidate problems of common interest and to examine what can be done and how. Although the road to success was arduous and the final aims were not always clear to all, a sense of realism and idealism together called for patient and tireless efforts in working for and achieving lesser results which could be regarded as essential steps towards subsequent undertakings.

The unity of the W.E.U. Conference in Rome derived essentially from the pursuit of fruitful relations between the Six and the United Kingdom. At the same time, it was evident that there was not only a feeling of resolve to revive the subject of European unity but also a basis on which concrete steps forward could be taken in the right direction.

This new resolve was confirmed by Mr. Fanfani at a press conference given at the close of the W.E.U. session. The Italian Minister for Foreign Affairs stated in fact that the work of the Council had been marked by a constructive spirit and awareness of the dangers that had threatened Europe as a result of a differentiation of approach to economic co-operation and the slowness of progress towards political union. He added that what he had heard and seen at this meeting of the W.E.U. Council, convinced him that the long period of reflection on the crisis of European agreement that had occurred between April 1962 and January 1963 had reawakened the desire on the part of many - especially the younger generation - for some positive and essential action.

The Seventh Ministerial Meeting of the W.E.U. would be held in Luxembourg in June and it was to be hoped, Mr. Fanfani added, that it would then be evident "that this interpretation of the substance of the Rome meeting will now have proved unduly optimistic." (Il Giorno, 9 and 10 March 1965) (Esteri, 16 March 1965)

3. Sir John Ward, British Ambassador to Italy, on the new Labour attitude towards the Six

On the occasion of the W.E.U. meeting in Rome, Sir John Ward, British Ambassador to Italy, gave an interview to an Italian

newspaper in which he also discussed various aspects of the question of British accession to the Community of the Six.

In reply to a question as to what line the Labour Party would take in its relations with the Six, Sir John stated that after lengthy negotiations, the French Government had vetoed the British request for accession to the EEC in January 1963. Until there was a change of heart on the part of the French, there was no chance of the United Kingdom acceding to the Community. It was therefore unlikely that any British Government, of whatever party, would renew the request for accession while there was still a risk of a further veto. The initiative for any steps in that direction now lay with the six Governments of the EEC and not with the United Kingdom.

This did not mean, the ambassador went on to say, that nothing could be done in the meantime. The new British Government had stated its willingness to take part from the start in any European political consultations. The United Kingdom intended to do its utmost to avoid a further economic division of Europe and to build a bridge between EFTA and the EEC. The United Kingdom would like to see closer co-operation between these two groups and a lowering of the customs barriers between them. The United Kingdom would like to co-operate with its European partners on specific industrial or economic projects of practical use to the countries concerned and likely to strengthen the links between them. The ambassador stated, with reference to the Concord and other Anglo-French aircraft co-operation projects, that similar offers had been made to Italy. The United Kingdom was linked with Italy in such organizations as the European Launcher Development Organization (ELDO) and the European Space Research Organization (ESRO). There was room for co-operation in other fields, and the U.K. was convinced, for example, that an agreement would be reached with the EEC on the U.K. being a party to an industrial patents convention.

These examples clearly showed, the ambassador concluded, that even though, as a result of France's attitude, British accession was for the moment out of the question, it was doing its utmost to strengthen its functional links with the Six. (24 Ore, 12 March 1965)

4. Great Britain and the EEC

The British Government should make a declaration of intent that it wanted to join the European Economic Community, accepted

External relations

unconditionally the economic and political implications and fix a date some two or three years hence on which it would become a full member.

Lord Gladwyn again urged this course on 24 March in his presidential address to the annual meeting of "Britain in Europe".

The recent revival of interest in this country in the European Idea and the apparent almost unanimous view of industry and finance that Britain must join the Community in the reasonably near future were admirable as far as they went.

"Unfortunately they do not get us very far," Lord Gladwyn declared. The Government and considerable sections of opinion were not in favour of Britain joining a community which had any element of supra-nationality."

"To members of "Britain in Europe" at any rate, it must be clear that this element is precisely what we must accept if we are ever going to come into the EEC. For apart from anything else, the principle is inherent in the Treaty of Rome and if the Treaty is for any reason not implemented there will then be no community for us to join."

He hoped the Prime Minister would come to believe that unrestricted nationalism in the sense of a European Confederation based on sovereign powers each with independent foreign policies, was not the answer to common European problems.

"The only creative policy for Britain is to assume that, in spite of the revival of nationalistic doctrines in some parts of the "Mainland", it is the birth of a real economic and hence a political union that we are now witnessing across the Channel."

Lord Gladwyn urged "Britain in Europe" to try to persuade the Government that "Commonwealth or no Commonwealth, it is going to be hard and perhaps an impossible task to maintain the value of sterling unless the basic home market for British industrial products can be enlarged so as to include the greater part of Europe."

There was little future in spending enormous sums defending oil when it could be bought elsewhere or defending natives who did not wish to be defended.

He urged strong opposition to efforts to form Europe without Britain by means of a deal with the Soviet Union whereby the Anglo-Saxons would be urged to withdraw their troops from a Germany reunified up to the Oder-Neisse line and guaranteed only by the two "Mainland" nuclear powers - France and Russia.

Lord Gladwyn saw only one "reasonably sure" way of avoiding this. "It is for the Government of this country firmly to say that it still wants to join the EEC; that it accepts unconditionally all the economic and political implications of the Treaty of Rome; that it proposes that a date should be fixed in two or three years' time on which we should in fact become a full member of the EEC and others, if they so desire, associates."

The interim period should be used to adjust gradually the economies of Britain and other EFTA countries so as to cushion the shock of joining which, as time went on, would become increasingly severe.

Such a declaration of intent "would immensely encourage our European friends and help them to resist efforts to create Europe without Britain." (Financial Times, March 25th 1965)

Part II

THE PARLIAMENTS

I. SESSION OF THE EUROPEAN PARLIAMENT
FROM 22 - 26 MARCH 1965 AT STRASBOURG

1. Co-operation between the European Parliament and the Parliaments of the States associated with the European Communities

At the session on 22 March 1965, Mr. Van der Goes van Naters emphasized that his Report on co-operation with the Parliaments of the European Associates dealt with the external relations of the Community, not those that were the province of the Executives but "the parliamentary diplomatic relations" that had been created by the European Parliament.

Generally speaking, the European Parliament pursued this policy with the help of delegations and it was to be feared that a "ring of satellites" would begin to gather round the European Parliament; the Assembly had had occasion to discuss this for the first time on 28 June 1962.

Mr. Van der Goes van Naters stated that the Commission had decided in 1963 to wait and see what results parliamentary co-operation with Greece produced. The speaker referred in this connexion to the Report by Mr. Vendroux which had been favourably received.

Association with Turkey raised an important issue. Should one proceed in the case of Turkey as with Greece, i.e. create an independent organization having its own council and ancilliary bodies? The Political Committee thought not.

He referred then to his written Report (1) according to which "a new organization of the relations between the European Parliament and the Parliaments of the Associated States (with the exception of the African States and Madagascar) could be envisaged if it were accepted that all the delegations of the European Parliament in the Parliamentary Association Committees could be brought together on a single committee. On such a committee two, three or four delegations would have to be constituted and each of them would be entrusted with keeping in touch with the delegations of the Parliaments of the Associated States." Opinion was unanimously in favour of this.

The Rapporteur then referred to the various possible forms of co-operation. Which committee of the European Parliament should be regarded as responsible? There were several possibilities which had both advantages and disadvantages.

(1) Doc. No. 122 of 18 January 1965

The speaker stated that the Committee clearly felt that co-operation with the Parliaments of non-Member countries particularly concerned political problems. The political aspects included external trade, agriculture (this especially applied to Greece and Turkey) and social affairs. A special committee could be set up in which all these responsibilities would be vested and which would appoint a sub-committee for each associated country.

On behalf of the Political Committee, Mr. Van der Goes van Naters suggested the following solution:

1. The setting up of a special committee to be known as the Parliamentary Association Committee.
2. The number of members of the sub-committee and in the delegations should not exceed 29. This was in line with the terms of Articles 37 and 39 of the Rules of Procedure; there was no need here to consult the Legal Committee since political rather than legal questions were involved.
3. These sub-committees, as distinct from their opposite numbers in the Associated States, would constitute the delegations for the countries concerned.
4. The Parliamentary Association Committee would, on the basis of the work of its delegations and sub-committees, submit a report which would be examined by the Political Committee, the External Trade Committee and in some cases by other committees.

Mr. Vendroux (U.D.E., France) was largely in agreement with the statements made by the Rapporteur of the Political Committee; he asked, however, whether the proposed Parliamentary Association Committee should meet only to discuss "general questions". The technical problems came within the province of the sub-committees while the general problems came, as political matters, within that of the Political Committee.

In reply, Mr. Van der Goes van Naters emphasized that the sub-committees were not "travel agencies". It was indeed sometimes useful to travel, but the sub-committees had also to exercise control over the Council and the Executives. It was for the Parliamentary Association Committee to decide on the work and responsibilities of these sub-committees.

Mr. Poher (Christian Democrat, France) stated that whenever special problems came up for discussion there had to be a meeting of the full committee.

The text put forward by the Rapporteur provided that the committee should have a maximum of 29 members. Mr. Poher proposed that the word "maximum" be deleted and the following words inserted: "this committee shall comprise 29 members". This amendment proposal was passed.

Mr. Boscary-Monsservin (Liberal, France) stated that certain problems could not be examined at a purely theoretical level. Referring to the comments of Mr. Blaisse, he said that when third countries were being considered for association arrangements, this was a matter for the parties concerned rather than for the External Trade Committee. The negotiations concerned the External Trade Committee but once negotiations with third countries were completed, it was a matter of trade relations between Associates.

Mr. Kapteyn (Socialist, Netherlands) took the view that the special committee should draft a report independently which would be submitted to the other committees.

Mr. Martino (Christian Democrat, Italy) went into the reasons why the Political Committee had to have the right to collaborate with the special committee.

At the close of the debate Mr. Van der Goes van Naters advocated a simplification of the procedure. If in addition to the two committees originally envisaged, further committees were to be considered this would complicate the procedure to the point where it would no longer be practicable. This would in fact be the case if the obligation to consult applied not only to the Political and External Trade Committees but to the other committees as well.

At the close of the debate, the Parliament passed a resolution by which it decided to set up a special committee, to be described as the "Parliamentary Committee of Association". This committee, which shall consist of 29 members, will appoint two or several sub-committees, each one of which is to constitute a delegation responsible for meetings with the Parliament of one of the Associated States. The Special Committee shall submit a report to the European Parliament, based on the work of its sub-committees.

2. Euratom Policy

On 23 March, as announced at the previous session, Mr. Chatenet told the Parliament of the problems involved in recasting the Second Euratom Five Year Programme. He said that the main issue was a divergence of view between the various Community States. One approach was that the emphasis should be on economizing and this approach rejected the idea of a supplementary appropriation to the estimated funds. The other approach was that an extra appropriation should be passed first, any attempt to economize coming later. The President of the Euratom Commission went on to explain that at the various meetings there had been a measure of rapprochement between the two schools of thought without, however, the unanimity required by the Treaty being reached in regard to the general outline of five year programmes. The Council met for example on 16 March 1965 without being able to reach agreement.

Mr. Chatenet recalled that in December 1964 the Council had, on a majority vote, passed an appropriation for research for 1965; he trusted that the Council would reach early agreement on the problems under discussion; such agreement could be reached without too much difficulty in view of the ever-increasing rapprochement between the standpoints of the various Member States.

Mr. Sassen, of the Euratom Commission followed Mr. Chatenet and he dealt with the problems of amending Chapter VI of the Euratom Treaty (Supplies).

The speaker stated that there were three operative principles:

- supplies at low cost;
- security and stability of supply in terms of costs and the quantities available;
- freedom of choice for the consumer within the framework of balanced competition between the various forms of energy.

