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P a r t I

DEVELOPMENT OF EUROPEAN INTEGRATION

I. GENERAL PROBLEMS

1. Political implications of the merger of the European Treaties

During a discussion organized by the Economic Publicity Association on the political implications of the merger of the European Communities, Mr. Fritz Hellwig, member of the High Authority, stated that the merger of the Executives could be carried through as planned by 1 January 1966. While ratification might present certain difficulties in a number of national Parliaments, the approval of the six Member States would probably be obtained by the end of the year.

Mr. Hellwig considered that the preliminary political questions had been cleared up and the new common Executive would comprise fourteen members for a transitional period of two to three years. The final arrangement would depend on the extent to which the European Commission delegated tasks to subordinate bodies yet to be set up. Mr. Hellwig was in favour of joint decisions as they alone would enable European unity to be achieved.

The future political status of the European Parliament was also discussed. Through its President, who exercised the right of veto, the Parliament had so far taken part in fixing the budget of the High Authority. With the merger, the Parliament would forfeit this right which would then be enjoyed only by the Council of Ministers. The parliamentarians expected some compensation for the increase in the powers of the Executive - for example in budget matters, in the framing of European legislation - and an extension of its right of consultation.

The discussions in the Council of Ministers had clearly shown that Germany and the Netherlands were prepared to back the wishes of the parliamentarians. France, on the other hand, would oppose any extension of the European Parliament's legislative powers on the grounds that it was not a Parliament in the true sense of the word since it was not directly elected.

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Mr. Hellwig emphasized that there was general acceptance of Mr. Spaak's view that the merger of the Executives was a far more important matter, whereas the question of extending the rights of the Parliament could still be deferred.

The ensuing discussion highlighted the difficulties that might arise following the merger of the Executives and, even more, that of the three Treaties. Mr. Hellwig felt that the need to line up the Treaties and to do away with conflicting provisions should be taken for granted. "A merged Executive cannot work on the basis of different Treaties displaying inherent contradictions on comparable matters of fact." As examples he singled out the rules of competition for coal as distinct from those for oil, notification of investments and the provisions relating to subsidies. There was still room in the EEC Treaty for special provisions governing individual sectors of the economy. There was therefore no reason why specific provisions relating to the sphere previously governed by the EEC Treaty should not be retained. This had indeed already been suggested by the iron and steel industry.

Mr. Hellwig's remarks related to the rules governing pricing and competition. The question whether Article 60 of the EEC Treaty ought to be amplified had not yet been thrashed out. However, the attitudes adopted by the Federal Republic and the Netherlands to Article 60 were so unconstructive that to offset the retention of that Article they would also demand Articles 65 and 66.

The discussions further confirmed that opinions still differed as to what would be the most suitable form of standardized structure for the European economy. Mr. Hellwig felt that a start should be made by "cataloguing the problems". (Industriekurier, 25 February 1965)

2. German-Italian talks in Bonn on political union in Europe

Talks were held at Bonn between Messrs. Carstens and Lahr, Federal Secretaries of State for Foreign Affairs, and Mr. Cattani, Secretary-General of the Italian Ministry for Foreign Affairs, Ambassador, as to how the work for political union in Europe could best be speeded up. Mr. Cattani's visit to Bonn formed part of a general tour of the capitals of EEC countries.

A Bonn Government spokesman described the talks as a step towards the "initial stage of systematic political co-operation in Europe", and expressed the hope that after Mr. Cattani had completed his tour of the remaining EEC capitals, there would soon be a conference of the six Heads of Government on political union in Europe. This had originally been suggested by the German Federal Chancellor in November 1964 when he laid concrete proposals before the Governments. The Federal Government felt that time was pressing and that economic union no longer sufficed. (La Nazione, 18 February 1965; Il Giornale d'Italia, 18/19 February 1965)

3. ECSC and European political integration

Mr. Dino Del Bo, President of the High Authority of the ECSC, delivered an address on 1 February at the ISPI (Institute for the Study of International Politics) on "ECSC" and European political integration".

Examining the contribution already made by the ECSC to political integration, Mr. Del Bo referred to the experience acquired in this field which had shown that economic interests could provide a suitable springboard for results of fundamental importance. This had been borne out by the fact that the successes achieved by the European Coal and Steel Community had at a given moment determined the project for a European Defence Community which to date represented the closest approach to the European idea. Moreover, the exercise by the High Authority of supra-national powers - the greatest at present in existence - presupposed partial renunciation of national sovereignty - a step which was essential in other sectors if real political integration was to be achieved.

According to President Del Bo, the projects for a political Europe at present being examined did not follow an accurate procedure. They ignored both ECSC and the other two Communities at Brussels as operative factors for the transition from economic to political integration. They claimed to be able to reach that goal from a completely fresh start, though fixing objectives for maximum co-operation and co-ordination and rejecting anything that might amount to partial renunciation of sovereignty and acceptance of real supra-national power.

President Dino Del Bo asked whether this did not mean a refusal to take advantage of assets already in existence. It was essential to bear in mind the need for a balance of powers at

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the apex of Europe if - as envisaged in the Italian plan - it was desired to build a federal Europe endowed with ample centralized power. The Treaty of Paris had already ensured this balance by bringing into being a Common Assembly which had since become the European Parliament. Contrary to what was commonly believed, the power that this possessed was not purely consultative but permitted it not only to table a motion of censure against the High Authority but also within certain limits to revise the Treaty and to take part in approving the High Authority's budget. These powers logically implied a prospect of increasing the Parliament's powers, although this was not accepted by those governments that were the main protagonists of the revival of political Europe.

President Dino Del Bo also dealt with certain political aspects of the structure and activities of the High Authority. There existed the possibility of co-opting one of its members as a guarantee of the political independence of the Community Executive vis-à-vis national Governments. There was still scope for influencing relations with third countries as was happening through participation in the general tariff negotiations in GATT. There was finally the possibility of co-operating with developing countries on the basis of sector-by-sector integration in respect of products that served as the basis for economic development. All this involved a combination of factors - including all the implications of social policy - destined to have a bearing on the interests, conduct and the aspirations of the national social groups of which Europe consisted. Only if all this were recognized and accepted would there be sufficient prospects of the political strength of a united Europe ultimately becoming consolidated. (Relazioni Internazionali, 6 February 1965)

4. Professor Hallstein on European constitutional problems

In an address delivered at the Institute for World Economy in Kiel Professor Hallstein, President of the EEC Commission, spoke about "real problems of European integration".

He dealt particularly with the economic, sociological and political changes that had been taking place since the move towards unification had first got under way. He spoke of a break with deep-rooted habits of thought, feeling and action. "In the last analysis, it is man himself who is undergoing a transformation."

Professor Hallstein described the frontiers dividing the countries of Europe as economically false. It was impossible to separate a close-knit economic centre like Europe in this way. "Europe alone continues to indulge in this costly and - in the long run - suicidal luxury." In this respect, the other two large economic blocs - the United States and the Soviet Union - were by their very nature, their political and economic unity, much more fortunate.

Professor Hallstein emphasized that the economic policy of the European Institutions was aimed directly at industry which from the start had responded eagerly to the programme laid down in the EEC Treaty. "It (industry) has cleverly anticipated the inevitability of a change in laws and customs and has adapted itself accordingly. As a result, it has itself initiated a considerable and important - perhaps the most important - part of these changes."

Professor Hallstein did not deny that conflicts of interest existed among the Member States. Nevertheless the Commission had always succeeded in reconciling the interests of the partner States of the Economic Community.

The President then went on to discuss the rights, obligations and working method of the organs of the Community. While the fact that no real power of decision was vested in the Parliament, which could not express its misgivings to the Commission, did not bring the Community's progress to a halt, it deferred the achievement of the final goal to an indefinite future. Professor Hallstein denied that the rôle of the Commission was not political; the Commission had to distinguish between what was urgent and what was less urgent, between important and unimportant matters, and had throughout to maintain a moderate and unassuming attitude. The notion that the Council of Ministers moved too slowly and spent too much time in weighing up matters was, in his view, "on the whole unjust". In conclusion, Professor Hallstein stated that there was no experience to draw on in preparing a revised version of the European constitution that would bring the European Community into full effect. (Frankfurter Allgemeine Zeitung, 20 February 1965)

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5. Statements on Europe by Professor Hallstein and Federal President Lübke at the opening of the "Green Week" in Berlin

1. Professor Hallstein

The President of the EEC Commission, who was visiting Berlin at the invitation of the Senate, described Berlin as a European city. Both its past and its present had combined to make it a part of that Europe for which attempts were being made to build a path leading to a great, peaceful and secure future.

Professor Hallstein described the agricultural question as the key problem in both the East and West. Agriculture could not be dealt with in isolation and an attempt would have to be made to fit it into modern industrial society. Agricultural problems had become a dominant theme for European unification. In the past they had at times threatened the very existence of the Community; on the other hand they had also stimulated progress, whether directly or indirectly. Professor Hallstein regarded the decision on a uniform cereal price as a "turn in the history of European agriculture, the start of an entirely new European agricultural policy."

Professor Hallstein followed up his optimistic comments on economic and social policy by drawing attention to the need for common external and defence policies.

The integration of the agricultural systems of six European countries naturally had a bearing on relations with the remaining European and overseas countries since the EEC - the world's biggest importer of agricultural products - accounted for a quarter of world agricultural trade. Professor Hallstein therefore emphasized that - following the Brussels agreement on the agricultural market - a new initiative ought to be launched in international agricultural trade. An ordered system would have to be substituted for the confusion at present reigning in this field.

Europe neither used nor needed to resort to coercion. "It is coming into being through the exercise of freedom sanctioned by law, and through peaceful persuasion. Recourse was had not to force but to reason, a sense of solidarity, and understanding. This is the foundation on which the Europe of tomorrow will have to be built, and our confidence in the ultimate success of this approach will not be shattered by any wall."

2. Federal President Lübke

At a reception in Schloss Bellevue, Dr. Lübke described the Food and Agricultural Week as a meeting-point of leading representatives of the EEC, EFTA and other countries. The Federal President drew attention to the excellent human relations that existed between the politicians and were also of benefit to the peoples. This had been experienced again and again in the efforts to bring together the States of Europe which, after a frightful war, had found themselves faced with immense tasks. It was essential then, and remains so today, to concentrate all efforts - up till then dissipated for lack of proper co-ordination - on the creation of a Community under whose wing the European peoples could feel themselves secure.

Dr. Lübke turned to Sir Winston Churchill's speech of 19 September 1964 in which he had pointed to the need for the political unification of Europe and in particular for a reconciliation between France and Germany. In this connexion Dr. Lübke spoke of the difficulties that still lay in the path of European unification but emphasized the progress that had been made in the last twenty years. He also voiced the hope that the EEC and EFTA would one day link up, even if the process involved a number of intermediate stages.