It was on the basis of these principles, the speaker pointed out, that the Euratom Commission had drafted amendments to Chapter VI of the Treaty, bearing in mind the supply prospects in respect of natural uranium, enriched uranium and plutonium.

The Community would need an estimated 60,000 tons of natural uranium between now and 1980. The Community's reserves, on the other hand, which lay mainly in France, amounted to only 30,000 tons. It was therefore obvious that action would have to be taken to make good this discrepancy, bearing in mind costs and the need to draw on the available resources of non-member countries.

As regards enriched uranium, the needs of the free world were at present being met by a single producer, the United States. The Community was, after the United States, the main consumer of enriched uranium. Being dependent on the United States obviously raised political problems that had to be borne in mind.

With regard to plutonium, the situation was as follows: on the one hand there were two producers, the United States and the United Kingdom and on the other, the needs of the Community were increasing.

In view of all these problems, it appeared advisable to have a Community body capable of increasing the relative strength of Europe's position in relation to foreign producers ensuring that priority of supply were given to meeting the needs of Community programmes.

The speaker then stated that when the Treaty was being drawn up, the Community had a wealth of nuclear materials; today there was a serious shortage. All these problems had therefore to be examined in the light of this reality. As for the principle of equal right of access to resources, Mr. Sassen observed that this tilted the scales unfairly in favour of the improvident user at the expense of those who made the right investment at the right time. It would therefore be advisable to adopt the principle of non-discrimination based on economic criteria to replace the principle of "equal right of access".

3. Trade relations between the EEC and the Associated African States and Madagascar

On 23 March 1965, Mr. Rochereau, a member of the EEC Commission, outlined to the Parliament the views of the Commission on the progress of trade between the industrialized and developing countries, with particular reference to trade between the EEC and the AASM.

The question of international trade was closely bound up with that of economic development. The special arrangements provided for in the Yaoundé Convention for trade between the EEC and the AASM were a highly practical recognition of the significance of this problem. Mr. Rochereau directed the attention of the Parliament to the part trade could play in economic development; he dealt first with the main points of concern.

The recent boom in world trade had, geographically, been unevenly spread. Between 1953 and 1962, the exports of the industrialized countries had risen by 70 %, while those of the developing countries had expanded by only 37 %. Taking the world as a whole, trade between the industrialized countries had increased and raw material prices had fallen. This had weakened the export capability of the developing countries. Total exports from the six EEC States rose between 1953 and 1962 by 143 % in volume and 40 % in value per unit. The value per unit of exports from the AASM, on the other hand, had risen by only 15 % and the value per unit exported had fallen by 35 %. Since the end of 1962 there had, none the less, been an increase in the prices of numerous basic products and, with an increase in demand from industrialized States, an appreciable improvement in the balance of trade of the developing countries. The present recovery confirmed how intimately dependent the developing countries were on the state of world trade and, in the last analysis, on that of the industrialized countries. Mr. Rochereau then went on to examine the limitations to which any world trade reorganization policy would be subject. Trade between the industrialized States had risen more sharply than trade between industrialized and developing States, and more sharply than trade between the developing countries themselves. This was mainly because of the interaction of four basic factors that were closely linked together:

- a) The economic growth of the industrialized countries had enabled them to export finished goods whose value was greatly enhanced by the skilled labour involved in manufacturing them and which were in increasing demand.
- b) The industrialized countries had, at the international level, pursued a policy of specialized production which stimulated trade and domestic production (particularly trade within the EEC, whose growth rate had been twice that of world trade between 1959 and 1962).
- c) The lack of industrialization and the smallness of their domestic markets had not helped the developing countries to increase exports.
- d) The fall in raw material prices - in contrast to those of manufactured articles, in rapidly expanding demand - was due to superabundant supply and limited demand.

The present pattern of world trade was largely the result of an economic and institutional structure which it was difficult to change in the short term.

Mr. Rochereau stressed the need for the developing countries to become industrialized and outlined the conditions that had to be met. The Commission felt that, in the years immediately ahead, the developing countries would not derive sufficient boost to economic growth from an increase in their export; their present production structure prevented their exporting anything of substance beyond basic products, demand for which was growing only slowly in the industrialized countries. An increase in the pace of their economic growth required a diversification of their domestic production. Manufacturing industries producing more sophisticated goods in particular, could give rise to a rapidly expanding demand in the developing countries themselves.

These long-term aims were subject to many conditions being met both in the industrialized and the developing countries; the industrialized countries had to keep up a high rate of economic growth if their demand for basic products from the developing countries were to increase. Technical help and financial assistance should be forthcoming on the appropriate scale to enable the developing countries to become industrialized. It would be desirable for the EEC countries to cede to the developing countries a proportion of their production capacity in sectors where the latter were already competitive. This ought not to be detrimental to the EEC which could concentrate its productive resources in up-to-date, high-productivity sectors with which the developing lands could not compete. Failing any such harmonization of the structure of industry, the industrialized countries would have to pay twice over to foster the economic expansion of the developing countries, i.e. "fiscally", because of the increase in public spending through the relevant appropriations, and "economically", by keeping in service business sectors which, given full employment, would deprive the sectors with the highest productivity and the greatest net added value, of manpower and capital.

Economic co-operation and a market unification policy was essential to the developing countries in order to stimulate investment and promote industrial dovetailing and specialization. More generally, the main responsibility for economic development lay with the developing countries themselves. The AASM in particular did not lack capital so much as the ability to make use of their own resources and to organize their development. The AASM were in many cases still on the wrong side of their "economic take-off" and their main task was not so much to obtain vast capital sums but to get ready to make use of such sums at the later stages in their development. As regards action over the

shorter term, Mr. Rochereau felt that it should be directed at increasing income from exports, without waiting until the production facilities had been modernized. The need for a concerted policy to stabilize raw material prices, the urgent need for a policy gradually to open the markets of the industrialized countries to the semi-finished and manufactured products of the developing countries were worthy of emphasis in this connexion.

These called for three general observations:

- a) As to the income from exports that the developing countries could rely on as a result of the industrialized markets absorbing more basic products. In the immediate and medium-term future, such earnings were liable to be rather limited. Indeed demand for basic products in the industrial countries grew less quickly than the national product and the competitive strength of manufactured products from developing countries seemed very limited. It also seemed rather unlikely that opening the industrialized markets would lead, by induction, to the industrial emergence and production diversification of the developing countries.
- b) As to the effect on trade of preference tariffs extended to the AASM by the EEC. This had appeared to vary according to the product involved since the Convention came into force. There were a number of reasons for this: the competitive price could be rendered uncompetitive if the exporters increased their profit margins or if the export prices of third countries fell. Habits, tastes and brand monopolies played a big part in purchasing decisions. Tariff quotas extended to third countries also took the edge off the preference enjoyed by the Associates. It would be desirable to supplement the preference system by a much bigger marketing drive, undertaken jointly by the EEC and the AASM.
- c) As to the trading deficit of the AASM, the balance of trade was of itself relatively meaningless; an adverse balance of trade could be offset by a credit balance in capital transfer terms. What really counted was the capacity of the developing countries to pay for the goods they had to import for their economic development from the net credit balance of foreign capital. The size of the latter therefore determined what was a reasonable trading deficit.

Of greater concern was the fall-off in the flow of public and private capital to Africa; guarantees should be given to such investment transfers.

- b. Mr. Rochereau's report was referred to the Committee for Co-operation with Developing Countries.

4. The economic situation in the Community

The Economic and Financial Committee referred to the Parliament a Report (1) on the statement submitted by the Community in January.

In this statement the EEC Commission discussed the international monetary system and long-term economic development policy.

The Economic and Financial Committee ascribed the price increases to the following causes: raw material price trends on the world market; the economic policy pursued by the Member States of the European Communities; the lack of competition in many branches of the economy; wage increases, where in excess of productivity increases; the growing trend towards concentrations; the growing demand from non-Member countries.

Price increases in the Community could be ascribed both to demand and to costs.

With regard to the difficulties arising from the international payments system, the Committee felt that the answer was not a variable exchange rate system nor a return to the gold standard.

The Report was rather in favour of a reappraisal of the gold exchange standard system. The creation of additional international liquidities to support gold should be subject to objective criteria, the validity of which would also have a bearing on the amount of increased liquidity.

As to carrying through a European medium-term economic policy, the Committee stressed the need to step up economic expansion and to eliminate practices restricting competition. To this end it was absolutely essential to boost productivity to a maximum. The intervention of public authorities, both national and regional, had also to be rationalized and co-ordinated. This applied particularly to occupational training and scientific and technical research.

(1) Report by Mr. Van Campen, Doc. No. 5/1965-66.

The importance of creating a European capital market was stressed by the Economic and Financial Committee which also advocated a "sector policy" as part of the European economic programme.

The greatest attention had to be paid to social developments. In this instance, the Committee fully endorsed the ideas of the Executive.

With reference to incomes policy, the Report stressed that it was not a matter of setting by decree what wages and profits should be but of bringing about co-operation between the social partners and those responsible for economic policy. The incomes policy problem had furthermore to be seen in relation to the desired rate of economic growth.

It would be as well to think in terms of bringing the social partners in before the programme were formally adopted, by setting up a group of experts on the Economic and Social Committee comprising representatives of the social partners. In the last analysis, however, the political decision about the programme fell to the political authorities of the Community, hence the European Parliament had to be consulted before the programme were adopted.

The Committee felt that a greater measure of co-ordination in the economic policies pursued by the Member States would lead to closer political co-operation but the latter also called for stronger political resolve.

The following took part in the debate: Mrs. Elsner, Chairman of the Parliamentary Committee, Mr. Dichgans, for the Christian Democrat Group, Mr. Nederhorst for the Socialist Group, Mr. Battaglia (Liberal), Mr. de Block (Socialist), Mr. Sabatini, Mr. Burgbacher and Mr. Pedini (Christian Democrat) and Mr. Marjolin for the EEC Commission.

The Chairman of the Economic and Financial Committee regretted that a Head of State had recently thought fit in a political speech to broach the ticklish and primarily political issue of international payments. The Committee had asked the Executive to state its views on this subject and at the same time it had requested a survey of American investment in the EEC. The Chairman drew special attention to the co-operation on short-term economic policy set in motion by the EEC Commission and warmly congratulated that institution on this achievement.

The Christian Democrat Group did not share the view that international monetary policy could be dissociated from politics pure. Monetary policy was inconceivable without an economic policy, the latter in turn being political par excellence. The Group did not wish to see any check placed on American investment. It was in favour of easing international monetary tension.

The Socialist Group endorsed the EEC Commission Report on short-term economic policy especially those passages dealing with the social aspects. It took serious exception, however, to statements by the Monetary Committee on the anti-inflationary measures in the building sector. As to the return to the gold standard sought by the Head of a Member State, the Socialist Group regarded it as quite unfeasible. It gave a warning against the idea of Europe aspiring to "third force" status, especially on monetary matters.

Mr. Marjolin, Vice-President of the EEC Commission devoted much of his statement to the problem of international payments. One of the main reasons for the deficit in the American balance of payments was the outflow of private capital from the United States. The EEC Commission shared the view of the Monetary Committee that a tightening of the American financial markets was a prerequisite for restoring the balance. It was not a matter of closing Europe to American investments but simply of preventing their becoming excessive. The Community could take action here by keeping close statistical track of direct investment by non-Member countries and by organizing consultations between Governments and Commission on national policies in this sphere.

The EEC Commission might support a change in the gold exchange system providing greater discipline were shown by countries with an adverse balance of payments. Such countries, which would enjoy credit facilities, should take the necessary action to restore the balance fairly quickly.

Gold production would probably not be sufficient to create the necessary additional international liquidities. The Commission did not however feel that increasing the price of gold would be an appropriate solution.

The creation of additional international liquidities should be carried out according to criteria and involve amounts agreed upon jointly to avoid adverse balances of payments remaining so for an undue length of time, although an exception should be made for the developing countries which could finance their deficit out of long-term capital imports.

The Vice-President of the EEC Commission felt that the Community would have much more scope for action at world level if it enjoyed greater monetary unity. A further essential was to make changes in parity both impossible and pointless.

The EEC Commission therefore sought a solution in:

- a) greater co-ordination in the stepping up of the economic and financial policies pursued by the Member States, particularly in respect of budgetary, credit and as soon as possible incomes policies;
- b) achieving complete unity in the Community on long and short-term capital transfers;
- c) increasing harmonization of the instruments of monetary policy;
- d) strengthening the solidarity of the Member States in respect of their reserves of international liquidities; co-operating on international monetary operations until such time as national reserves could be regarded as part of a single reserve.

In due course the EEC Commission would make a statement to the Parliament on an action programme geared to achieving these aims.

In a resolution (1) the Parliament stated that the stabilization programme should remain in application, while taking care to keep productive investment at an adequate level. Public spending had to be held in balance in accordance with a decision taken by the Council of Ministers on 14 April 1964 for as long as any excessive tension continued to obtain in the economies of the Member States. A suitable monetary policy should be pursued to promote internal balance and the equilibrium of the balance of payments; the social partners should pursue a wages policy that was in line with economic realities. The Parliament called upon the Community, within the framework of a balanced cyclical and structural policy, to make a constructive contribution to improving the way in which the international payments system operated. It finally called for an incomes policy that would ensure a fair distribution of the benefits of economic expansion.

(1) Resolution of 23 March 1965.

5. European public contracts

On 3 June 1964, the Council referred to the Parliament two EEC Commission draft directives concerning the award of public works contracts to private contractors. The first draft was designed to eliminate restrictions to the freedom of establishment and the freedom to provide services. The second aimed at co-ordinating procedure for the award of public contracts. Also referred to the Parliament was a draft decision amending the general programmes in respect of: the date when liberalization was to take effect and the extension of the two draft directives to cover railways and contractors holding concessions.

In view of the highly technical nature of this question, Mr. Deringer, rapporteur, dealt only with the main issues (1). He began by drawing attention to a few general points: (a) the fact that the Commission felt obliged to co-operate with experts from the Member States in working out compromises, to give the draft directive some chance of winning acceptance, which had made the text unduly complex, to the point of being technically untenable; (b) the political overtones attaching, in Member States, to the award of public works contracts, these being regarded as an instrument of economic policy; (c) the two directives, to liberalize and co-ordinate, are regarded as inseparable; hence the need for them to be issued simultaneously; it was also regarded as being important to liberalize the award of supply contracts since it would be unfortunate if the national systems were to be allowed to subsist; (d) the fact that the EEC Commission went too far in defining the obligations incumbent on the Member States under the directives; directives ought, in fact, simply to state the aims to be achieved, leaving the methods chosen to the discretion of the Member States.

The rapporteur went on to examine specific points, beginning with the principle of the power of adjudication. He proposed that the list of persons given in the first annex to the liberalization directive should be reviewed to avoid smaller public bodies, such as the local authorities, being subject to an unduly cumbersome procedure that was at variance with the principles of sound management. On the other hand, he approved of the solution adopted by the Commission in regard to contractors holding concessions; frequent recourse to this procedure necessitated its inclusion in the directive. While coming out in support of the directive being applicable to contract awards affecting the railways, the rapporteur recalled that in pursuance of the principles laid down in the common transport policy, the railways had, as far as possible, to apply the methods of normal business management. He recognized, however, that the scale of the services discharged by

(1) Doc. 1, 1965-66.

the railways called for an extension of the liberalization directive to the railways even though the other directive, concerning the co-ordination of the contract award procedure, should be deferred to a later stage.

As regards quotas, the rapporteur suggested an alternative solution. In view of the complexity of the system, he felt that it would be easier simply to abolish them. But the quota system was one of the provisions of the general programmes which could only be amended by a unanimous vote; the rapporteur therefore suggested it be simplified.

Finally, the rapporteur supported the retention of the official lists, used in Belgium and Italy, enumerating those eligible to tender for contracts, subject always to the lists being applicable only in the States in question.

During the debate in the plenary session, Mr. Seuffert (Germany, Socialist) stated the position of the Socialist Group. He considered that the draft directives were not necessarily inseparable although it was desirable for them to come into application on the same date. It would be unfortunate, however, if the adoption of the first directive were to be prejudiced in an attempt to bring both directives into effect simultaneously. Mr. Poher (France, Christian Democrat) was surprised that the railways were to be subject to the liberalization directive even though they were called upon to observe the normal rules of business. He hoped that this would be borne in mind when the directive was adopted. Mr. Berkhouwer (Netherlands, Liberal) was successful in carrying an amendment - despite opposition from the Commission - continuing, beyond the transitional period, the applicability of certain measures affecting the conditions under which exemption could be had from the adjudication formalities.

The rapporteur endorsed the amendment increasing the lower limit, above which the co-ordination measures became applicable to public works, from 60,000 to 1 million u.a., in order to safeguard the interests of the smaller public bodies, such as the local authorities.

Mr. Colonna di Paliano, of the EEC Commission, stated that the texts submitted to the Parliament were less a compromise than an arbitration. The Commission would do everything in its power to get the two directives out together. But he was unable to give any definite assurance as to the directive concerning supply contracts being passed simultaneously. He was in favour of the quota system being abolished and undertook, if need be, to put the case for the alternative simplification proposal to the Council. He

felt that the 1,000,000 u.a. ceiling was too low in the case of co-ordination measures on the publication of calls for tenders, taking into account in particular the interests of the small and medium-sized craft industries. In view of the changes made to the draft directive on liberalization, the Commission would, on the basis of Treaty Article 149, submit a revised text. He could not, however, endorse the Parliament view as to the validity of the lists of firms since, according to the Parliament, they would not be valid for the adjudication authorities of those Member States where there were none. A common European list would, he thought, be a better solution.

At the close of the debate the Parliament adopted a resolution recapitulating the observations made in the report. It therefore amended the text of the draft directives and, despite opposition from the Commission, maintained its standpoint as to the lower limit of 1,000,000 u.a. and the official lists of firms eligible to bid for public works contracts.

6. A common approach to State aid for Community collieries

On 17 February 1965 the Council of Ministers approved the draft decision of the High Authority on a Community system of measures to be taken by the Member States on behalf of the collieries (1). The legal basis of the decision was Article 95,1 of the ECSC Treaty. The regulations pursuant to the decision would be applicable until 31 December 1967.

At its March session, the European Parliament discussed the energy policy aspects of the decision on the basis of a report (2). Reference was made once again in the report to the growing competitive pressure that has been facing the collieries for a long time now. This was mainly due to the prevalence of oil, natural gas and imported coal. To free the collieries at least to some extent from unduly heavy burdens, it had become urgently necessary to issue new and effective regulations, due regard being had for the ECSC Treaty.

(1) Decision 3/65, Official Gazette of the European Communities, No. 31, page 480.

(2) Doc. No. 11/1965-66. A report by Mr. Philipp and Mr. Toubeau on behalf of the Energy Committee, on the decision by the High Authority of the ECSC concerning the Community system of measures to be taken by the Member States in favour of the collieries.

The decision (3/65) that was unanimously passed by the Council of Ministers after long deliberations was, in the opinion of the Energy Committee, designed to improve the competitive strength of the collieries. Care had to be taken, however, to ensure standard competitive conditions outside coal sectors also.

The decision obliged the Member States to inform the High Authority of all the financial measures they might contemplate carrying out in favour of the collieries. This also applied to social measures in this context. The various financial sources, upon which the public authorities might draw, were under the same obligation.

The Community nature of the decision was reflected in the fact that the High Authority has to agree to State aid for the following types of schemes:

- part-financing of positive rationalization;
- State aid for firms that are either partly or completely closing down pits (negative rationalization);
- State aid that is intended to ensure a suitable rate of rationalization.

It was specifically stated in the report, with reference to the necessary approval for State aid for negative rationalization, that care had to be taken to ensure that it was in fact directed to this end and not to cover the costs that resulted from pit closures in the production and social contexts.

Satisfaction was expressed in the report that the High Authority had defined the term social services. This term covers all those services which miners and their legal dependents could use in cases covered by Convention 102 of the International Labour Organization, viz: sickness, maternity, disability, old age, death of the head of the family, accidents at work, occupational disease, unemployment and maintenance obligations.

The Inter-Executive Working Group on Energy was asked, after the initial success of the High Authority in the coal sector, to get ready at once for the Council decisions on hydrocarbons policy (Chapter 4 of the Protocol) and nuclear energy policy (Chapter 5 of the Protocol) and inform the Energy Committee of the results and state of progress in the work now being done.

During the debate Mr. Lapie, Chairman of the Inter-Executive Working Group, referred again to the aims of the decision and stressed the Community character of the regulations introduced. He further discussed the question that arose in connexion with the form and application of the social aid measures and with the way the measures would operate with respect to positive or negative rationalization.

In a resolution (1) that was passed unanimously, the European Parliament welcomed the unanimous approval of the Council and regarded the decision as a first Community measure towards an urgently needed solution of the difficulties facing the European collieries in instances where the ECSC Treaty made no provision for specific means of action.

The Parliament hoped that the Community criteria contained in the decision and the control and intervention powers entrusted to the High Authority would provide a sufficient guarantee that the aid given by the Member States pursuant to the approval of the High Authority would serve the general interest.

The Parliament further expressed the view that this decision would, as a part measure on energy policy, have to be supplemented by further steps so that the undertakings given by the Member States in the Agreement Protocol of April 1964 would lead to a comprehensive common European policy for all energy sources.

7. The Community road, rail and inland waterway transport network

In March 1965 the Transport Committee submitted a Report (2) on the EEC Commission proposal to the Council on Community action relating to transport infrastructure investment. The Report took exception to the EEC Commission's attitude in waiving the requirement (set out in its action programme for 1964) on the establishment of a Community road, rail and inland waterway transport network. The Parliamentary Committee would in fact like such a network to be agreed upon as soon as possible. It consequently

(1) Resolution of 23/3/1965.

(2) Report by Mr. Seifriz, Doc. 7/1965-66.

urged that the Council, on an EEC Commission proposal and in collaboration with the Member States should, by 30 June 1967 define the road, rail and inland waterway transport links, whether in operation or in the planning stage, that are of Community interest. The Parliamentary Committee considered that the committee of Government experts that the Commission intended to set up should also comprise experts from transport circles. It further considered that the proposals about consultation procedure on investment schemes were too vague. The Transport Committee drew special attention to the significance of transport infrastructure investment from the regional policy and medium-term economic policy standpoints. Lastly the Committee fully endorsed the principles underlying the EEC Commission's proposals.

Those taking part in the debate on the report were: Mr. Faller, for the Socialist Group, Mr. Drouot L'Hermine, for the European Democratic Union, Mr. Müller-Hermann for the Christian Democrat Group, Mr. Rademacher for the Liberal and Allied Group and Mr. Schaus for the EEC Commission.

The European Democratic Union suggested that the European Parliament should not deal with technical problems of this type during the plenary sessions, especially since it had no legal powers in this context. The Members of Parliament ought to concern themselves primarily with political issues.

The Report was approved by the Socialist, Christian Democrat and Liberal and Allied Groups. The Christian Democrat Group asked that the European Parliament and the Economic and Social Committee should be brought in on all the activities of the Commission. It was, furthermore, in favour of setting very long term objectives, since the investment in question was of considerable moment, the implications of which would be felt for a very long time.

Speaking on behalf of the EEC Commission, Mr. Schaus stated that the Report was politically important and that he was therefore unable to share Mr. Drouot L'Hermine's opinion.

A draft resolution (1), in which the Parliament asked the EEC Commission to incorporate in fresh proposals to the Council the technical changes made in the draft decision, was passed.

(1) Resolution of 23 March 1965.

8. Passenger transport by road

The Parliament also returned an Opinion on a Transport Committee Report (1) on the EEC Commission proposal to the Council on a regulation designed to introduce common rules for the international transport of passengers by road.