The Federal President described European unity and the links of trust with the USA as political aims since it was only through them that the great political tasks in Latin-America, Africa and Asia could be solved. He appealed to these countries not to have any worries regarding the integration of Europe. The larger the economic bloc and the smoother the flow of goods into European countries, the greater would become Europe's economic strength and therefore its need for imports. The Federal President particularly welcomed the settlement of the cereal price question. While agricultural factors had up till now been the major source of hesitation, agricultural policy was now becoming a driving force since the decision on cereal prices would necessitate other decisions which in turn would strengthen and widen the powers of the Brussels authorities.

6. The Italian Socialist Party and Europe

Senator Paolo Battino Vittorelli, member of the Executive Board of the Italian Socialist Party (Nenni), delivered an

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address in Brussels and Luxembourg on "the international action of the Italian Socialist Party and the building of Europe." The subject chosen was particularly interesting because, although this Party forms part of the present Italian coalition, it is not represented in the European Parliament.

Mr. Vittorelli began by outlining the history and political outlook of the Socialist Party of Italy. He dwelt particularly on his Party's attitude towards the Soviet Union and pointed out that Italy belonged to the Atlantic Alliance. It was on this basis that the Socialists had framed their external policy and broken off relations with the Communists.

Senator Vittorelli dealt mainly with the European aspects of Socialist external policy. The Socialists had rejected the proposed European Defence Community because they feared a re-militarization of Germany. They had also refrained from voting on the EEC Treaty. They fully realized however that Europe would have to be integrated as speedily as possible. In this connexion Mr. Vittorelli mentioned a number of basic requirements which should be met at European level.

Mr. Vittorelli stated that his Party would submit to the Senate a draft law for direct elections to the European Parliament, its aim being to ensure that all Italian parliamentary groups were represented in the European Parliament.

With regard to the current Italian external policy, while it was not a particularly active one, it was not blindly following the attitudes adopted by the other European States. It was, for example, also to Italy's credit that the project for a multilateral nuclear fleet (MLF) had broken down. "It is a question of controlling the American nuclear potential in the interests of peace." (Tageblatt, 9 February 1965)

7. Belgian Christian Democrats and the policy on Europe

In mid-February 1965, the 20th National Congress of the Belgian Christian Democrat Party adopted an election programme which centred mainly on European policy.

Under the heading "Social Progress" the election Programme reads: "Our economy is daily becoming more closely interlocked with the Common Market; moreover, the Treaty of Rome devotes a chapter to social policy. The social organizations must become

European in character and in influence." Under "Economic Expansion" the programme emphasizes that Belgium has every chance of becoming the centre of European integration as it "has become the capital of the Europe of the Six."

The Christian Democrat programme deals in detail with the problem of investors abroad for whom Belgium has become a "veritable potter's wheel". The Party therefore calls for the setting up of European institutions so far lacking in the monetary policy sector where the free movement of capital stood in the way of effective measures. In the industrial sector and on questions of foreign investments, the Party was against waiting for the decisions of European bodies still to be set up. "The internationalization and concentration of undertakings is already proceeding apace." The relations between Governments and large undertakings would therefore have to be settled in advance, allowing for the fact that "Community authority" would eventually take care of this.

As regards the Common Market, the Christian Democrat Party calls for a speeding up of tariff dismantlement and for progress in common policies - trade policy, monetary and short-term policy, transport policy, cartels and harmonization of turnover taxes.

The election programme also includes a chapter on the European institutions. The Christian Democrat Party had from the outset supported the integration of Europe, maintaining that economic integration should come first and that external, defence and cultural policies should then be reduced to a common factor. The Party particularly desires that the European Parliament should be elected wholly or partly by universal suffrage, and that it should have the power, to introduce laws and to fix the budget. In the meantime the Council of Ministers should consult the Parliament more frequently and provide it with ampler information. Moreover, budget estimates should be presented simultaneously to the Parliament and the Council. International agreements entered into by the Communities should also be submitted to the Parliament for approval.

The Party programme calls for a single Executive - a Community body which, even if it leaves room for further development, can take up the dialogue with inter-governmental organs.

Finally, the programme refers to multilateral agreements and measures relating to the developing countries, and of a geographical diversification of efforts, particularly vis-à-vis the Latin American countries. ("Le P.S.C. et l'Europe", L'Echo de la Bourse, 9 February 1965)

8. Mr. Pietro Nenni on the problem of European unity

From 17 to 21 February a Convention, organized by the Centre for the study of democratic institutions under the aegis of the United Nations, was held in New York on the encyclical "Pacem in Terris" of Pope John XXIII. The Italian representatives included Mr. Pietro Nenni, Vice-President of the Council of Ministers, who gave an address.

After stressing the importance and current interest of the papal encyclical and the need to control through negotiation the factors that are disturbing the international scene, Mr. Nenni went on to deal with the problem of European unification.

Some of the most highly qualified representatives of the movement for the political and economic unity of a democratic Europe had already spoken on European unity. Three conditions had to be fulfilled. The first was to banish the traditional notion of a Europe united by alliances between the various States, and to encourage direct participation by the peoples who should be given a say by electing delegates to the European Parliament by universal suffrage. The second was to associate the United Kingdom and the Scandinavian countries with these efforts in whatever ways were at present practicable. The third was to seek a gradual solution of the German question which, besides being a historical need, was also both the cause and the result of existing relations between the countries of the West and of the East.

Italy was involved - and would become increasingly involved - in the movement for the unification of Europe. It had recently put forward proposals on the current stage-by-stage reduction of national sovereignty in the economic field and on the transition to joint political tasks. The coming months would be all-important for the growth - alongside the economic community - of the nucleus of the European political community. They would be decisive to the extent that they saw national and State interests give way to a continental vision of the future of Europe and of its peaceful rôle in world affairs. (Relazioni Internazionali, 27 February 1965)

9. Europe and the younger generation

At the request of the daily "Le Figaro", the French Institute of Public Opinion put questions to several thousand teenagers from every class of society - students, apprentices, workers, employees and farmers - and from the big cities and small villages.

The first question asked was: would you be ready, for occupational, affective or other reasons, to take up residence in another country in the Common Market (Italy, Belgium, Germany, Luxembourg, the Netherlands)?

| | |
|------------------|-------------|
| Yes | 57 per cent |
| No | 36 per cent |
| Don't know | 7 per cent |

Thus more than half the younger generation in France is ready to think in terms of taking up residence elsewhere in the Europe of the Six. Boys and girls are agreed on this point. The youngest of them, however, appear a little more reticent.

Considering the different social and occupational groups involved, it emerges that young people from the more prosperous classes (liberal professions, senior management) and to a lesser degree the middle classes (junior management, employees), who are probably more used to travelling and who have more means to do so, more often profess a willingness to take up residence abroad. The children of farmers on the other hand are divided on this point. Students too are more willing than other young people to take up residence elsewhere in the Common Market but it should be noted that logically speaking, they would be faced with fewer linguistic difficulties - which can be a major obstacle.

The second question, addressed only to the boys, was a "shock question". The percentage of positive replies is very revealing about the progress of the European idea among young people in France; the majority of them were fully in favour of unity.

Would you be ready to do your national service in a European army consisting of every nationality of the Common Market and where you might be under orders from French officers

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as well as from Italian, German, Belgian, Luxembourg and Dutch officers?

| | |
|------------------|-------------|
| Yes | 62 per cent |
| No | 31 per cent |
| Don't know | 7 per cent |

Six Frenchmen out of ten who have not yet done their national service would therefore be prepared to do it in a European army under orders from foreign officers. The first inference to be drawn is the obvious attenuation in (if not disappearance from) the minds of young people of anti-German prejudices inherited from an unfortunate past.

This support in principle for a supranational army tends to increase slightly as these people become more educated (seven out of ten of those qualifying for higher education). Here too the children of the more prosperous social and occupational classes (liberal professions, senior management) appear distinctly more favourable to this proposal. Their open-mindedness is, to some extent, the result of their education.

It is also to be noted that the attitude of boys on this particular point appears to be connected with their interest in politics generally. Indeed those under 20 who say that they frequently, or "from time to time" talk about political problems are the most receptive to the idea of European national service as an extension of the rewarding experience of international work camps.

These reactions, expressed in figures, are fairly significant. Young people in France like to think of themselves as being "god-parents anxiously watching over the cradle of Europe" and they expect the parent generation to provide them with the means of giving practical expression to their hopes of playing an active part in the construction of our continent. (Le Figaro, 29 January 1965)

10. France and the re-unification of Germany

At his press conference on 4 February General de Gaulle, President of the French Republic, discussed the German question. General de Gaulle briefly recapitulated the background to the problem and stressed that it was the European problem "par excellence". He went on to say that such a stalemate in such

a region of the world at such a time could not be accepted indefinitely. It was, of course, quite possible to envisage things continuing as at present for a long time to come without open war ensuing in the future - thanks to the nuclear deterrent successfully preventing the worst. Yet it was clear that real peace and fruitful relations between West and East could not be established while the German "anomaly" subsisted, while the anxiety to which it gave rise continued and the difficulties that it entailed persisted. It was equally obvious that unless we fought to impose a solution on the other, the German question would not be settled on the basis of any trial of strength or confrontation of ideologies between the two camps that today stand at odds in the world. This was not to say that we should neglect constantly to bring this problem to the attention of the nations. What had to be done could only be done by agreement and joint action by the peoples who had always been and always would be most affected by the fate of their German neighbour, that is the peoples of Europe. It was therefore primarily for them to find and guarantee the solution to a problem which was essentially one for their continent; this was the only path which could restore and maintain the whole of Europe in a state of balance, peace and co-operation.

Success in an enterprise of such difficulty and extent depended on many things. It required Russia to progress to the point where she could see her future not in terms of totalitarian restraints at home and abroad, but in terms of progress achieved in common by free men and free peoples. It required the nations that Russia has made her satellites to be able to play their part in a renewed Europe. It had to be recognized, and above all by Germany, that the settlement of the question of her frontiers and armaments implied an agreement with all her neighbours both in the east and the west. It required the six states, which it was to be hoped were making their way towards achieving the economic community of Western Europe, to succeed in becoming organized politically and in the field of defence to make possible a new balance in our continent. It required Europe, mother of modern civilization, to be established from the Atlantic to the Urals in agreement and co-operation to develop its immense resources so it may play with America, its daughter, the part which falls to it for the progress of 2,000 million people who stand in such dire need. What a part Germany could play in this ambition of the rejuvenated old continent!

No doubt these conditions appeared very complex and the time very long. But the solution of such a problem as that of Germany could only have great dimensions and great implications.

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France for her part believed that it could only be solved by Europe itself, since it is at the level of Europe as a whole. This was the main aim of French long-term policy for the continent. (Le Monde, 6 February 1965)

II. ECONOMIC POLICY AND ECONOMIC SECTORS

1. The reform of the international monetary system

At his press conference on 4 February, General de Gaulle, President of the French Republic, outlined the French viewpoint on the international monetary system. The President of the Republic felt that the gold exchange standard system no longer measured up to the needs of today. This was why he advocated a return to the gold standard:

"The States and especially those whose economic and financial capacity endow with special responsibility, should act in concert to put an end to the wild upheavals resulting from the gold exchange standard, to restore the gold standard and to take the necessary additional and transitional measures which may be necessary, especially with regard to organizing international credit on this new basis. The framework for conducting such studies and negotiations, furthermore, already exists. The International Monetary Fund which was set up to ensure, in so far as this is possible, the stability of currencies, would provide all states with a suitable meeting place, if it were a matter not of perpetuating the gold exchange standard but of replacing it. The Committee of Ten which besides the United States and the United Kingdom includes, on the one hand France, the Federal Republic of Germany, Italy, the Netherlands and Belgium, and on the other, Japan, Sweden and Canada, could draft the relevant proposals. Finally, it would be up to the six States which appear to be on the way to achieving a European economic community to work out together and to advocate the kind of solid system commanded by common sense, and in keeping with the renascent power of our old continent.

France, for her part, is ready to play an active part in the large scale reform which has now become essential in the interests of the whole world."

A few days later, on 11 February, Mr. Giscard d'Estaing, Minister of Finance, in an address to the Faculty of Law in Paris, outlined the international monetary reform that France wanted to see carried out.

After recapitulating the progress of the international monetary system, the Finance Minister stressed that since the Bretton Woods Agreement, the world monetary system, which was a system in fact, had progressed according to rather divergent principles and fell, broadly-speaking, into three phases:

- the first phase was that of the dollar as a world currency;
- the second phase was that of the dollar as a reserve currency;
- the third phase, i.e. the present one, was that when it seemed that the world monetary system had gone beyond its critical limits.

At the moment, America's gold stock (\$15,000 m.) had to be compared with the \$15,000 m. held by central banks in the form of reserves, and with \$10,000 m. held by individuals outside the U.S.A. Mr. Giscard d'Estaing dismissed the accusations made against France: on 30 December 1964, France's total external debt amounted to \$650 m. while her reserves included \$1,375 m. By keeping twice as many dollars in her reserves as the amount of her debt, she was making a positive contribution to the stability of the U.S. balance of payments.

Mr. Giscard d'Estaing then went on to define the four criteria by which the value of a world monetary system should be assessed:

- 1) Reciprocity: countries other than the United States or the United Kingdom should settle their deficit by payments in gold or by recourse to international credit, whereas countries with reserve currencies can increase their credit indefinitely.
- 2) The system should allow the adjustment machinery to operate properly which is not the case with the gold exchange standard.
- 3) The system should provide a sufficient amount of international liquidities for the expansion of the various economies without provoking inflation. In October 1963, the International Monetary Fund considered the amount of international liquidities to be sufficient and this amount subsequently continued to increase appreciably.
- 4) The fourth criterion is solidity: the dollar is still a hard currency nationally speaking, since it is based on a thriving economy but as a reserve currency its convertibility into gold has become less and less real. This explains the increasing feeling of uneasiness at the international level.

Mr. Giscard d'Estaing pointed out that the dollar was the currency of the most economically powerful country in the world and that it was reasonable that the U.S.A. should get some benefit from this. What were not acceptable, the Minister stressed, were the benefits that the United States gained from the fact that the dollar was also a reserve currency.

The Finance Minister then outlined the French proposals. There were four of them:

- 1) The major States should formally declare that they would in future settle their deficits by direct payment in gold and not by means of an "additional reserve currency".

Failing such an undertaking, "the doubts and uncertainties now current will increase," Mr. Giscard d'Estaing added. The Minister stated that, in future, France would pay her deficits in gold.

- 2) To avoid financing deficits "of a fundamental nature", the various countries should be able to resort only to the means defined by the Bretton Woods Agreements (which created the International Monetary Fund) and those laid down in 1961 by the Paris Agreement (under which ten countries placed an additional \$6,000 m. at the disposal of the International Monetary Fund, under certain conditions).
- 3) The reform of the present system is a prerequisite to raising any new reserves.
- 4) This reform should be worked out jointly.

On this fourth point, the Minister discussed in detail the way in which the three previous points could be translated into reality.

The reserve currency surpluses now held should gradually be eliminated. In particular these reserves should be made unremunerative. These measures could, in the case of certain countries, be coupled with a "phased" repayment of debts arising from financial assistance.

Once these measures had been taken, the currencies with international responsibility should become convertible into gold by arrangements to be worked out between the central banks.

In the event of it being objectively established that the world total reserves held were insufficient, in particular while reserve currency surpluses were being resorbed, joint machinery for creating reserves backed by gold could be brought into play through a joint decision by those states whose currencies were convertible into gold.

The reserves of the central banks of the major countries should include only gold and reserves backed by gold to the exclusion of any foreign currency in excess of current needs.

For his part, Mr. J. Rueff gave a long interview to the "Economist" on the gold standard. He stated in particular that President Roosevelt did not destroy the gold standard in 1934 but restored it. It was, of course, a special gold standard in that it only held good for the central banks. However, he restored it by raising the price of gold. "What would happen if we tried to do the same thing today? Let us suppose that prices in the United States have doubled since 1934. Let us also assume that we are suddenly going to double the price of gold: the amount of the gold reserves held by the United States, said to amount to \$15,000 m. at the moment, would rise to \$30,000 m. At the same time the credits of the central banks on that gold would not change: they are not usually payable in gold but in dollars. I must emphasize that the central banks have no right to demand gold since no obligation to pay in gold can be implied unless explicitly agreed to.

Some of the central banks in fact accept this implicit obligation.

I have a great deal to say on this subject. For ten years I sat as judge in the European Court of Justice. If anyone made a loan without specifying this clause, it was assumed that he knew the risk he was taking. Consequently with these \$30,000 m. the United States could repay the \$13,000 m. of credit held by the central banks and they would be left with \$17,000 m. of gold reserves which amounts to more than they now hold." (Le Monde, 6 and 13 February 1965)

2. Mr. Schmücker, Federal Minister of Economics, calls for a change in the world monetary system

In the budget debate held in the Bundestag on 18 February 1965 the Federal Minister of Economics called for a reform of the international monetary system - in his view one of the most pressing tasks of economic policy.

The reforms would have to be designed particularly to introducing a high measure of discipline. While stressing the dangers of too abrupt a change in the current system, Mr. Schmücker pointed out that existing currency problems could not be shelved indefinitely. He appealed to the Community countries to agree on a workable compromise as soon as possible as the Federal Government could not conceive how Europe was to achieve political union without integration of monetary policies.

The Federal Government would warmly welcome it if the other European banks of issue would suggest without delay "an arrangement that amounted in essence to a monetary union." Mr. Schmücker thought it would be premature to introduce such a union straight away but called in the meantime for policy guidelines that would be binding on the banks of issue.

The Federal Minister of Economics then referred to President de Gaulle's last press conference and the statements of the French Finance Minister, Mr. Giscard d'Estaing, who had again drawn public attention to this problem. President Johnson in a message to Congress had also stressed the need for a reform of the monetary system. Mr. Schmücker regarded these statements as favourable omens for future negotiations, although not of a nature to "encourage speculation".

At the present stage, stability was more important than economic growth so that appeals for reasonable behaviour were not out of place. The Federal Government was striving to bring in an international code of "good conduct" for the monetary policy of banks of issue. Bonn had been highly successful in its efforts to ensure a common short-term EEC policy in the interests of stability (Die Welt, 19 February 1965; Tageblatt, 19 February 1965)

3. Press conference given in Brussels on 2 February 1965 by the Chairman of the Belgian Coal Board (Directoire de l'Industrie Charbonnière en Belgique)

As compared with 1963, said Mr. Evalenko, Belgian coal production had dropped by 100 thousand tons; this was due to pit closures, a shorter working week and a manpower turnover of more than 20 per cent in the case of the underground workers.

Mr. Evalenko referred to the survey which the Board had submitted to the Government early in 1963; this provided for an output of 17 million tons in 1970 to be achieved by means of a programme to:

- a) improve marketing of present production, with due regard for the interests of the consumer,
- b) scale down the subsidy policy,
- c) take the necessary measures to facilitate the recruitment of mine workers and redevelopment.

Turning to enterprises, Mr. Evalenko went on to explain the deterioration of results in 1964: the wage bill and social costs had risen and production had fallen because of the large-scale recruitment of foreign workers still needing to be trained for the job.

Mr. Evalenko then went on to outline the Government's two-part programme to assist the collieries.

The first part will consist in a grant towards the 300 million Francs end-of-year bonus, amounting to 202 million Francs in subsidy and 20 million Francs in repayable loans. The second part will consist in specific grants for 1965. These will amount to 478 million Francs and, in accordance with certain criteria, will be divided among the whole range of collieries showing a deficit; this amount is intended to enable the collieries to meet expenditure resulting from wage rises which will become operative as soon as the talks on the National Joint Mines Committee are concluded. Large though it be, this amount will not cover all the operating losses sustained. Some collieries will be forced to cease production.

The chairman concluded by explaining that the Board intended:

- a) to keep a very high percentage of Belgian collieries in production,
- b) to act with due regard for highly relevant regional and social considerations,
- c) to maintain a suitable balance on the market and
- d) pursue a supply policy consistent with the interests of the consumer.

(Le Soir, 3 February 1965)

4. French agricultural exports and the Common Market

At its session on 27 January 1965 the Economic and Social Council adopted an Opinion on the prospects opened up by the Common Market for French agricultural exports up to 1970; this followed a report submitted by Mr. du Douet de Gravelle.

A. The scope of the survey

The Economic and Social Council limited its survey to cereals, beef and veal, dairy produce, sugar and wines.

This selection was actuated by practical exigencies and economic considerations. In economic terms, these products together represent 85 per cent of French agricultural exports; from the practical standpoint, statistical information is available, in the case of each one of these products, for the six countries of the Common Market.

A lack of statistical data obliged the Economic and Social Council to omit fruits, vegetables and flowers, even though these represent a far from negligible farming activity in France and in fact are often the main income of the French Overseas. Départements. The main reason why poultry and pig-farming were omitted was because this type of agriculture "without soil" is industrial in character and may, failing any Community planning, be developed irrationally to the benefit or to the detriment of the producer. It is certain that these various types of farming may raise particularly difficult problems.

B. Method

To evaluate the volume of each of these products likely to be available for export to the Common Market in 1970, two sets of estimates have been made:

The first relate to consumption and are based on the following assumptions:

- that the population of the European Economic Community will increase and reach 184 million inhabitants by 1970;
- that annual per capita income will increase either by 4 per cent or 4.5 per cent - cyclical fluctuations in the EEC will, in this way, be taken into account;
- that the type of products consumed will correlate with income trends in the manner shown by surveys into house-keeping habits and national comparisons.