The Transport Committee approved the broad outlines of the proposal. This concerned an outline regulation and the first regulation for passenger transport. The economic importance of this type of transport and the problems of competition that it raised required its inclusion in Community regulations.

The Committee took the view that the draft regulation did not provide a satisfactory answer to the problems of approximation and ratemaking. The Committee deplored the lack of a definite attitude to the laying down of technical safety provisions and considered that greater importance should be attached to working conditions. It trusted that passenger transport on own account would be included in the regulation and that the rules for motor coach transport would be supplemented by rules for transport by other types of vehicles. The EEC Commission ought to be associated in the procedure for authorizing exemptions.

Mr. Posthumus, Committee Chairman, Mr. Drouot L'Hermine and Mr. Schaus of the EEC Commission took part in the debate.

Mr. Posthumus stated that the Committee wanted the Commission to play its part so as to provide a guarantee of fair treatment on exemptions from the Community rules.

Mr. Drouot L'Hermine submitted an amendment on how far liberalization was to affect third countries but this was rejected; the Parliament then adopted the draft resolution (2). The Parliament urged the EEC Commission to step up its efforts to bring a real and effective common transport policy into operation as soon as possible but give special attention to social questions. The amendments made to the draft regulation were embodied in the resolution.

(1) Report by Mr. Lardinois, Doc. 9, 1965-66.

(2) Resolution of 23 March 1965.

9. The political report of the ECSC High Authority

On 24 March, Mr. Dino Del Bo, President of the ECSC High Authority, submitted to the European Parliament, the "High Authority Political Report".

This report had been requested by the European Parliament during its debate on the 12th General Activity Report of the ECSC and President Del Bo introduced it by observing that the experience of the High Authority, as an independent body, would represent a valuable contribution to the solution of the problems involved in organizing a single community.

Indeed the European Coal and Steel Community had not been set up exclusively to serve coal and steel interests but also those of Europe since the Treaty of Paris had taken as its aim to inaugurate a new political era in the relations between the democratic States of the European continent. The results achieved and the experience gained over 13 years of Community life underscored the increasing need for unity of action on the part of the six Member States.

President Del Bo took the view that the merger of the Executives would not solve the problem of organizing Europe; the decisive step, as far as the development of the Community as a whole was concerned, would be the merging of the present three communities into a single body, for the Executives, as an institutional amalgamation of powers, did not have the effect of modifying the prerogatives of the Community institutions.

The experience of the ECSC had shown that the Community had "forged ahead" when the High Authority had been able to exercise its direct and well-defined powers and Mr. Del Bo believed that the future of the European Community would be conditional upon the measure of power entrusted to its executive organs. The prerogatives to be vested in the European Parliament would be an issue of moment when the merger of the Executives came up for discussion.

Although, as a general rule, a politically representative body could not assume the powers of an executive body, President Del Bo thought that a Parliament should at least have the right of initiative, the right to conduct enquiries and pass accounts, to criticize and supervise community policy in a democratic manner and to promulgate laws. This had to be the objective as

otherwise the life of the Community would be paralysed and held back in its ever-increasing development.

Economic integration had already deprived the national parliaments of a measure of their legislative powers and the democratic balance had to be restored at the European level. The High Authority therefore considered that in every instance where wide ranging decisions of a fundamental nature had to be taken, a procedure involving the approval of the European Parliament could not be left out of account.

The last point discussed by President Del Bo was whether the single treaty would be equal to every contingency, to each new exigency arising from economic development and social progress.

Realities would always be beyond the reach of treaties; an effort had to be made to increase the Community's powers and vest in the institutions and individuals concerned the authority to act according to their judgement to avert any crisis and overcome whatever difficulty might arise.

To this end, the right balance had to be struck, President Del Bo considered, between the powers of the single Commission and those of the Council of Ministers.

The speaker felt that the work cycle the High Authority had followed through over the past thirteen years and which was to be brought to a conclusion when the Executives merged could serve as a valuable guide on how the Communities could be merged and on how the subsequent results, towards which economic integration was working, could be achieved. Likewise, the 1952 to 1965 period was an object lesson in sector integration, which had been imposed on a classical source of energy and the basic industries; this could be taken as a solid basis for greater co-operation between peoples to consolidate peace and reconcile divergent interests.

In conclusion, President Del Bo stated that "the more we become aware of such fundamental exigencies, the more obvious it becomes to us that the natural goal to be attained is now political unity; this was the only way to ensure that what had already been achieved, far from being destroyed, would yield up new and increasingly valuable fruits."

10. Europe's political unity

The debate held by the European Parliament on Wednesday, 24 March 1965 turned on the political integration of Europe.

The session began with an introduction by Mr. Del Bo, President of the ECSC High Authority to the Political Report of the High Authority. This was followed by a detailed report by Mr. Edoardo Martino (Italy, Christian Democrat) submitted on behalf of the Political Committee on the problems of the political unity of Europe.

Mr. Martino observed that the debate was again on the unification of Europe and that there was no doubt as to the supranational objective of political integration. He spoke of a federal structure which would certainly take into account the existing national structures but which would have to have a common executive with considerable authority to arrive at a united attitude with regard to culture, external relations and defence.

The Political Committee saw the marked preference for bilateral co-operation as a phenomenon which stood in the way of Europe's drive towards unity. It regarded the resumption of political talks between the Six as a promising new approach; indeed, it fulfilled a wish expressed by the Parliament itself.

The Rapporteur emphasized that anything that would lead to a weakening of the Communities must be avoided. He therefore recommended the consolidation and full implementation of the Treaties of the European Communities. The Community could not extend its scope to new fields without increasing the importance and effectiveness of its rules and methods. The Treaty provided for co-ordination in the economic field; it was now necessary above all to progress further in the financial sector.

Mr. Martino advocated a strengthening of the part played by Parliament, especially through its direct election in the future. The situation would become easier when the majority principle came into application. In this connexion the speaker regretted that the Council of Ministers had deferred the question of extending the powers of the Parliament to budgetary matters and it had also put off the date of the merger of the Executives. He called for a genuine parliamentary control in regard to budgets.

Mr. Martino went on to discuss foreign policy and advocated a genuine partnership between Europe and the United States. In East-West relations he could still see no sign of any letting up in the rigidity of Moscow, and Kruschew's policy was, at least in its main lines, still being pursued. Since the Cuba crisis Russia had sought friendly co-existence with the United States and had attempted to heal the breach with Peking. With regard to the world political situation and the problems outstanding, a strengthening of Atlantic ties was urgently necessary. Isolationism must be avoided and co-operation in the economic and defence policy sectors had to be stepped up.

Mr. Martino recalled the Zürich speech of Mr. Winston Churchill in 1946. The British statesman at that time described Europe as the cradle of civilization; Europe had one day to become united in the administration of its common heritage. The union of 300 to 400 million Europeans would mean prosperity, fortune and renown. He therefore insisted that this Europe, that Churchill dreamed of, had one day to become a reality. The report dealt briefly with the geographic extension of the European Communities. New members had however to subscribe to the principles of the Treaties of Rome and Paris; this applied equally to economic and political integration. Europe was still small but it had begun to grow. Political resolve had to lead to the democratic federal Europe, that both Parliament and people had not ceased to demand.

Mr. Furler (Fed. Rep. of Germany), speaking on behalf of the Christian Democrat Group, drew attention to the political realism shown by the Rapporteur of the Political Committee. He was against an unduly hasty political unification, so as not to condemn the drive for unity to failure. A new drive for political unification was also possible without institutional trappings. "What we regard as political union is not the only way in which we can attain this major objective of a politically united federal Europe. Equally valid is the way that we have been following for a long time, that of our European Communities, in particular our European Economic Community which is of prominent political significance." The speaker described these organizations as "stages on the way to a united Europe."

Mr. Furler took the view that not only the heads of Government but also the foreign, defence and cultural ministers should meet regularly to further the interests of political integration. Permanent institutions would only complicate the present situation; taking into account the experience of recent years, one should go forward step by step only. He felt it would be particularly advantageous if a common line could be agreed on for foreign policy. The EEC was a highly political step on the path to Europe's unity in the same way as co-operation or further unification of the foreign, defence and cultural policies. "Political union should not build a roof over the EEC, as this might result in preventing the sun from promoting

the growth of the EEC." Political union should be quite independent of the EEC and have Community features so that a structure could be created "in which the two would have equal status." The time for this however was not yet ripe.

The speaker called for an appreciable increase in the responsibilities of the Parliament and emphasized the importance of this; in this way "the democratic parliamentary idea could become part and parcel of the whole European integration process." The Parliament had powers but these were still too limited.

The 170 million consumers should not merely be subjected to laws that were taken by the Council of Ministers without the Parliament having any right to intervene. In the long run this was simply not feasible.

On behalf of the Socialist Group, Mr. Kapteyn dealt particularly with external policy questions. The safety of Europe could only be guaranteed in a close Atlantic alliance; no alternative was conceivable until there was general disarmament. The time had already come for thinking in terms of the external policy of a united Europe that would embrace the decision-taking and executive functions. Europe had therefore to endeavour to create an international law which would be a guarantee of peace.

The speaker described power politics in Europe as an illusion. For a European nuclear strike force to have any meaning, it had to be flexible. American policy was of course not without its faults but the creation of a third force would only give Russia the opportunity to exploit disagreements between Europe and the USA.

Mr. Kapteyn then dealt with the question of the reunification of Germany. United Europe should not recognize the German Democratic Republic and reunification itself had to be settled by the four victorious powers in a peace treaty. The Socialist Group rejected the idea of "a European Monroe doctrine". The question of the German frontiers had to be settled by the peace treaty; the idea of a reunified Germany that could not be recognized as an equal partner should be rejected.

Mr. Kapteyn concluded by saying that a united Europe had to remain open to any countries seeking accession. Trade policy too was a means of easing tension. A common policy should be worked out that took into account the interests of the neutral countries in their relations with the EEC. Mr. Kapteyn said he was convinced that a Europe would be created that could, with the USA, contribute to maintaining world peace.

Mr. Berthoin (France), on behalf of the Liberal Group, dealt principally with the practical aspects of the unification of Europe and regretted that in many key sectors the political construction of Europe had still no concrete results to show. Every day responsibilities were taken away from the national parliaments in the social and economic fields, important decisions on the structure and balance of the individual countries were taken by the Council of Ministers of the Six without the Parliament having any influence. So far the Parliament had not had the control authority that it should enjoy in a democracy. Without question it had to share in establishing and guiding European policy. Mr. Berthoin also called for budgetary control by the Parliament. The common European tasks necessitated a Parliament with strong powers otherwise Europe would simply become a kind of technocracy.

In connexion with trade policy, national competition had to give way to the principle of European co-operation. Common defence was directed against no one, but was created against risks of any kind. He regretted the lack of a common external policy; in regard to development assistance also, he called for co-ordination to avoid a duplication of effort.

On political unity - an urgent necessity - opportunities had already occurred that had not been taken advantage of. The time could have come too soon but when the next opportunity arose the possibilities should not be allowed to go begging.

Mr. de Lipkowski (UDE, France) discussed the various facets of French policy and called for an active Europe that was independent of the "Anglo-Saxon world".

On the political unification of Europe the speaker said that the six countries were striving towards political integration without having very clear ideas about it. It was not a question of achieving an ideal at once but of preparing the ground for it; this more cautious approach might perhaps make for greater progress. He recalled the speech by Mr. Robert Schuman who warned against mixing up "necessary transition with impossible transition".

If Europe wished to be considered as a single nation it must have a sense of vocation and a definite identity. Genuine partnership could never be achieved if the terms "Europe" and "Atlantic Alliance" became interchangeable, for the "Atlantic concept" was incompatible with European identity. Europe had to have a vocation of its own otherwise it was doomed to fail. If Europe wanted to retain its individuality it must conduct its affairs in a different way from the United States.