The other set of estimates concerns production and is based on the following assumptions:

- that there will be no change, between now and 1970 in the acreage under seed and the amount of livestock kept;
- that yield trends will follow the same pattern as in the past ten years.

A comparison between these two sets of estimates gives a rough idea of the volume of products that the European Economic Community will need to import or export in 1970. It also gives a guide to the markets that will be open in the Common Market to French agriculture.

The basic assumption in all these estimates is that both the actual price levels and the relationship between them will remain stable. They allow for an evaluation of production and consumption trends in the present economic context. They do not allow for the effects of any relative variation in prices and this does increase the uncertainty factor inherent in any agricultural forecast. Some guidance has been given - difficult though it is to give guidance here - on the possible effects of price changes with particular regard to production.

These estimates owe a great deal to the General Directorate for Agriculture in the EEC, whose findings have been drawn on heavily. However, the conclusions reached by the European Economic Community were not always accepted without reservation; in fact, they were modified in some cases after consultations with farmers so as to take into account more recent developments on the different types of farming activity.

C. The political assumptions

These forecasts are likely to come true only if certain political conditions are met, particularly:

- that by 1970 the EEC will have been completed in accordance with the Treaty of Rome, especially as regards the implementation of the common agricultural policy; in this connexion the results achieved through the agreements of 15 December 1964 are particularly encouraging;
- that the future of the European Economic Community is not affected by negotiations with third countries under the General Agreement on Tariffs and Trade or by any subsequent negotiations resulting from an undue decrease in industrial and agricultural protection;
- that the world commodity agreements which the Economic and Social Council would like to see concluded do not appreciably alter the volume of trade within the EEC.

These estimates assume that French agriculture, which has so much arable land, will make the most of the good prospects it enjoys in the Common Market. This can only be done through a joint effort by the farmers and the State.

Bearing these factors in mind, the Economic and Social Council put forward the following opinion based on a distinction between estimates as such and conditions that must be met if they are to work out in practice.

I. Forecasts for 1970

A. Volume of trade

The cereal market

By 1970 the EEC will be able to meet its own wheat requirements in full. However, surpluses may occur from time to time.

France will have to export something like 3 million tons, most of which (2 million tons) will have to be marketed in non-member states, bearing in mind imports of certain wheat grades from third countries.

The European Economic Community will have a distinct deficit in secondary cereals. France will be exporting about 2,5 million tons and will easily be able to market its secondary cereals in the other Member States as these will have to buy nearly 11 million tons to meet their own needs.

The sugar market

Bearing in mind the production of the Overseas Départements, France will be exporting between 500,000 and 600,000 tons of sugar every year although the needs of the five other countries will not, in any event, exceed 450,000 tons. Finding new markets could become a serious problem if North Africa and West Africa - our main customers outside Europe - were appreciably to increase their sugar production.

The wine market

France, in common with the rest of the European Economic Community, will show a deficit and have to import about 10 million hectolitres of wine - mainly ordinary wine; its present importing needs are covered by purchases from North Africa. Yet although, on balance, France will show a quantitative deficit as far as wine-based liquors are concerned, it will show a surplus in monetary terms as a result of its exports of vintage wines. A policy to promote quality would be consistent both with the interests of France and the foreseeable needs of the Common Market.

The dairy market

Production exceeds consumption in regard to dairy produce in the European Economic Community; yet in regard to butterfats, the EEC's output falls a long way short of consumption.

The fact that the European Economic Community will also be exporting will make it even more difficult for France to find markets for its surpluses, especially since there are hardly any reliable markets in the third countries, except for cheese and milk powder.

Dairy herds are tending to become smaller in most of the EEC countries; this might reduce surpluses appreciably; on the other hand, it might also aggravate the beef shortage.

The beef market

Assuming that individual incomes continue to rise, our partners in the European Economic Community should import 800,000 tons of beef (OECD estimated the Community imports for 1965 at 700,000 tons).

However, a further drop in live-stock would be prejudicial to France since she only just raises enough live-stock as it is. Only a systematic policy to promote production will enable French farmers to cater, to the extent of 5 per cent, for the European Economic Community's needs in 1970.

B. Trade value amounts

Shown in terms of value, on the basis of single European prices arrived at through present average prices ruling in the six EEC countries, trade in cereals, dairy produce and beef should give France in 1970.- subject to the uncertainties already mentioned - a surplus balance of about 3000 to 3800 million Francs, viz:

1300 million Francs for wheat
950 million Francs for secondary cereals
60 to 300 million Francs for dairy produce
900 to 1000 million Francs for beef.

II. Conditions to be fulfilled and measures to be taken

A. At Community level

The Economic and Social Council considers:

- that speeding up the dismantling of intra-Community customs duties implies making good the delay in giving shape to all the common policies provided for in the Treaty of Rome;

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- that implementing the Common Market before 1 January 1970 presupposes giving simultaneous effect to economic integration;
- that the balance and expansion of the European Economic Community should not be jeopardized by any reduction in the common external tariff.

Any further reduction in customs duties should, as far as agriculture is concerned, be subject to:

- setting a guide price for beef;
- setting a target price for milk;
- issuing a regulation specifying how the European Agricultural Guidance and Guarantee Fund (EAGGF) is to be financed and operated between 3 June 1965 and 31 December 1969.

The Economic and Social Council considers that the agreements reached on 15 December 1964 have given a substantial impetus to the common agricultural policy.

It points out however that this policy requires:

- a) A price policy which gives the right emphasis to production:
 - a closer approximation of the prices for secondary cereals so as to boost Community production, still well short of demand;
 - a ratio between vegetable and animal production prices which ensures an increase in beef production;
- b) overhauling Community farm structures;
- c) stabilizing markets through a Community organization;
- d) a regional development policy, to be carried out in conjunction with national policies, with a view to restoring land to cultivation and stock farming in certain regions.

In order to promote an expansion of intra-Community trade it would be advisable:

- to approximate health and sanitation regulations and generally remove non-tariff obstacles to trade.

During the transitional period:

- to set the intra-Community levy at a level which would remain constant for the whole farming year; this levy to be worked out on the basis of the target and threshold prices instead of allowing it to fluctuate according to the rates current on the exporting market;
- to increase the fixed amount to be deducted from the levy, to give concrete implementation to Community preference.

B. At the domestic level

French agriculture must be adjusted to the requirements of the European market. Its production and marketing structure, which has so far been organized from the domestic market standpoint, must increasingly meet the needs of a market that will be larger but less organized.

To be effective, however, these adjustments must be carried out swiftly. Indeed, it is during the transitional period, while the Common Market is still in a state of flux, that positions could be adopted to determine the future. French farms therefore have only a few years left to carry out this task which calls for a joint effort by the farmer and the State.

In terms of production the action to be taken is:

Area-specialization consistent with the particular features of the various regions concerned. There are certain areas, however, which will not be able to stand up to European competition and which will have to be redeveloped; arrangements should be made to maintain the population at a sufficiently high level, particularly on the farms.

An improvement in farming methods. This presupposes the effective implementation of the provisions in the Farm Guidance Act of 5 August 1960 and the supplementary Act of 8 August 1962; this particularly involves:

- an increase in the average acreage of some farms;
- a certain amount of specialization by farms;
- an improvement in farming techniques through research and popularization of information;
- assistance for co-operation schemes and farm groupings;
- more farm groups engaged in training their members in production and marketing methods.

The development, modernization and possibly the concentration, subject to the relevant social measures, of the processing industries which valorize farm produce and open up the European market to them.

The action to be taken in regard to marketing should involve:

- improving quality and making it tell;
- standardizing products and conditioning and adjusting them to the taste of the customer;
- more information about the European markets and an increased drive to inform the foreign buyer;
- setting up a sales network to cover the European market;
- more joint action;
- improving stockpiling and transport facilities.

This action is particularly to be recommended in the case of farm produce that may be exported from the Overseas Départements which are under a severe distance handicap in regard to the markets of our EEC partners.

This programme calls for increased investment.

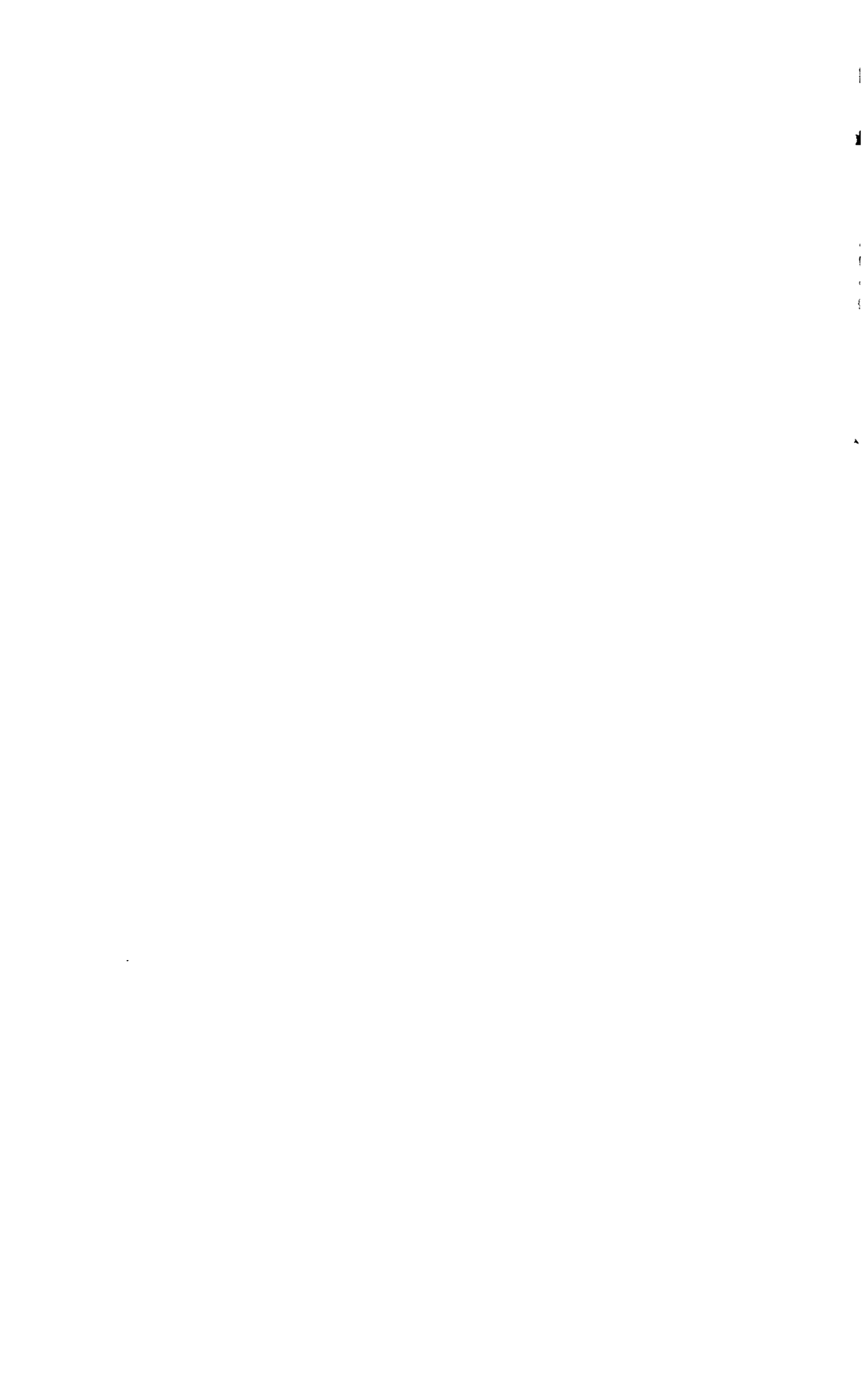
At a time when German, Italian and Luxembourg farmers are to receive substantial subsidies to enable them to modernize their farms and especially to develop their "soil-less" farming, viz. eggs, poultry and pigs, it would be desirable for French

farmers to be able to tap resources that are at least equivalent, to enable them to face up to European competition.

These resources could be supplied by:

- sums received by the Treasury in the form of EAGGF rebates;
- special loan issues.

This should be borne in mind when the Fifth Plan is being worked out. (Official Gazette, 23 February 1965 - Opinion and Reports of the Economic and Social Council)



III. EXTERNAL RELATIONS

1. The European Economic Community and the United States

In an address delivered at Amsterdam on 4 February at the Dutch Chapter of the European Movement's conference on "Europe, the United States and world trade", Professor Walter Hallstein, President of the EEC Commission, discussed relations between the EEC and the USA.

Professor Hallstein dwelt on three successive phases of these relations: yesterday the protection of Europe by the United States; today the dialogue between the continents; and tomorrow the Atlantic partnership. As regards post-war relations between Europe and the USA, he placed the stress on the massive economic and military efforts that had made it possible to reconstruct Europe. No European would ever forget the courage, wisdom and generosity that had inspired them. Under the shield erected by America with NATO, European construction had forged steadily ahead. Far from regarding the unification of Europe as a threat to American supremacy, the United States had consistently and quite deliberately encouraged the development of a European power of similar status with which one day it could co-operate on an equal footing.

The "dialogue" was the means today adopted to reconcile the economic interests of Europe and the USA. In the Atlantic sphere this was being conducted in the Kennedy Round. The European Economic Community was determined to ensure the successful outcome of these negotiations. This called for strenuous joint efforts which could only succeed if the interests of all the partners were balanced in a spirit of "give and take". The negotiations would therefore have to be based on reciprocal concessions, with possible exceptions for developing countries.

Professor Hallstein then discussed the twin aspects of the Kennedy Round negotiations - trade in industrial goods and agriculture. The discussion on the former ranged over the general principle of tariff dismantlement, the problem of disparities and trade obstacles in general, whether akin to customs duties or otherwise. The President explained that the European Economic Community set out from the principle of a 50 per cent across-the-board cut in duties. This was in Europe's own interest. It was for this reason that the Community had submitted a short list of exemptions. "In our view, however," went on Professor Hallstein, "real reciprocity would not be ensured by arbitrarily halving the tariff items of the USA and the EEC. As the Trade Expansion Act will not permit of a reduction of more than 50 per cent on a number of USA items, the only solution - where a substantial

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disparity is acknowledged to exist - is to apply a lesser reduction to the lower rates. It is along these lines that we are looking for a reply."

The removal of obstacles to trade - whether similar in nature to duties or not - would also have to be considered in terms of reciprocal concessions. The EEC considered that a significant test of the liberal attitude of all who took part in the Kennedy Round would be whether, in arguing the case for opening up their markets to each other, they took such obstacles into account in the same way as customs duties. Owing to the complexity of national industrial policies, tariff negotiations as such were no longer enough.

The EEC's attitude in the negotiations on agriculture - the other aspect of the Kennedy Round - was also based on the need for reciprocal rights and obligations. This was a necessity. The disturbances that upset the balance of trade in agricultural products could not be tackled by trade policy measures. Because of the developments in modern technology, no State any longer put its trust in the interplay of supply and demand on the agricultural markets. Price was failing to act as a brake on production. The chaotic situation that had arisen, with hunger and lack of funds on the one hand and agricultural surpluses and glutted markets on the other, would have to be mastered. Every State would have to recognize the full significance of world food problems and seek a solution. The problem had its roots not in trade policy but in agricultural and development policy.

The EEC had proposed a new method which centred on a "support figure" which expressed numerically the degree of protection to be given to agriculture. This ought to be consolidated at the existing level. This was a new, ingenious, and perhaps revolutionary approach to the agricultural aspect of the Kennedy Round, and it was not to be wondered at that the Community had run up against doubts and objections. So far, however, no one had suggested an alternative. With its decision of 15 December 1964 on cereal prices the EEC had provided one of the major prerequisites for applying this method in the negotiations.

Professor Hallstein described common problems of monetary and short-term economic policy as the second Atlantic meeting-point of European and American interests. Close contact would have to be kept across the Atlantic in pursuing these policies to ensure full employment and trouble-free economic growth under free trade conditions. Turning to the Atlantic balance of payments, Mr. Hallstein stressed the need for measures to reconcile stability with the need for liquidity, which was essential for economic growth, and to avoid putting a strain on the monetary system of the West.

The dialogue between the two continents ranged beyond questions arising in the purely Atlantic context, and the development and defence of the entire free world was its aim - an aim which Europe would increasingly serve as it moved closer and closer to unification. Today the interests of the United States and of the EEC met in every quarter of the globe. The European Economic Community had played a vigorous rôle in the world-wide struggle to foster economic and social progress in the developing countries. In doing this, Europe stood alongside the United States. Atlantic co-operation would also have to prove its worth in the bodies set up by GATT and the World Trade Conference. The EEC shared President Johnson's view that development aid must be at once selective and concentrated. This implied renouncing an egalitarian form of world-wide development policy. To give help indiscriminately was to fritter it away.

In the third part of his address, Professor Hallstein remarked: "This is the pattern of events. Entrusted but yesterday to America's care, Europe today enters into the dialogue between the two continents, in order tomorrow to assume - as it progressively acquires greater unity and therefore strength - the rights and obligations of an Atlantic partnership. It is Atlantic co-operation that holds the key to our future relations with the United States. President Kennedy sketched out the aims and principles of this policy and President Johnson has since espoused them as his own. European unity and Atlantic partnership are therefore the twin pillars of the United States' European policy. They are also the basis of our American policy. Europe can only become a fully-fledged partner enjoying identical rights when it accomplishes its task of unification. Only then will it have acquired the strength to assume the rights and responsibilities of a partner of that giant power in order finally to be able to decide its own destiny. The United States is offering us partnership. To build a Europe that measures up to such a prospect is at once the aim and raison d'être of the European Economic Community.

2. Britain and Europe

a. European policy of Her Majesty's Opposition

At a rally following the Young Conservatives' national conference, Sir Alec Douglas-Home, Leader of the Opposition, discussed Britain's relations with Europe.

The former Prime Minister stated that if he was right in saying that the Europe of the future would be one of the great

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constellations of power, then Britain must not shirk her rôle of helping to shape its destiny. He made no concrete suggestions: "At present the door is closed to further negotiations, and as we are not yet the Government we cannot foresee the circumstance or the conditions in which a new initiative can be taken by Britain... Meanwhile, we must use every influence to bring ourselves and our partners and the Six closer together."

There should be nothing inconsistent between a united Europe and an Atlantic alliance. A united Europe would strengthen all members of the Commonwealth. Every country would gain from closer economic union and the maximum political co-operation - of that there could be no doubt whatever. The Foreign Secretary had said that there was no difficulty in pursuing talks on political union, but political union without an economic basis was an empty phrase.

Soon after this speech came a reshuffle of the Shadow Cabinet, Mr. Christopher Soames moving to Defence as principal opposition spokesman and replacing Mr. Peter Thorneycroft. Mr. Maudling, the Shadow Chancellor, became spokesman on Foreign Affairs and Mr. Edward Heath spokesman for Economic and Internal Affairs. Messrs. Soames, Sandys and Thorneycroft form the European lobby within the Tory Party. Sir Alec, Foreign Secretary in the Macmillan Government, and Mr. Maudling, neither of whom had supported Mr. Macmillan's European policy all the way, today seem convinced of the need for co-operation with their continental neighbours.

The Conservative proposals were treated with considerable reserve by the Liberals. The chairman of the Liberal Party, Mr. Jo Grimond, speaking at a party rally in London, called for a European "political commission" and for plans to be worked out by the EFTA partners on the basis of which the signing of the Rome Treaty might be considered. It was Mr. Grimond - not Sir Alec - who asked the Prime Minister in Parliament why the Labour Government did not want to take part in talks on the political union of Europe. Asked by Mr. Grimond whether he wanted an even looser knit Europe than General De Gaulle, the British Prime Minister answered: "If by political unity the leader of the Liberal Party means our entering into any supra-national organization where decisions on vital matters of foreign policy ranging beyond Europe - and we do have vital interests outside Europe - or on defence matters, are taken by majority vote, then the entire House is with me in considering that this would be impossible." (Neue Zürcher Zeitung, 15, 17 and 18 February 1965; Frankfurter Allgemeine Zeitung, 15 and 18 February 1965)

b. Statement by Mr. Michael Stewart, Foreign Secretary, at Brussels

In a speech delivered on 11 February at the British Chamber of Commerce in Brussels, Mr. Michael Stewart made a plea for a British say on questions relating to the political union of Europe. It was not - he said - the intention of signatories of the Treaty of Rome that the European Community should remain an exclusive association of the Six. Both the EEC and EFTA had been designed not as ends in themselves but to provide the foundation on which a wide European union could be built. But the divisions then created had hardened and deepened. Mr. Stewart did not think that the choice was between Europe and the Atlantic area. He was in favour of close co-operation between the EEC and EFTA and of a lowering of tariff barriers between them. This was why Britain pinned such hopes on the success of the Kennedy Round.

The British Foreign Secretary regretted that vital decisions affecting the political future of Europe were being taken by a specific group of countries. All Europeans ought to be consulted.

"We for our part have always expressed our wish to join from the outset in any talks aimed at closer political unity; and we regret that the latest proposals for such talks envisage the participation of the Six European Economic Community countries only... We disclaim any intention of vetoing or delaying progress. On the contrary, we have a real contribution to make to bringing progress about. There is no reason at all to think that we can go less far than the members of the Community together in promoting European unity and common policies. On the other hand if major decisions were to be taken without us, this would go far to accentuate the present divisions in Europe."