The characteristic feature of the present world situation was the existence of two great power blocs, whose objective was mutual opposition and maintaining the status quo. America and the Soviet Union were condemned to political and diplomatic stalemate and failure. The advent of European nationalism was regarded both in America and in the East with apprehension since in terms of maintaining the status quo, it introduced an element of uncertainty. This represented an opportunity for Europe: it could become a power of intermediate size. If Europe understood its vocation, it had to create a kind of "substitute diplomacy" to ease the tension between the two blocs. The USA were indeed capable of winning a war but they were not in a position to prevent a war. Consequently Europe must consider itself as a unity, an independent entity and be able to stand up for itself if it were not to become doomed to insignificance. The "Atlantic partnership" theory only concealed differences of opinion.

The speaker described the division of Germany as the drama of Europe and asked whether the solution of this problem should be left to the Americans only. He doubted whether American diplomacy had the necessary means; he felt that European diplomacy had a greater chance. The emancipation of the east European countries was also a political task for Europe; those who regarded the emancipation of the Eastern bloc countries as one of the aims of European policy also had to support the emancipation of Western Europe from American domination. German and European unity could only be achieved by the Europeans.

Mr. de Lipkowski criticized American diplomacy for having come to grief on many occasions. He mentioned Cuba and Vietnam. A few months ago the French Government submitted proposals for a peaceful settlement of the conflict in Vietnam but it now appeared that the "white man" had lost all credit in that region. The question had to be asked whether the interests of the free world were being worthily represented by America. "Are we not all compromised?" he asked in conclusion. The same was true in regard to South America; the American stake in that area was enormous yet the political position of Washington was very weak. America's capitalist system was clumsy and brought few benefits to the countries of the third world since they only produced raw materials.

The speaker stated that French policy could not be carried through by France alone but only by a united Europe. France was convinced that one day Europe would accept the French plan but if the European countries moved nearer to the American ideas, the French plan was bound to fail.

In this connexion, Mr. Hallstein, President of the EEC Commission, reviewed the results that had already been achieved

on the political unification of Europe. Mr. Hallstein pointed out that the grain price decision of 15 December 1964 "had given a new and powerful impetus to the whole economic and social integration process in Europe, a process organized in the European Economic Community". That this undertaking was now irreversible could no longer be doubted. The positive aspect was a "solidarity of fact" that could be traced back to Mr. Robert Schuman and which had expanded to a "political solidarity". The political nature of economic integration had become plain for all to see for "economic integration" is nothing less than the Europeanization of the main threads that are European domestic policy, or to phrase it differently, the most important threads of a European domestic policy.

The President of the EEC Commission discussed relations between Europe and America. The USA now, as in the past, stood by the concept of Atlantic partnership, by which they understood genuine partnership and not leadership; they rejected any monolithic order of things. The unification of Europe was not an alternative to Atlantic co-operation; it was rather a prerequisite. In this matter we could depend upon American policy.

Mr. Hallstein dwelt at length on the idea of political union and pointed out in this respect that the Brussels Commission intended to use the terms "complete union" or "European federation". The members of the EEC Commission were in favour of integration in regard to foreign and defence policy. The results achieved so far should in no way be called in question; Mr. Hallstein emphasized that "on this occasion, it should not be forgotten that there is a lot to be learnt from what we describe as economic integration and any future design that may be added to it must incorporate the Community philosophy and the Community interest".

Mr. Radoux asked by the Socialist Group to report on military and defence problems, had one or two points to make about the statement by Mr. de Lipkowski. The basis of the Atlantic Alliance, he emphasized, was the indivisibility of the defence of the western world. Europe's defence was bound up with that of the United States.

With regard to Germany, it was not a question of whether the United States alone was in a position to solve this problem; experience had shown that it was only possible to negotiate with the Soviet Union on a power policy basis. Europe could not solve the German question on its own but if acted in concert with the USA the situation would be quite different. The speaker felt it unjustified to regard the United States as a "foreign protecting power". European policy was founded on partnership and it was not a question of who was right but of how joint decisions should be arrived at.

Europe could play an entirely different rôle in the history of the world if it were united, with its own president at its head. Mr. Radoux was convinced that the USA wanted nothing more ardently than to be supported by a strong and united Europe. However, it was of decisive importance that a united Europe should take the first place next to the "great powers" of this world.

The other speakers at the session, namely Mr. Del Bo, President of the High Authority, Mr. Santero (Christian Democrat, Italy) and Mr. Dehousse, were also in favour of political union. Mr. Dehousse felt that there had been interesting passages in the speech by Mr. de Lipkowski but he had also certain criticisms to make. He referred in particular to the isolation of Europe which was the inference to be drawn from the speech by Mr. de Lipkowski. It was worth reflecting whether, in connexion with the drive for European integration, one ought to speak about "European nationalism". He agreed with Mr. de Lipkowski that the policy of the USA had led to the status quo but at the same time it must in fairness be pointed out that it had kept the peace for twenty years.

Mr. Vendroux confirmed that the Socialist Group welcomed every step towards political union; the present economic union needed a political counterpart. On this occasion he advocated an extension of the powers of the Parliament and underlined the significance of direct elections to this institution.

Mr. Ferretti (Liberal, Italy) recommended a step by step procedure towards European unity and a unified political standpoint for Europe. He endorsed in part the French criticisms of American diplomacy and voiced particular concern at the possibility of the use of the American nuclear deterrent. He therefore advocated that Europe should have its own nuclear deterrent power. He also recommended the extension of the economic union to embrace the United Kingdom, Switzerland and Spain. He described the problem of direct elections to the Parliament as confusing since the members who met in Strasbourg had already been elected in their own countries. In order to prevent the accession to the European Parliament of Communist members he opposed direct elections.

Mr. Maurice Faure (Liberal, France) dealt particularly with the theme touched on by Mr. de Lipkowski. The answer to the present weakness of Europe in relation to the United States lay in the unification of Europe. The question which could be put to the Americans was whether they were ready to agree to a division of the Atlantic Partnership. The answer to this in the United States had been positive but with the proviso that a Europe that was organically and structurally divided could not claim to be rated an equal partner of the greatest power in the world. This state of affairs would be transformed at once by

the unification of the European powers.

Turning to Mr. de Lipkowski, he said that the cause of the conflict in Vietnam was quite clear: the 17th Parallel had been defined in negotiations and American withdrawal would represent an advance for communism.

Mr. Faure was in favour of the political unity of Europe. The democratic principle called for increased powers for the Parliament. He called for an institutionalization of political integration, incorporating a body representing the Community interests; without this, conferences of the heads of Governments and ministers would be condemned to political sterility.

In the resolution passed at the close of the debate, the Parliament endorsed the concept of an Atlantic Alliance between equal partners and recalled the statements and pledges of Heads of State or Government at the meeting of 18 July 1961. The Parliament reaffirmed the urgent need to achieve the political union of Europe without further delay by implementing the Paris and Rome Treaties in all their parts and in accordance with their spirit, and by speeding up the process of unification in order to build a federal and democratic Europe.

The Parliament stressed the urgent need to endow it with the powers that are essential for the democratic development of Europe and to apply the provisions regarding its election by direct universal suffrage.

The Parliament affirmed that a federal system would be inconceivable without a common foreign policy and without a common defence of Europe as an equal partner of the United States in the Atlantic Alliance. It emphasized the importance, in the cultural sphere, of a Community policy that would ensure the development of scientific and cultural co-operation as well as the early implementation of the provisions for creating the European University.

The Parliament was convinced that meetings at regular intervals of Heads of State or Government, ministers for cultural affairs, ministers for foreign affairs and defence ministers could speed up the process of European unification in cultural, foreign policy and defence matters, provided that the fundamental objectives of the Paris and Rome Treaties are safeguarded and that the results of the current integration process and the work and powers of the existing Communities and institutions are in no way jeopardized.

Finally, the Parliament hoped that other European States may, in accordance with the political aims of the Rome and Paris Treaties, be able to take part in the efforts made for the construction of a democratic and federal Europe.

11. The activity of the Council of Ministers

I. Report by the President of the Councils

On 25 March, Mr. Couve de Murville, President in Office of the Councils, reported on the activity of the Councils during the period from March 1964 to March 1965.

He dealt in turn with (a) the continuing implementation of the Common Market, (b) developments in the EEC's external relations, (c) developments in Euratom's external relations, (d) institutional problems.

1. The continuing implementation of the Common Market. Mr. Couve de Murville recapitulated the main features of the agricultural agreements reached in December 1964. The Council had decided that a vast free market for cereals, eggs, poultry and pork would come into being on 1 July 1967 and that a single price for the various cereals would come into effect for the whole Community on that date.

The Council had taken other agricultural decisions early this year. In view of the success the Community had achieved so far, it was reasonable to hope that solutions would be found for the other outstanding problems, viz: how the common agricultural policy was to be financed, the setting of single prices for the other products and the establishment of common market organizations for sectors still not subject to regulations.

The Council would, in the next few months, be deliberating on the possibility of a speed-up in the finalization of the customs union; the date suggested by the Commission was 1 July 1967.

Mr. Couve de Murville also recalled the activity of the Councils on economic union, particularly concerning freedom of establishment and freedom to supply services, competition, taxation, cyclical and economic policy, patents, transport and social affairs.

2. External relations

The Council had, for the purposes of the GATT trade negotiations, drawn up the Community's list of exceptions. The list ought to be regarded as moderate when it was remembered that, in comparison with the economies of the other parties to the talks, the Community's economy was characterized by low tariff protection, a balance of trade deficit and an economic structure in full development.

The Council had also dealt with other related matters - agriculture in particular - and had put forward a plan of special interest to the developing countries. The Council was following with interest the work begun at the Conference on World Trade and Development.

The President of the Councils reviewed progress in relations between the Community and its Associates: Greece, Turkey and the AASM. Trade agreements had been signed with Iran, Israel and the Lebanon. Negotiations were in progress with Nigeria, the East African States, Austria, Morocco, Algeria and Tunisia. Talks were also in progress with Yugoslavia and Spain.

3. Euratom

Although the Governments had finally agreed that a joint solution to the problems of recasting the Second Programme had to be worked out before 1 April 1965, it had not been possible to reach unanimous agreement at the Council meeting of 16 March 1965. Several delegations had, however, agreed on the scale of the revision to be carried out. The Council was waiting for the Opinion of the European Parliament before pronouncing on the Commission's proposals to amend Chapter Six of the Euratom Treaty (Supplies). The Council was considering a common policy for the nuclear industry.

4. Institutional problems

A number of proposals had been referred to the Councils. These were designed to enhance the powers of the European Parliament in several spheres. Some had been accepted while others had failed to obtain unanimous support. The Councils had decided to continue studying this question.

The President recalled the gist of the decisions taken concerning the merger of the Executives and he stressed the practical import and the political significance of this institutional reform; it was the first essential step towards merging the Communities themselves.

In conclusion the President stated that "the success achieved over the past twelve months, especially the agricultural agreement and the institutional merger, are full of promise for the future of the Community and hold out a prospect of further progress towards unity in Europe."

II. The debate

On behalf of the Christian Democrat Group, Mr. Illerhaus (Federal Republic of Germany) stated that he failed to see any promise for the future in what the President of the Councils had said. The Council was to be congratulated on the progress made on agriculture but Mr. Illerhaus pressed for similar progress in the industrial sector at an early date. The Christian Democrat Group attached importance to removing inter-State frontier controls as this would give the people the feeling that the Community was a reality. Little progress had been made in connexion with transport and the approximation of taxation systems. Mr. Illerhaus called for a liberal trade policy and enhanced powers for the European Parliament, especially in the financial and budgetary fields. The Community as a whole would not move forward unless the Council tackled the whole range of its economic and institutional problems with the same tenacity as it had shown in regard to agriculture.