Mr. Stewart was optimistic about the prospects of the next meeting of Foreign Ministers of the West European Union. "We are interested", he said, "in the possibility of new steps on a wider European basis, for example in a European Patent Convention." Britain pinned great political hopes on the Council of Europe. (Frankfurter Allgemeine Zeitung, 13 February 1965)

During his stay in Brussels, Mr. Stewart was also received by the President of the EEC Commission, Professor Hallstein. During the talks, on which no official statement was issued, it seems likely that contacts between Britain and the EEC and the Kennedy Round were discussed. The impression in circles close to the EEC Commission was that Mr. Hallstein had felt that he was dealing with a "realist".

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c. Attitude of the Labour Government

The attitude of the Labour Government remains unchanged and is still centred on the USA and the Commonwealth. Mr. Stewart's statements in Brussels largely echoed those he had expressed in supporting the anti-Brussels policy of the late Mr. Gaitskell.

According to press commentaries, Mr. Wilson has not progressed beyond "building bridges to Europe" and is indeed convinced that in the opposition to Britain's entry into the Common Market he holds a trump card with which to improve Franco-British relations. Mr. Wilson is trying to make Sir Douglas-Home publish his true views on Europe. The Prime Minister believes that British voters will support an independent foreign policy and opposition to Britain's entry into the Common Market. At the same time he is trying in this way to enlist General de Gaulle's support. Mr. Wilson is convinced that "functional co-operation" closely corresponds to the voters' wishes. He considers that this form of co-operation could have a stimulating effect on Britain's relations with Europe while at the same time allowing her to retain an independent foreign policy.

In a TV interview the former British Foreign Secretary, Mr. Gordon Walker, rejected Britain's entry into the Common Market if this involved a common external and defence policy. In the same programme Mr. Maudling stated - as already indicated by Sir Douglas-Home in his speech to the young Conservatives - that the Conservative Party would also, if necessary, include defence policy in a European union.

The weakness of the Conservative Party lies in the fact that Sir Douglas-Home omitted any mention of Europe in his election campaign so as not to lose votes. This revival of the European idea among Conservatives may thus amount to little more than a tactical election manoeuvre. (Frankfurter Allgemeine Zeitung, 22 February 1965; Neue Zürcher Zeitung, 17 February 1965)

3. Speech by Mr. Rapacki, Polish Minister for Foreign Affairs

In an address given in the Free University of Brussels on 16 February, Mr. Rapacki outlined his plan for easing tension in Europe. He suggested that a European conference be held with the United States to discuss a system of collective security in Europe. Poland had no confidence in simple bilateral guarantees. "We need comprehensive guarantees," he stated. The blocs should give away to a system of collective security. The conference

suggested by Mr. Rapacki could also deal with problems other than defence issues. (Le Soir, 17 February 1965)

4. Mr. Wilson, the Prime Minister, on relations between the United Kingdom and the EEC

In reply to Questions from the Conservative opposition (Mr. Gower and Mr. Park) on the Government's policy regarding the future relationship of the United Kingdom with the EEC, the Prime Minister gave the following Answer on 16 February:

"There is no reason to suppose that the circumstances which led to the breakdown of the Brussels negotiations have changed. The position of Her Majesty's Government is and remains that. If a favourable opportunity were to arise for negotiating entry into the European Economic Community, we would be prepared to negotiate if and only if the necessary conditions relating to essential British and Commonwealth interests could be fulfilled."

Referring to talks about a possible political community of Europe, Mr. Grimond, Leader of the Liberal Party, asked: "Can the right hon. Gentleman tell the House whether when he talks of "political community" he has in mind something looser than the Europe of States put forward by President de Gaulle?" Mr. Wilson answered: "It is highly desirable that we should be in the talks on political relations within Europe. That was the position of the previous Government and it is the position of this. However, if by "political unity" the right hon. Gentleman is suggesting our entering some supranational organisation where vital questions of foreign policy going far beyond Europe - and we have very vital interests far beyond Europe - or of defence were to be decided by some system of majority voting, I am sure that the whole House would unite in saying that that would not be possible for this country." (Weekly Hansard, House of Commons, 16 February 1965)

5. The Chairman of the Catholic People's Group in the Second Chamber on problems of European integration and the Atlantic partnership

Mr. Schmelzer, Chairman of the Catholic People's Group in the Second Chamber, spoke in London on 22 February on problems of European integration and the Atlantic partnership. He empha-

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sized that an economic and political community could not work properly unless there were agreement on its membership. He advocated the accession to the EEC of the United Kingdom and the Scandinavian countries; he felt that because of its democratic traditions the United Kingdom would appreciably strengthen the Community. At present this path has been blocked as a result of a political decision taken by France; Mr. Schmelzer asked, however, whether the United Kingdom would be prepared to join the EEC on the basis of the Treaty of Rome as soon as this obstacle were removed. There were reasons to hope that the time would come when this would be possible. Care should be taken, however, that further economic obstacles to the accession of the United Kingdom did not arise as a result of a divergent development of present economic structures. The Community and the United Kingdom had to find a way of preventing such a development.

With regard to defence, Mr. Schmelzer expressed the view that a United Europe should share with the United States as much responsibility as possible. A common European defence policy had to be set in the NATO context. If Europe were to be united economically and politically, the individual contributions to defence had to be fused in a European contribution and this, in turn, had to be brought more closely in line with American thinking on this subject. In reply to a question from a Conservative MP whether the United Kingdom would be given the opportunity to sign the Treaty of Rome if it now declared its readiness to do so, Mr. Schmelzer stated that if the British Parliament made it clear at the right moment that it was ready to do so, this would give substantial support to those forces within the six countries working for the accession of the United Kingdom.

In reply to the suggestion that a practical way of preventing the frittering away of Europe's efforts could be found through a "political association" between EFTA and the EEC - which might perhaps be worked out in a common parliament - Mr. Schmelzer pointed out that an association between the EEC and EFTA could only be a makeshift solution for economically speaking a free-trade association could never provide the proper basis for a genuine common market; moreover, if this association were restricted to the political field, such a "common parliament" would not, in his view, have sufficient powers. (Nieuwe Rotterdamse Courant, 23 February 1965)

6. Dutch viewpoint on political unity in Europe

At a meeting of the "European Luncheon Club", held in London on 11 February 1965, Mr. Van der Beugel, former Secretary of State for Foreign Affairs, spoke on political unity in Europe. In his view, Europe might soon have to choose between allegiance to the principle of European integration and allegiance to the Atlantic Community. The two ideas had not so far been regarded as mutually exclusive: it had always been maintained that fuller European integration would enhance the power and the cohesion of the Atlantic partnership and culminate in an alliance between equals, the United States and Europe.

The "two pillars" concept had however led to a certain amount of confusion in Europe, the effects of which were now being felt. Indeed, it continued to sustain the current that had earlier been initiated in support of an unimpeded development towards European integration. This movement would involve Europe pursuing an independent policy without reference to its Atlantic partners; Europe would thus become a "third force" independent of either the USA or the USSR. Along these lines, the idea that the German problem could only be solved through Germany's integration into the community of European nations and the idea that economic integration was but the prelude to subsequent political unity, were also put forward.

Mr. Van der Beugel did not fail to emphasize that in his view there was no necessity at all for the Six to begin further talks on the institutionalization of their defence policy and their external policy. If, nonetheless, talks were held, it would be advisable, he felt, to make no mistake as to the real priorities and to recognize that even if it included the United Kingdom, an independent Europe could not, without the help of the United States, create a strong enough defence on its own. Such European co-operation on defence could at best do little more than give Europe a measure of nuclear power and enable it to trigger off the American atomic weapon even against the wishes of the USA.

Mr. Van der Beugel thought that while "America's patience with Europeans is almost unlimited, such an extortion policy would surely have the effect of worsening relations between Europe and the USA." He also felt that the institutionalization of talks on external policy was pointless as long as there was a basic divergence of view on the aims to be pursued. In addition, the Europe of the Six had too restricted a structure and lacked

External relations

the necessary stability to hold in check any resurgence of German nationalism on its own.

At this time Europe was asking for three things: that American leadership should be more effective than in the past year; that those taking part in the forthcoming discussions on closer political unity should be imbued with the idea that the Atlantic Alliance itself could not be affected by such a development; and lastly that the United Kingdom should pursue a policy that was quite unequivocal. "Europe needs Britain to ensure its stability as well as its Atlantic orientation," Mr. Van der Beugel added. Britain's participation would, to a great extent, dissipate his anxiety as to any adverse trends in the future political structure of Europe. Hence he appealed to his British audience for a clearer standpoint on the part of their country. (Nieuwe Rotterdamse Courant, 12 February 1965)

P a r t II

THE PARLIAMENTS

I. EUROPEAN PARLIAMENT

Work of the Committees in February

Political Committee (1)

Meeting of 5 February in Brussels: Study of a supplementary draft report by Mr. Edoardo Martino on the problem of political union.

Meeting of 24 February in Brussels: Adoption of draft report by Mr. Edoardo Martino on the problems of political union.

External Trade Committee (2)

Meeting of 10 February in Brussels: Resumed discussion of draft report by Mr. Hahn on stage-by-stage introduction of the common trade policy. Further discussion of draft report by Mr. Löhr on trade relations between the EEC and countries with State-controlled trading systems.

Meeting of 24 and 25 February in Brussels: Adoption of draft report by Mr. Hahn on the stage-by-stage introduction of the common trade policy. Continued discussion of draft report by Mr. Löhr on trade relations between the EEC and countries with State-controlled trading systems. Discussion of draft interim report by Mr. Moro on relations between the EEC and the State of Israel.

Agricultural Committee (3)

Meeting of 2 and 3 February in Brussels: Study of draft report prepared by Mr. Charpentier on proposed Council Regulation concerning the steps to be taken to meet situations likely to hold up the attainment of the objectives laid down in Article 39(1)c,d,e of the Treaty.

Study of a draft Opinion by Mr. Blondelle on trade relations with countries with State-controlled trading systems, for transmission to the External Trade Committee.

Meeting of 18 February in Brussels: Study of draft report by Mr. Braccesi on EEC Commission proposal for a Regulation concerning supplementary provisions on the organization of the fruit and vegetable market.

Meeting of 25-26 February in Brussels: Continuation of study of draft report by Mr. Braccesi on EEC Commission proposal for a Regulation concerning supplementary provisions on the organization of the fruit and vegetable market.

Statement by the Vice-President of the EEC Commission, Mr. Mansholt, on the Decisions of the Council of Ministers of 22 and 23 February and on the proposal for a Regulation concerning the financing of the common agricultural policy.