On behalf of the Socialist Group, Mr. Dehousse (Belgium) acknowledged the great success achieved by the Common Market in the last twelve months. The Economic Community had reached the point of no return. However, there were still inadequacies, imperfections and gaps. Nothing had been said about the prospects for political union in Europe. Mr. Dehousse stressed the need for trades union representation on the new single Executive and he deplored the dispersion, in three different cities, of the Community institutions. The speaker also called for broader powers for the European Parliament. With reference to the Community's external relations, the Socialist Group regretted the lack of any coherent Council policy on associations and felt it equally unfortunate that the Community had not worked out either a common line at the World Trade and Development Conference or on the new GATT amendment protocol on trade expansion. The Socialist Group found the Community lagging in many spheres: the approximation of tax laws, freedom of establishment, competition policy and transport. The activities of the Council in the social field were particularly inadequate and exceptionable. There was a serious imbalance between the economic progress of the European Communities and the almost total lack of social progress.

On behalf of the Liberal and Allied Group, Mr. Berkhouwer (Netherlands) felt that the President of the Council had been too technical and insufficiently Community-minded in his report. He pointed out that 200 million Europeans were dependent on six

ministers and some thousand officials. The European Parliament should have legislative powers. European law could not be established by six ministers. He drew attention to the lack of co-ordination in the foreign policies pursued by the western States. He asked whether the Council could not work out a common policy vis-à-vis non-Member Countries, especially those in the Near East and Asia. As regards Euratom, the Liberal Group believed that the present stagnation resulted from a lack of political resolve. The Group called for enhanced powers for the European Parliament in the budgetary and, above all, in the legislative spheres. The Parliament had increasingly to become the spokesman for European public opinion.

Mr. Vendroux (France), on behalf of the European Democratic Union, paid tribute to the Councils for the work they had done in the past year. The Group was gratified at the success achieved in agriculture and in completing the customs union. Yet this did no more than establish a sound basis from which progress towards European unity could begin. Once the Executives had been merged, work had to begin on the essential corollary - merging the Communities. Mr. Vendroux felt that the out and out integrationism underlying the fine speeches of those who were shocked by expressions like "national feeling" often veiled a desire to hold the Community back; such speakers paid dramatic lip service to the facile demagoguery of supranationality; yet their excessive ambitions (which every one knew could not be achieved in the short term) slowed down a process that might be constructive and of value to the Community, in which the first step would indeed be the removal of certain jealously-guarded advantages. The aim was to make Europe into a powerful entity whose voice would be heard and which, in the free world context, could indeed accede to equal partnership with the USA.

Mr. Pedini (Italian Christian Democrat) called for a co-ordination of efforts by the Member States in the Associated States; he also called for a European policy on behalf of the younger generation.

Mr. Posthumus (Dutch Socialist) considered it intolerable that Euratom should remain in the same situation as regards the Second Five Year Programme. The specialists had played too big a part in this matter. A political decision was now required.

Mr. Martino (Italian Liberal) recalled the aims in creating the European Communities: the political unification of Europe, without which economic Europe could not survive. The speaker said that the powers of the Parliament had constantly been curtailed. According to the Treaties, the Parliament had to play an active part in working out Community legislation.

Mr. Wohlfart (Luxembourg Socialist) and Mr. Vals (French Socialist) discussed the remuneration of officials of the Communities' institutions and criticized the Councils' policy which had lowered the status of European Civil Servants.

III. Reply by the President of the Councils

Mr. Couve de Murville found that the criticisms had been directed at what he had not said in his report; what had been achieved had not been criticized. Yet it was certain that in the past year the Councils had not done all that should have been done to improve the three Communities and promote their further development.

As to political developments towards uniting Europe, Mr. Couve de Murville recalled the attitude taken and the proposals made by the French Government to the effect that the Common Market implied political developments and that it was inconceivable for it to continue in a progressive manner if these developments were not forthcoming. With regard to the various sectors where much still remained to be done to complete the Community's development, the President of the Councils stated that the tasks involved were not at all easy, that they took time and called for an enormous amount of work, discussions, patience and a spirit of compromise and, also, a desire to succeed. This was particularly the case with transport and taxation laws.

Mr. Couve de Murville stressed that the merger was important and valuable. Its implementation had to be expedited. The powers of the Parliament would be increased since it would be called upon to discuss the budgets of all the Communities, whereas at present it was not empowered to discuss the ECSC's budget. The future of the Parliament in general terms would be raised when the Communities were merged and when the financing of the common agricultural policy was discussed. The real problem was knowing what the political and economic future of the Parliament would be and what body would be responsible for discussing it with the Parliament. As for Euratom's present problems, these were as much political as financial and technical. The time had come to discuss these problems at the political level of the Foreign Ministers.

12. Relations between the Community and the State of Israel

An interim Report on relations between the Community and the State of Israel by Mr. G.L. Moro (Italian Christian

Democrat) (1) submitted on behalf of the External Trade Committee was discussed on 25 March.

The European Parliament had already had several opportunities to look into this question. Indeed three Reports were submitted by Mr. Blaisse, on 21 January, 6 and 12 May 1964 (2) respectively, on behalf of the External Trade Committee, dealing in particular with the terms of the trade agreement subsequently concluded on 4 June, which came into force on 1 July 1964.

At the request of the President of the Knesset (Israeli Parliament), a delegation from the European Parliament had visited Israel in October 1964 and had been able to familiarize itself with the real problems of that country. Following that visit, relations between the EEC and Israel formed the subject of a detailed study by the External Trade Committee; this most recent Report - an interim one - was intended to make for a clearer definition as to where the emphasis should lie in the present trade agreement in order that it might lead to closer and more effective co-operation.

The Report by the External Trade Committee began by examining the political and economic aspects of relations between the Community and the State of Israel going back to the end of 1958 when the Israeli Government first endeavoured to initiate relations with the Community.

The Committee took the view that the trade agreement concluded in June 1964 was, objectively speaking, relatively unambitious. The Israeli Government would have liked to conclude a full association treaty but concern at the reactions that an EEC-Israel treaty might have touched off in the Arab world and the expectations to which it might have given rise in other countries in the Mediterranean Basin had led to a different outcome. While it had to be acknowledged that the cautious attitude of the EEC should not be judged too hastily or superficially, it was stressed that the "political situation in the State of Israel should not preclude but on the contrary act as a stimulus to the European Community's taking a direct interest in, and forging deeper links of co-operation with, that country."

With regard to the economic aspects of relations between the EEC and Israel, and considering that the fast increase in

(1) Doc. No. 8/1965-66

(2) Docs. Nos. 125/1963-64 - 24 and 31/1964-65.

population was one of the main features of Israel's economic situation and that the majority of immigrants tended to turn to agriculture, the External Trade Committee felt that Europe was the natural economic market for Israel whose roots, on the other hand, both historically and culturally as well as economically, sprang mainly from the Mediterranean Basin.

The Committee therefore was of the view that the opportunities afforded by the present agreement should be exploited to the full and, looking at the main immediate points of interest to Israel, it felt that the serious difficulties, both political and legal in the way of an immediate association, should not be underestimated; such an association - even of a "sui generis" type - between the EEC and Israel could in the best possible way and on an adequate scale satisfy both the exigencies and the interests of Israel.

The External Trade Committee considered that Israel should not be faced with problems of a formal nature. For while a full-scale association could not at present constitute the institutional framework for relations between the EEC and Israel, it was none the less advisable to review and amplify the existing trade agreement so that it could incorporate a satisfactory solution to the problems arising in the context of such relations.

Opening the debate Mr. Moro, after warmly welcoming the delegation from the Knesset present on that occasion, began his Report by reviewing what had been done by the European Parliament; it had kept in close touch with the problems arising in connexion with Israel's relations with the Community. "The European Parliament, the Rapporteur stated, has not been content simply to observe, it has endeavoured to anticipate; Mr. Rey of the EEC Commission bore witness to this when he said that the European Parliament had been in the vanguard acting as a political stimulus to the Community authorities."

Mr. Moro acknowledged however that the stimulus given by the Parliament through its various bodies could not be regarded as having been very effective in speeding up the conclusion of negotiations with Israel but a result, albeit modest, had been achieved and the European Parliament deserved its share of the credit for this.

Mr. Moro reviewed the economic and political issues discussed in the Report and concluded by endeavouring to answer the two questions that naturally arose from what he had said: whether the agreement reached on 4 June 1964 adequately met the vital needs of Israel and whether an association between Israel and the EEC was a feasible proposition.

In answer to the first question, the Rapporteur felt that the agreement in its present form did not allow of an affirmative reply; it was precisely because of this negative reply that the hopes of Israel were pinned on an association agreement with the EEC.

With reference to association, Mr. Moro recalled that the External Trade Committee had expressed the opinion that the solution should be sought in the association arrangement anticipated in Article 238 of the Treaty of Rome. He did not share this view as he felt that association in this case would be easier to achieve outside the scope of that particular article.

Referring to the possibility of an association "sui generis", alluded to in the Report, the speaker explained the difficulties; the guidelines of the common agricultural policy had still to be given their final shape; this particularly applied to the fruit and vegetables sector where the common trade policy had still to be laid down in detail. Mr. Moro concluded by saying that the most direct way of meeting the expectations and the needs of Israel consisted in a more comprehensive and rational application of the trade agreement of 4 June.

On behalf of the Socialist Group Mr. Vredeling (Netherlands) began the discussion which followed by endorsing Mr. Moro's Report; he felt that in essence the economic problems arising, especially concerning citrus fruits, were not major issues and would not take up much time if Israel were associated with the EEC. Going on to discuss political implications, Mr. Vredeling said that the problem did not affect the Federal Republic of Germany alone but the whole EEC and it was the duty of Europe to give concrete form to the expressions of goodwill that had always been made to Israel.

Mr. Briot (UDE, France) speaking on behalf of his Group recalled that Israel's main exports were agricultural and the fact that they formed part of the agricultural output of the whole Mediterranean area meant that this was a problem which should be resolved in a Mediterranean context. Israel none the less deserved special assistance and recognition, the speaker stated. "This land is dear to us not only because of its history but also because in the past and especially in recent years it has been the meeting point of such dramatic conflicts."

Mr. Carboni (Italian Christian Democrat) Chairman of the Internal Market Committee, stressed that the overproduction of citrus fruits was common to the whole Mediterranean area and he pointed out that in working out agreements whatever form they took - and indeed, whether the agreement were one of association

or the present agreement writ large - we should still come face to face with one basic issue, that is whether in the last analysis the products supplied by the State of Israel could obtain a fair return on our market or on that larger market linked to us through our associates.

Mr. Illerhaus (Federal Republic of Germany), on behalf of the Christian Democrat Group, endorsed Mr. Moro's Report which he felt was a fair reflection of the European Parliament's resolve. He said that the European Community should do its utmost to help solve Israel's difficulties; it should help it in every way so that Israel had the impression that although it was separated from Europe it was still part of our Continent. Mr. Rey, of the EEC Commission, paid tribute to the perseverance of the European Parliament in its efforts to give satisfactory shape to co-operation between the Community and Israel; he informed the Parliament that a mixed delegation would be meeting in April and this would provide an opportunity to negotiate on outstanding problems; like the Parliament, the EEC Commission felt a great sense of responsibility towards Israel.

The Parliament approved a draft resolution submitted by the External Trade Committee. It drew attention to the inadequacy of the EEC's relations with Israel and re-affirmed that only an association arranged in pursuance of Article 238 of the Treaty would fully satisfy the interests of both sides. It called upon all the responsible Community bodies to support a more extensive participation by the Community in the economic and social development of Israel.

13. The present state of the common commercial policy

The debate on the Report on the gradual introduction of a common commercial policy (1), prepared by Mr. Hahn on behalf of the External Trade Committee, centred on the progress made in establishing that policy.

This Report was intended to take the current talks on the common commercial policy a stage further. It therefore defined the position occupied by the common commercial policy in the structure of the EEC Treaty and recalled that the Committee had already reported on this matter to the Parliament on several occasions. The last debate on commercial policy was held in the spring of 1963 in connexion with the discussion of the programme covering the years ahead which the EEC Commission intended to submit to the Council of Ministers for its approval. The question then arose of what progress had in the meantime been made in implementing this programme and what steps appeared to be urgently demanded as a matter of strict necessity.

(1) See Doc. No. 3/1965-66.

The Treaty provisions on commercial policy (particularly Articles 110-116) form an integral part of the customs union and are also an essential feature of the economic union. The common commercial policy is also closely linked to the common economic policy, including not only the monetary and short-term economic policy, but also the agricultural policy. The EEC Treaty lays down that the common commercial policy should be introduced by stages but specifies no time-limits. However, Article 111 clearly states that the conditions necessary for the implementation of a common policy in the field of external trade shall be brought about by the end of the transitional period. The work of shaping a uniform commercial policy should therefore be started on in earnest right away.

In this connexion the Rapporteur stresses that any speeding up in the achievement of individual Treaty objectives reinforces the need for a joint approach to external trade questions, without which, for example, the common agricultural market would lead to a system of self-sufficiency despite the fact that the Treaty of Rome calls for an active, liberal trade policy towards non-member countries.

Customs policy emerges as the dominant factor in the Community's trade relations with the industrialized countries. This policy has been brought to the fore by the talks in the Kennedy Round. In drawing up lists of exceptions which could be described as moderate, the Community "had again proved its willingness to adopt a liberal and outward-looking approach, and its determination to work for the success of the negotiations." In other spheres however - obstacles to trade unconnected with tariffs, quotas still in force in the agricultural sector and in certain branches of industry, and in relations between the EEC and EFTA - hardly any progress had been made. Referring to trade relations with the developing countries, the Rapporteur stressed that apart from those with the Associated African and Malagasy States, "they had been characterized by no far-reaching initiative on the part of the Community."

Trade policy decisions had also to take into account economic developments within the Community. The phase of dismantlement of customs duties and other restrictions on trade was not yet concluded. Until the laws on competition and fiscal provisions had been harmonized, distortions would remain and would induce Member States in a number of cases to resort to protective measures. The problems that would ensue - especially in trading with countries with low price-levels - could only be solved through a common or at least co-ordinated policy.

In February 1964 the EEC Commission had forwarded to the Council of Ministers a programme for standardizing trade policies. This followed a series of preliminary decisions and a

certain amount of preparatory work. The Report referred in particular to the introduction of a standard term for trade agreements with third countries and to the consultation procedure to be adopted for the negotiation of agreements and for changes in the position regarding liberalization and in the Action Programme submitted by the EEC. In connexion with the working programme in respect of the common commercial policy approved by it on 25 September 1962, the Council of Ministers had asked the EEC Commission to draft and lay before it proposals for the standardization of trade policies during the second stage of the transitional period. The Report noted with regret that the Council had none the less so far "hesitated to play its part in carrying through the Action Programme on trade policy."

The programme for standardizing trade policies which the EEC Commission submitted on 26 February 1964 set itself the aim of securing prompt decisions on the following matters: liberalization, quotas, trade relations with Japan, relations with Eastern bloc countries, trade policy protection measures, measures to assist imports and promote exports, standardization of export restrictions and the re-drafting of bilateral agreements into Community agreements.

The measures planned in these fields were briefly touched upon by the Rapporteur.

As regards the desired liberalization measures, the EEC Commission, yielding to strong opposition from the Council of Ministers, had abandoned its intention of abolishing any dollar discrimination that still existed vis-à-vis the OECD. It was now endeavouring to secure agreement - as a minimum solution - on a joint list of liberalized items which to begin with would include only customs headings already liberalized by every Member State in respect of trade with GATT signatories.

With regard to quotas, a number of Commission proposals were still outstanding. The gradual standardization of quota policies called for a joint solution at the very latest by the end of the transitional period. It had not however yet been decided how the common quotas should be administered - whether through a central administration or through individual administrations in each of the Member States under the EEC Commission's supervision. The Committee came out in favour of a decentralized administration.

Relations with Japan should in the Commission's view be treated as a matter of urgency. It would like to establish in a trade agreement with that country the principle of liberalization - moderated by a restricted joint list of exceptions -

and to agree upon a common set of rules for administering on quotas. As, however, Japan had declined to accept the safeguard clauses of GATT Article XXXV vis-à-vis Italy and Germany, it would be essential, to ensure a common approach by the six Member States, to introduce a common safeguard clause - applicable for all Member States - vis-à-vis Japan.

As regards trade policy protection measures, it was the Commission's intention to lay down in the form of a regulation a body of common principles and a standard procedure aimed at protecting the EEC against "anomalous practices" on the part of third countries trading with it.

With regard to the re-drafting of bilateral agreements into Community form, the Commission had so far been unable to do more than improve the existing consultation procedure for the negotiation of trade agreements.

Having disposed of the objections to standardizing trade policy during the transitional period, the report stated that this was a pressing need; and one which called for appropriate measures to be taken.

On 26 March 1965 the Parliament passed a detailed resolution covering all the issues referred to and putting the emphasis on the needs to speed up the implementation of the common commercial policy.

14. Housing for migrant workers

The problem of housing for migrant workers was a recurrent theme in the Parliament's discussions on the free movement of workers and the Social Committee reports submitted at the time drew attention to the need for a Community policy in this field. In July 1964, the EEC Commission asked for the Parliament's Opinion on a draft recommendation to be sent to the Member States on housing for workers moving to another part of the Community. The Parliament returned its Opinion at the March session, on the basis of a report by the Social Committee (1).

(1) Doc. No. 2, 1965-66: Report by Mr. Rubinacci on the EEC Commission draft recommendation to Member States concerning housing for workers moving to another part of the Community.

The Rapporteur began by pointing out that although housebuilding in general had made considerable headway all over the Community, there had been a steady fall-off in the number of dwellings available to workers. The Commission demonstrated its awareness of the problem by conducting inquiries and by organizing a colloquy on social housing policy at the end of 1963. With particular reference to the development programme to be carried through over the years 1966-1970, Mr. Marjolin, Vice-President of the EEC Commission, stressed the need to step up housebuilding for workers and, within the general economic policy context, to give it priority over other social sectors.

Although legislation in the Member States did not discriminate against foreigners, it did happen that migrant workers were in practice denied housing benefits extended to nationals. Indeed, at times administrative regulations and situations of fact precluded any genuine equality of treatment, which clearly demonstrates the timeliness of the Commission's initiative.

The Rapporteur went on to deal with the text of the Commission's draft recommendation and found that it brought home to the Member States what practical measures could be taken on behalf of all migrant workers (i.e. nationals of Member States and third countries, refugees or repatriated persons) to give them all the same opportunities in practice in the allocation of dwellings. The Commission laid timely stress on the need for public authorities to review their programmes for financing social housing and suggested that the obstacles could be overcome by financial co-operation between the Member States with a view to promoting housebuilding by public and private contractors, to ensure capital was made available at reduced rates of interest. The Rapporteur felt it would be easier to solve the problem if estimates of worker movement were made available and kept up to date.

There was however one shortcoming in the Commission's text: it made no mention of the possibility that the Community might intervene financially, at least at some subsequent stage. In doing so, it could act in conjunction with the High Authority in its housing policy; provision could be made for such intervention when the European Social Fund comes up for review in the near future. The Commission should also study the possibility of European bank intervention to finance housing programmes for migrant workers. Lastly, as regards the legal instrument selected by the Executive, i.e. the recommendation, the Rapporteur felt that a directive would have been more binding and offered better guarantees of success.

In reply to comments, the Commission assured members that it would bear its suggestions in mind. The draft recommendation

was designed to solve an urgent problem. If however, the legal instrument chosen, i.e. the recommendation, were in practice to prove inadequate, the Executive would not fail to examine the possibility of using a more binding legal instrument.

In the resolution passed by the Parliament at the close of the debate (1), it approved the Commission's draft directive as a whole, subject to observations made in the report and to one amendment designed to prevent tenancy agreement being made contingent upon work contracts in the case of workers for whom housing is provided by the employer. Finally, the Parliament asked the EEC Commission to submit a report on the action taken by the Member States in pursuance of the recommendation, so that it could ascertain what further initiatives were required.

15. Processed Agricultural Products

At its January session, the Parliament returned its opinion on the new system advocated by the EEC Commission for trade in certain commodities made by processing agricultural products. It transpired that the Council was unable to pronounce on this regulation in sufficient time for it to come into force before the date upon which the former system ceased to apply, that is 4 April 1965. The Council therefore referred to the Parliament a draft decision extending this system from 4 April to 30 June 1965. The Parliament took note of the proposal and recalled the terms of its resolution of 22 January 1965 (2).

(1) Resolution of 26 March 1965.

(2) Doc. 14, 1965-66: Report by Mr. Breyne on the EEC Commission proposal to the Council (Doc. 50, 1964-65) on a decision proroguing the decision taken on 4 April 1962 for levying a compensatory tax on certain commodities made by processing agricultural products and the Resolution of 26 March 1965.

Work of the Committees in March

Political Committee (1)

Meeting of 15 March in Brussels: The meeting was attended by representatives of the High Authority of the ECSC, the EEC Commission and the EAEC Commission. Examination of the draft resolution submitted by Mr. Dichgans on 21 January 1965 on political and institutional questions. Discussion on the possibility of Israel's association with the European Community.

Meeting of 22 March in Strasbourg: Constituent meeting, re-election of Mr. Edoardo Martino as Chairman, Mr. Van der Goes van Naters as first Vice-Chairman and Mr. Janssens as second Vice-Chairman.

External Trade Committee (2)

Meeting of 11 March in Paris: Approval of a draft report submitted by Mr. Løhr on common commercial policy questions affecting relations with state-trading countries. Approval of a draft report by Mr. Moro on relations between the Community and Israel.

Meeting of 22 March in Strasbourg: Constituent meeting; Mr. Blaisse was re-elected Chairman, Mr. Kriedemann first Vice-Chairman and Mr. Mauk second Vice-Chairman.

Agricultural Committee (3)

Meeting of 9 and 10 March in Paris: Exchange of views with Mr. Mansholt, Vice-President of the EEC Commission, on the problems of financing the common agricultural policy and of supervisory powers for the European Parliament in regard to budgetary affairs. Resumed study of a draft report by Mr. Braccési concerning a draft regulation on the fruit and vegetables market arrangements. Examination and adoption of a draft resolution by Mr. Esteve calling on the EEC Commission to pass special provisions for the potato sector. Examination and approval of the draft opinion by Mr. Blondelle, to be referred to the External Trade Committee, on trade relations between the Community and the State-trading countries. Examination and approval of the draft report by Mr. Vredeling to be referred to the External Trade Committee on relations between the Community and the State of Israel.

Meeting of 22 March in Strasbourg: Election to the Chair of the Committee, Mr. Boscary-Monsservin to be Chairman, and Mr. Sabatini and Mr. Vredeling Vice-Chairmen.

Social Committee (4)

Meeting of 8 March in Brussels: Examination and adoption of a draft resolution by Mr. Rubinacci on the EEC Commission recommendation on housing for migrant workers. Appointment of Mr. Sabatini as Rapporteur and his report on a Commission note on the action to be taken on the basis of the European Social Security Conference. Appointment of Mrs. Elsner as Rapporteur on the EEC Commission draft regulations to heighten the efficiency of the European Social Fund. First examination. Discussion on the implementation of Article 118 of the EEC Treaty on the basis of a note by the Commission.

Meeting of 18 March in Brussels: Continuation of the discussion on the implementation of Article 118 of the EEC Treaty (Rapporteur: Mr. Nederhorst).

Meeting of 22 March in Strasbourg: Constituent meeting. Mr. Troclet elected to the Chair and Mr. Storch and Mr. Angloy elected Vice-Chairmen.