Social Committee (4)

Meeting of 4 February in Brussels: Resumption, at a meeting attended by the EEC Commission, of the exchange of views on the application of EEC Treaty, Article 118. Decision to get in touch with union representatives and representatives of the Economic and Social Committee on this subject.

Meeting of 19 February in Brussels: Examination and adoption of the draft report by Mr. Rubinacci on an EEC Commission recommendation concerning housing for workers moving to other parts of the Community.

Exchange of views with the EEC Commission on a draft regulation on social security for the auxiliary staff of the European Communities (Rapporteur: Mr. Tomasini).

Preliminary examination, with the Executive, of the draft regulations designed to increase the effectiveness of assistance provided by the Social Fund (Rapporteur: Mrs. Elsner).

Internal Market Committee (5)

Meeting of 15 and 16 February in Luxembourg:

- Meeting, attended by Mr. Hellwig and Mr. Linthorst-Homan, members of the High Authority, to examine competition policy in the ECSC context and general problems arising in this sphere.
- Examination and adoption of a draft report by Mr. Deringer on the EEC Commission proposals to the Council regarding:
 - I. A first directive for inviting private contractors to tender for building contracts awarded by the State, local authorities and other legal persons.
 - II. A decision concerning changes to be made in the general programmes affecting freedom of establishment and the freedom to supply services.
 - III. A first directive to co-ordinate procedure for awarding public works contracts.

Economic and Financial Committee (6)

Meeting of 11 February in Brussels: Discussion, attended by Mr. Marjolin, Vice-President of the EEC Commission, on the first part of the draft report by Mr. Van Campen on the EEC Commission report to the Parliament concerning the economic situation in the Community.

Meeting of 22 February in Brussels: Discussion, attended by Mr. Marjolin, Vice-President of the EEC Commission, on the second part of the draft report by Mr. Van Campen. The main focus of the debate was the need for a medium-term economic development programme which should incorporate a sound short-term economic policy.

Committee for Co-operation with Developing Countries (7)

Meeting of 8 February in Paris: Discussion with the High Authority of the ECSC and the Euratom Commission on the steps to be taken regarding Chapter 6 of the Resolution of the Conference of the Parliamentary Association in Dakar. In this Resolution the Conference had expressed the wish that the ECSC and Euratom should be brought within the Association. Both Communities should study the possibility of extending their activities to Africa (prospecting, soil research, training of leaders, etc.).

Discussion with the EEC Commission of the acute problems of the Association and the situation of the Associated States.

Discussion on the arrangements for the first meeting of the Joint Committee of the Conference of the Parliamentary Association to be held in the Republic of Rwanda at the beginning of March.

Report on the problem of the political influence of foreign powers in Africa.

Transport Committee (8)

Meeting of 5 February in Brussels: At a meeting attended by Mr. Schaus, a Member of the EEC Commission, the Committee discussed the draft report by Mr. Seifriz on the EEC Commission's proposal to the Council concerning Community action in respect of transport infrastructure investments.

Meeting of 25 February in Brussels: Discussion and adoption of a draft report by Mr. Drouot l'Hermine on problems of integrating civil aviation into the Community. The Committee stressed that this problem fell within the Community's competence. It was of the opinion that the Council should apply Article 84(2) of the Treaty of Rome without delay.

Discussion of a draft report by Mr. Lardinois on an EEC Commission proposal for a regulation concerning the introduction of common rules for the international transport of passengers by road.

Energy Committee (9)

Meeting of 18 February in Luxembourg: Review of the results of the action taken on the proposals for the adoption of a Community system of State aids for the Community's coalmining industry - Rapporteurs: Messrs. Philipp and Toubeau. Examination of a draft directive on the introduction of freedom of establishment and freedom to supply services in the private electricity, gas, water and sanitary sectors; adoption of a draft Opinion to be submitted to the steering Internal Market Committee - Rapporteur: Mr. De Block.

Research and Cultural Affairs Committee (10)

Meeting of 15 February in Luxembourg: Discussion, in the presence of the Executives of the three Communities, on technological progress and scientific research within the Community. Exchange of opinions with the EEC Executive on the harmonization of degrees and diplomas.

Health Protection Committee (11)

Meeting of 12 February in Brussels: Resumption of the exchange of views on problems relating to the merger of the Executives; the meeting was attended by representatives of the three Executives. Talks with the High Authority on the periodical presentation of reports by the Mines Safety Commission.

Legal Committee (13)

Meeting of 18 February in Brussels: Exchange of views, in the presence of the Executives of the three European Communities, on the precedence of Community over domestic law. Procedural matters.



II. NATIONAL PARLIAMENTS

Italy

1. Senate bill for the election of Italian delegates to the European Parliament by direct universal suffrage

Senators Santero, Jannuzzi and Zaccari (Christian Democrats), Battino-Vittorelli (Socialist), Bergamasco (Liberal) and Granzotto-Basso (Social Democrat) presented a bill on the election of Italian delegates to the European Parliament by direct universal suffrage. After drawing attention to the provisions of the Treaties regarding the composition of the European Parliament and its election by direct universal suffrage, and to the presentation to the Councils by the Parliament, in pursuance of the said provisions, of a draft convention relating to its election by direct universal suffrage, which has been pending since 1960, the bill provides as follows:

Art. 1

As provision has not been made by the Member States of the Community to establish a uniform procedure for the election of delegates to the European Parliament by 30 June 1965, as provided for in Article 138 of the Treaty establishing the European Economic Community and Article 108 of the Treaty establishing the European Atomic Energy Community, the Government is authorized to issue by 31 December 1965 regulations for the election of Italian delegates to the said Parliament in accordance with the principles, and along the lines, stipulated in the Articles below.

Art. 2

Italian delegates to the European Parliament shall be elected by direct universal suffrage.

Art. 3

Electoral meetings for the first elections shall be called by 30 June 1966.

Art. 4

The elections shall be carried out by proportional representation based on a single national constituency.

National Parliaments

Art. 5

The electors of the delegates referred to in Article 1 shall be the electors of the Chamber of Deputies.

Art. 6

Members of the Italian Parliament in office at the time of the elections shall be eligible as Italian delegates to the European Parliament.

Art. 7

Half the delegates elected shall be members of the Senate and the remainder members of the Chamber of Deputies.

Art. 8

Each of the two Chambers shall proclaim those candidates elected who have secured in the respective popular polls the votes required under the electoral system adopted.

Art. 9

The cost of putting the present bill into effect shall be met by establishing a special heading in the estimates of expenditure of the Ministry of the Interior.
(Senate of the Republic - bill submitted to the Office of the President on 8 February 1965)

2. The Senate discusses European policy

During the debate held on 17 and 18 February 1965 on the occasion of the examination of the section of the State budget earmarked for the Ministry for External Affairs, the Senate carried out a review of the various foreign policy problems in the light of which the President of the Council and interim Minister for Foreign Affairs, Mr. Moro, was able to trace out the broad outlines of Italian foreign policy.

During the debate, Senators Granzotto Basso (Socialist) and Santero and Bolettieri (Christian Democrats) spoke about European problems.

Turning to European union, Mr. Granzotto Basso stressed the need to remodel European institutions on thoroughly democratic lines. Echoing a view repeatedly expressed in the European Parliament, he said he was certain that the logical and most effective means of achieving this end would be to recognize and follow up the political implications already specified in the Treaties of Rome, with the same firmness and if need be the same unyielding attitude as the French Government had shown in insisting on the observance of equally specific obligations laid down in those Treaties. While the duty to elect the European Parliament by universal suffrage could lead to the first - and all-important - step in that direction, it would serve no purpose if it created a body with powers akin to those of a European Council for work and industry.

Mr. Granzotto Basso therefore invited the Government to call a conference of the six States aimed at the speedy achievement of political union. At that Conference the Government should uphold the following principles: (1) "democratization" of the Community by arranging for direct election to the European Parliament and endowing it with effective powers in the framing of Community laws; (2) empowering the Parliament to draw up, after the necessary transition period, the constitution of the political union in its final form; (3) deciding, by a qualified majority of the European Parliament, on a single seat for all Community institutions.

Mr. Santero pointed out that although the European Communities could look back on an astonishing record of achievement in the economic field, less progress had been made in implementing Treaty provisions with a specifically political content. He quoted as examples the provisions relating to the European University, a single seat for the Community institutions, and the direct election by universal suffrage of members of the European Parliament. Mr. Santero stressed the need for a European Parliament to which the Executive of the Community would be accountable for its activities, and to which it would turn, if need be, for support. This objective would have to be pursued through the national Parliaments, which alone could bring about this fundamental change in the European parliamentary scene.

Mr. Bolettieri pointed out that if Europe was to fulfil its rôle in world politics, it was essential that it should become united. European union should not however follow the Gaullist pattern of a Europe set against America but the Kennedy approach of "interdependence between equals"; there should be neither a feeling of inferiority vis-à-vis the USA, nor any inclination towards self-sufficiency, particularly as regards defensive and offensive nuclear weapons.

National Parliaments

At the close of the debate, Mr. Moro stated that European unity had always been a pillar of Italian foreign policy. Italy would not shirk its European mission and would continue independently to strive to reconcile the various demands put forward and to exercise a stimulating influence at the top-level international meetings planned to take place in spring and early summer - meetings which were expected to bear out convincingly the existence of a European revival.

"Our idea of Europe", went on Mr. Moro "is an essentially democratic one. This is why we backed the plan for elections to the European Parliament by universal suffrage by submitting to the other countries concerned in February 1964 a definite proposal for increasing the membership of the Parliament and for the election of half its members by universal suffrage. Moreover, to help give the efforts to co-ordinate economic integration an institutionalized form, we have backed the proposal to merge the Executives of the economic Communities already in existence, not only because we hope that this will help to streamline the pattern of the European economy - thus clearing the ground for full economic union - but also because we are convinced that an economic union of this kind will provide the surest basis for political union." (Summary reports of the Senate of the Republic, 17 and 18 February 1965)

Luxembourg

The position of Luxembourg as regards the seat of the institutions

The discussion held in the Chamber of Deputies on 24 February 1965 gave Mr. Pierre Werner, Minister of State and Minister for Foreign Affairs, the opportunity to state the position of his government concerning the seat of the European institutions. Mr. Werner dealt in particular with the proposals submitted by Luxembourg on 16 February 1965 to the five other governments:

"The essence of our latest proposals is that while the activities of specifically political institutions should continue in Luxembourg, the legal and financial departments should also be brought together around "natural" centres.