Internal Market Committee (5)

Meeting of 18 March in Brussels: Examination and finalization of a draft report by Mr. Breyne proroguing the Council's decision of 4 April 1962 for levying a compensatory tax on certain commodities made by processing agricultural products. Resumption of the study of the draft directive to co-ordinate guarantees required from commercial undertakings. Adoption of a questionnaire addressed to the Commission and designed to give the Internal Market Committee a more detailed picture of the Commission's intentions. Resumption of the study of the Kreyssig report on a directive setting out how the freedom of establishment and the freedom to provide services is to be given effect in respect of the press.

Appointment of rapporteurs:

Mr. Leemans on a Euratom Commission proposal to the Council to amend the terms of Title II, Chapter VI of the Euratom Treaty (Supplies).

Mr. Tomasini on an EEC Commission draft directive submitted to the Council, designed to allow farmers who are nationals of one Member State and have settled in another Member State to change farms and on an EEC Commission draft directive to the Council, to make the law in the Member States concerning farm tenancies applicable to farmers who are nationals of other Member States.

Mr. Seuffert on an EEC Commission draft directive submitted to the Council on indirect taxes on capital consolidations.

Mr. Scarascia-Mugnozza on an EEC Commission proposal to the Council on the abolition of intra-Community customs duties, the implementation of the common customs tariff duties and the prohibition of quantitative restrictions between the Member States and an EEC Commission proposal concerning a Council decision on the approximation of customs legislation.

Mr. Bersani on an EEC Commission proposal to the Council concerning a Council decision on removing frontier controls between the Member States.

Meeting of 22 March in Strasbourg: Constituent meeting. Chairman: Mr. Carboni; Vice-Chairmen: Mr. Berkhouwer and Mr. Seuffert. Appointment of Mr. Deringer as the drafter of an opinion on the thirteenth General Activity Report of the ECSC.

Meeting of 31 March in Brussels: Preliminary analysis of the Euratom Commission proposal to the Council to amend the provisions of Title II of Chapter VI of the Euratom Treaty (Supplies). Rapporteur Mr. Leemans.

Examination and finalization of three reports:

Mr. Scarascia-Mugnozza on the abolition of intra-Community customs duties; the implementation of the common external tariff and the prohibition of quantitative restrictions between Member States, and on the approximation of customs legislations.

Mr. Bersani on the abolition of frontier controls between Member States.

Mr. Alric on the freedom of establishment and the freedom to supply services for non-wage earning occupations in:

1. the real estate business (Group 640 CIFI);
2. the supply of services to industry (Group 839 CIFI).

Economic and Financial Committee (6)

Meeting of 9 March in Brussels: Examination and adoption of a Report by Mr. Van Campen on the EEC Commission survey of the economic situation in the Community. The Committee also examined the cyclical situation, developments in the international payments system and problems concerning medium-term economic policy. Mr. Bousch was appointed Rapporteur for the Opinion to be submitted to the Internal Market Committee concerning an EEC Commission proposal on indirect taxes levied on collected capital.

Meeting of 22 March in Strasbourg: Constituent meeting. Mrs. Elsner was elected Chairman and Mr. Van Campen and Mr. Starke were elected Vice-Chairmen.

Committee for Co-operation with Developing Countries (7)

Meeting of 16 March in Brussels: Statement on the outcome of the meeting in Rwanda of the Joint Committee of the Parliamentary Association. Discussions with the EEC Commission as to the state of relations between the Community and certain non-associated developing countries in Africa and the Near East (in particular, Nigeria, Kenya, Uganda, Tanzania and the Lebanon). Discussion on the question of foreign penetration into Africa and the question of information about the Community in the African countries.

Meeting of 22 March in Strasbourg: Constituent Assembly. Re-election of Mr. Thorn as Chairman and of Mr. Van der Goes van Naters and Mr. Pedini as Vice-Chairmen.

Transport Committee (8)

Meeting of 11 March in Brussels: Adoption of a report by Mr. Seifriz on the EEC Commission proposal to the Council concerning a decision on Community action in the sphere of transport infrastructure investment. Adoption of a report by Mr. Lardinois on the EEC Commission proposal to the Council on a regulation concerning the introduction of common rules for the international transport of persons by road.

Meeting of 23 March in Strasbourg: Constituent meeting. Mr. Posthumus elected Chairman and Mr. Müller-Hermann and Mr. Rademacher elected Vice-Chairmen.

Energy Committee (9)

Meeting of 22 March in Strasbourg: Constituent meeting. Re-election of Mr. Burgbacher to the Chair and of Mr. de Block and Mr. Bousch as Vice-Chairmen.

Research and Cultural Affairs Committee (10)

Meeting of 23 March in Strasbourg: Mr. Terrenoire elected to the Chair; Mr. Schuijt and Mr. Metzger elected Vice-Chairmen.

In pursuance of a Parliamentary decision, the number of members on the Committee was increased from 17 to 29.

Health Protection Committee (11)

Meeting of 12 March in Brussels: Examination and adoption of the draft report by Mr. Pêtre on the implications for the health protection sector of merging the Executives. Appointment of a rapporteur on the Euratom Commission draft directive amending the health protection standards applicable in respect of local populations and workers against the risks of ionizing radiation; exchange of views with the Commission. Appointment of a delegation to attend the Congress on the campaign against air pollution to be held in Düsseldorf in April.

Meeting of 22 March in Strasbourg: Constituent meeting. Mr. Storch elected to the Chair and Mr. Bergmann and Mr. Bord elected Vice-Chairmen.

Budget and Administration Committee (12)

Meeting of 22 March in Strasbourg: Constituent meeting. Mr. Vals was re-elected to the Chair. Mr. Carcaterra and Mr. Bernasconi were elected Vice-Chairmen. The Committee discussed the draft interim report on the accounts of the European Parliament for the financial year 1964. The draft report was unanimously adopted. The Committee also appointed a number of rapporteurs for outstanding budgetary problems.

Legal Committee (13)

Meeting of 15 March in Brussels: Exchange of views, at a meeting attended by members of the Legal Department of the European Communities, on the basis of an introductory note by Mr. Dehousse, on the precedence of Community law over the laws of Member States. Various procedural matters.

Meeting of 22 March in Strasbourg: Constituent meeting: Mr. Weinkamm, Chairman, Mr. Granzotto Basso and Mr. Drouot L'Hermine, Vice-Chairmen.

Parliamentary Committee of the Association (14)

Meeting of 23 March in Brussels: Constituent meeting: election of Mr. Janssens to the Chair, of Mr. Vanrullen and Mr. Leemans as Vice-Chairmen.

Delegation of the European Parliament
to the Parliamentary Committee of the Association
between the EEC and Greece

Meeting of 12 March in Brussels: attended by the EEC Commission; discussions on problems concerning the Association's development.

Sub-Committee
of the
External Trade Committee
Agricultural Committee and
the Committee for Co-operation
with Developing Countries
on the
stabilization of the world raw materials market

Meeting of 18 March in Brussels: Discussion on the working programme of the Sub-Committee and the problems of the world raw materials markets.

The Joint Committee of the Parliamentary Conference of
the Association with the African States and Madagascar

Meeting of 1 to 5 March in Gisenyi: First working session of the Committee in Gisenyi (Rwanda). Exchange of views on the problems arising under the various titles of the Yaoundé Convention e.g. goods trade, financial and technical co-operation, freedom of establishment, supply of services and the movement of capital and payments. Mr. Pedini was appointed Rapporteur of the Joint Committee for the Annual Activity Report of the Association Council. Discussion on institutional aspects of the Association and on questions of information about the Community in the Associated States.

III. NATIONAL PARLIAMENTS

Belgium

European policy debate in the Senate

Several speakers, including the Foreign Minister, discussed European questions during the debate on the budget for the Ministry of Foreign Affairs, held in the Belgian Senate on 10 and 11 March.

Mr. Dehousse (Socialist) spoke on political unification. He congratulated Mr. Spaak, Minister for Foreign Affairs, in reducing the difficulty of a problem that had seemed insoluble. His proposals deserved credit for opening up the possibility of a democratic and realistic settlement. The three Executives were the spokesmen for the Community interest. The dialogue between the Executives and the Council of Ministers was one of the main reasons for the success of the Common Market. The Foreign Minister had advocated extending the use of this approach to political unification. It was altogether sound. Mr. Dehousse considered most ingenious the proposal that there should initially be no final or formal treaty. It was wiser to gain experience first and to entrust it to an ad hoc committee to study developments; the committee could, ultimately, be vested with the power to make proposals to the Governments. In drawing up any final treaty a certain number of conditions had to be insisted upon. Mr. Dehousse listed the ones he regarded as essential: provision had to be made on the political council for something more flexible than the unanimity principle; it should be replaced by the qualified majority rule. The European Parliament was a misnomer. It stated an aspiration but it was devoid of reality. In the political community, the Parliament would have to be given more powers and be elected by universal suffrage. This would be a major democratic reform. The Parliament would never work until it held its mandate from popular suffrage.

Another condition was that the United Kingdom should take part in the political union, but to do so, it had first to join the other communities. There was no question of creating two categories of Member States. Should the United Kingdom be associated, at this stage, in the establishment of a political union? Frankly no. It was not yet possible. The Belgian Government had to wait until political union had taken shape and until agreement had been reached on a minimum of decisions. At present the British scales did not seem to be weighted very heavily in favour of Europe. Finally, any union treaty would naturally have to be subject to review. Its responsibilities would have to include not only foreign affairs but also defence, which would not fail to bring us into conflict with France.

National Parliaments

Mr. Duvieusart (Christian Democrat), President of the European Parliament, also took the floor on the problems of European unity. With regard to Community organizations, a golden rule had to be observed: that of holding fast to and consolidating what had already been achieved before going any further. At the parliamentary level, what mattered was the democratization of the European institutions. The European Parliament's attention was focussed on two main issues: the direct election of its members and their powers. When direct elections were held, these would have to be in accordance with the individual systems of the countries represented. As for Communist representation in the European institutions, the European reality had to be taken to its logical conclusion. Our countries were democratic and talks and contacts with the Communists were part of our experience. Mr. Duvieusart asked the Foreign Minister to call upon his colleagues to tackle this problem with realism and understanding.

The problem of the powers and prerogatives of the European Parliament had also to be settled. It was necessary that the Foreign Minister examine how powers could be secured for the Parliament in the matter of budgets, regulations and the procedure for approving treaties.

The President of the European Parliament concluded by stressing the need for political union in Europe, especially in regard to defence and foreign policy. It was essential to go a stage beyond the Treaties without prejudice to what had been established and without attempting to set up the relevant institutions too hastily.

In reply, Mr. Spaak, the Foreign Minister, said he was convinced that the European Economic Community had come to stay. The French had been right in calling for action over agriculture and for progress. Now that their claims had been met, the other partners too had a right to ask the French to persevere in this constructive spirit in other fields, such as external relations, trade, transport and monetary questions. The latest success achieved was important both materially and psychologically. The merger of the three Executives would give shape to a European power constantly increasing in stature.

Mr. Spaak saw no chance of union representatives winning a seat on the merged Commission. He went on to discuss the talks on the seat of the institutions which had led the ministers to a series of compromises. He agreed with Mr. Duvieusart, who had recommended him to act with care in reviving the scheme for a political Europe and avoid transferring to any new body, powers vested in the present European communities. The guarded reception given to the Fouchet plan at the time it was brought out were due solely to the fact that it did not ward off the danger alluded to by Mr. Duvieusart.

The Foreign Minister felt that it was misguided to think that time was on the side of an improvement in the chances of the United Kingdom becoming associated with the Common Market. The longer one waited, the more difficult it would become. When, in three or five years time, the Common Market had succeeded in evolving a complete Community policy on external relations, transport, fiscal and monetary regulations, any State then applying for membership of the finalized European organization would obviously be in a much more difficult position than at present. Indeed such an applicant would be required to make revolutionary changes. Regarding the United Kingdom's participation in the political talks, Mr. Spaak doubted whether any other country, which had remained right outside the European Community, could, in a few years from now, enter a six-State organization that had become a genuine political entity. It was erring on the side of optimism to think that the principles of a political Europe were different from those of an economic Europe.