We have not opted for just any of the ideas put forward to date. Adopting a realistic and conciliatory attitude, our basic approach to a solution takes into account only those

aspects on which, to judge by previous discussions, unanimous agreement can easily be reached - the Court of Justice, the European Bank. Yet since it was a question of replacing one form of political activity by another, we had to think in terms of what activities could be brought together in a logically and functionally satisfactory way. For whatever may be said to the contrary, the concern to make functionally satisfactory proposals has been in the forefront of our minds and we have also tried to see things from a standpoint different from our own. Indeed this concern has been at the root of our approach. While bearing in mind other possible alternatives, such as establishing here social or energy centres, we do not wish to hold a plurality of offices that would disrupt the political and historical balance of the ECSC. In other words we are not asking for more potentialities than those we enjoy under the status quo. Like each of the provisional seats, however, we should like to consolidate our future prospects. There are five points in our proposals:

The first relates to political activities proper and embodies the proposals on meetings of the Council of Ministers and the Secretariat of the Parliament. The second relates to bringing together, around the Court of Justice of the Communities, the legal and arbitration services, including those responsible for ensuring that the competition rules are observed. In the interests of European law, scientific activities might subsequently be added. The third relates to the European Investment Bank as a financial centre and involves bringing related committees and financial bodies to Luxembourg, as set out in detail in the memorandum. The fourth point refers to the general administrative departments; this involves bringing the number of officials employed here up to their present level.

The last point relates to the transitional provisions. We have suggested that the departments responsible for administering the ECSC Treaty should remain here until the Treaties are amalgamated. In this way the gradual changeover could be synchronized between the services coming here and those leaving. Such an arrangement furthermore - and I should like to stress that we attach special importance to this point - would ensure that pending the merger of the Communities, the Treaty of Paris would continue to be implemented by officials and departments experienced in discharging these very duties.

As submitted, therefore, our proposals do hang together, in so far as is possible under the present circumstances; and since they do hang together, the removal or scaling down of any individual proposal would place them all in jeopardy.

On the day before the memorandum was submitted, I outlined our proposals to the Foreign Affairs Committee of the Chamber. The Committee was fundamentally in agreement with the line taken by the Government and with the positions that it adopted.

You will understand that as things are at present, I cannot comment in detail on these proposals, nor can I answer all the questions. I am waiting to learn the official reaction of our partners. It is true that the details are already fairly well known abroad and have been commented on at length even though the actual text has not been published. Certain premature comments have furthermore been misleading as to the substance and implications of our proposals.

The Governments of the Member States of the European Communities acknowledge - with varying degrees of conviction - that the merger of the executives is in itself a step forward in European co-operation. Since we all agree on the aims to be achieved and since our partners appear unlikely to postulate any other condition, is it for us to take the responsibility of blocking the road? Our Government has resolved to take a responsible and constructive attitude on this question: but this presupposes that the Governments of our partners and the European institutions will, in turn, refrain from placing us, through repeated refusals, in a situation where all we can reply is "non possumus". Our co-operation and a rapid achievement of the merger call for an equivalent effort in terms of goodwill and understanding in respect of what an eminent French diplomat recently described as the right of seniority of the City of Luxembourg in the recent history of Europe.

Netherlands

1. European policy debate in the Second Chamber

On the occasion of the debate in the Second Chamber on the foreign affairs budget, a motion put forward by the Budgetary Committee on 10 December 1964 was passed unanimously.

Mr. De Block, the Secretary of State, stated that the Government welcomed the motion as an expression of confidence in its policy and Mr. Luns summed up the Government's viewpoint as follows:

- 1) the policy of the Government was directed at establishing an integrated, outward-looking and democratic Europe, and maintaining Atlantic co-operation;
- 2) the Government cannot turn away from the talks on political co-operation. It will press for the participation of the United Kingdom but did not wish to make this a prerequisite;
- 3) the form of political co-operation envisaged was a very flexible one. It would be pointless simply to "organize" the present lack of unity;
- 4) there was no need to institutionalize co-operation in the form of a treaty or of an international secretariat;
- 5) there was no need either for defence problems to come within the scope of these talks. The defence of the Netherlands could only be achieved within the framework of the Atlantic partnership;
- 6) political consultations should not lead to the stage where the substance of the European Communities was in any way impaired; the Netherlands did not wish to return to a "Europe of States";
- 7) whether a summit conference of the Six was advisable or not depended on the degree of agreement reached about objectives in political co-operation at the conference of ministers.

2. Debate in the Second Chamber on European financial policy

During the budget debate in the Second Chamber, attention focussed on international payments. Mr. Witteveen drew attention to the way in which recourse to the dollar to meet international payments had become common practice; this was due to the fact that since the war the United States had played an increasingly important part as a banker. This had obliged the United States to export a great deal of capital; at the same time it had derived benefits from this in the form of receipts from interest and an appreciable economic influence.

The dangers of this development were now becoming more and more widely recognized. As new credits were extended so the danger of inflation grew; and as the cover became slimmer, so confidence in the ability to pay was liable to lapse. This was the situation towards which we were gradually verging. Fortunately this matter was on the agenda for the International Monetary Fund and Group of Ten discussions. The Minister took

the view that there could be no question of creating a single European currency until European integration had made more headway. It was true that at first sight the idea of creating a European reserve currency like the dollar and the pound might seem attractive. Yet, as the minister saw it, far from overcoming the disadvantages inherent in the dollar system, such a currency would only make matters worse. It would further be difficult to create a European reserve currency in view of the fact that, as a banker, the EEC had not yet developed sufficiently. It was, however, already agreed, that the need for a new international currency other than the dollar and the pound would make itself felt to an increasing extent. At the same time it was generally felt that this new currency should be chosen in a rational manner and not by reference to chance difficulties affecting this or that balance of payments.

The recommendation made by President de Gaulle to return to the gold standard would make sense only if it were clearly stated what type of gold standard were involved. For in the last analysis, we were already today living under a gold standard system - the gold exchange standard system coupled with the dollar and the pound. In conclusion, Mr. Witteveen stated that we should not turn back but reach out to the future. He felt it unfortunate that President de Gaulle's words had given the impression of being a step backwards - as this was not necessarily so. (Proceedings of the Second Chamber, 1964-65, 9 February 1965)

III. CREATION OF A LATIN AMERICAN PARLIAMENT

The move towards unification is not confined to Europe. Economic groupings exist particularly in Latin America as is shown by the ALALC (Latin American Free Trade Area) and in the economic co-operation of the Central American States.

Interestingly enough, the same trend is now being displayed in the parliamentary sphere. Between 7 and 11 December 1964, 160 parliamentarians from the following thirteen Latin American States met at Lima, capital of Peru, at the invitation of the Peruvian Congress: Argentina, Brazil, Colombia, Costa Rica, Chile, El Salvador, Guatemala, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. According to the information available, all political forces carrying any weight in the Parliaments of the countries concerned were represented. Mexico had sent observers.

The parliamentarians in Lima decided to form a Latin American Parliament and passed a number of resolutions. The two most important, which related to the need for political, economic and cultural integration of Latin America and to the creation of the Latin American Parliament, are reproduced below.

Readers interested in the activities of the Latin American Parliament should apply to the Secretary-General, Dr. Andrés Townsend Ezcurra, Avenida Alfonso Ugarte No. 1012, Lima (Peru).

Political integration

Lima Declaration

The LATIN AMERICAN PARLIAMENT, meeting at Lima on the 140th anniversary of the convening of the Congress of Panama by Simón Bolívar and of the final battle of Ayacucho;

Evoking the glorious common memory of those who won freedom for our peoples and strove to consolidate and enrich it by uniting them;

Convinced of the basic affinity existing between our countries which, on account of their geographical position, history, culture and common democratic ideals, as well as of

the similarity of the problems they have to contend with, form one large family of peoples based on the exercise of national sovereignty by the peoples, on the love of justice and on a firm determination to hasten moral and material progress;

Convinced that the Latin American peoples are called upon to form in the near future a Community of Nations which, while respecting the distinctive features and unique mission of each member State, will make it possible to present to the world a united, forward-looking and powerful Latin America;

Convinced of the pressing need to speed up this process in order to uphold the rights and aspirations of Latin America in a world characterized by the predominance of large and powerful continental blocs by the side of which our countries, isolated as they are, find themselves at a disadvantage;

Convinced that the integration of Latin America will help to strengthen the regional system in this hemisphere and to ensure respect for the ideals that underlie it, and at the same time serve to establish a sounder and more effective balance between the industrialized zone of the Continent and that formed by our developing countries;

Interested in creating the conditions necessary for the successful industrialization of Latin America through concerted and effective protection of the prices of its raw materials, a democratic system of planning in which all our countries participate, and the setting up or expansion of bodies for co-operation, financing and development to give a fresh spurt to our economy and raise the living standards and productivity of the mass of our peoples whose well-being is the prime concern of the Parliaments of Latin America;

Desirous of joining in the efforts of the developing countries to ensure fairer terms in world trade and peaceful and constructive co-existence in the economic sphere with more industrialized countries;

Resolved to defend the ideals of peace, security and friendly relations which permeate the Charter of the United Nations, and the unrestricted observance of the Universal Declaration of Human Rights;

DECLARES :

1. The integration of Latin America, rooted in a time-honoured tradition of fellowship, is a historical process essential for ensuring the freedom of our peoples, their economic and social advancement and the raising of their standard of living, as well as for the existence in the world of a great Community of Nations forging its own destiny;
2. As direct representatives of the will of the people in all its various shades, and as faithful interpreters of the people's needs and aspirations, the Parliaments of Latin America must contribute to the success of integration by mobilizing public opinion and promoting, in their respective countries, laws and reforms conducive to integration along democratic lines;
3. The Latin American Parliament, constituted at the first meeting at Lima, and in accordance with the principles laid down on that occasion, will be the permanent democratic institution representing every shade of political opinion existing in our legislatures, and will be assigned the task of promoting, co-ordinating and steering the movement towards integration;
4. The Parliament is resolved to contribute, through the appropriate legislative procedures, to the establishment of properly functioning executive organs to define a uniform Latin American outlook towards the rest of the world and to plan and co-ordinate the lines along which this develops. The same applies to legal and economic bodies and those responsible for questions of co-operation.
5. One of the political prerequisites for the success of Latin American integration is effective observance of democratic principles in all the countries making up our Continent. For this reason the Parliament reaffirms its faith in democracy exercised in all its purity and in its inherent spirit of reform and justice, and rejects any imperialistic, dictatorial, colonial and oligarchic form of government;
6. The Parliament issues a fraternal appeal to those of its neighbour countries which could not attend the present session owing to the temporary lack of a Parliament, to restore to their peoples a democratic system of government, for which

the existence and operation of independent legislative bodies is a prerequisite.

7. The Latin American Parliament affirms its solidarity with recently emancipated peoples who profess and practise representative democracy and have pooled all their efforts at world level for the defence of the interests of developing countries. (Lima, 10 December 1964)

Setting up a single-chamber legislature to be known as the Latin American Parliament

The Latin American Parliament, assembled at Lima, capital of Peru, and considering the existence of a body to represent the needs and aspirations of the peoples to be essential for Latin American integration,

RESOLVES :

to recommend to the Parliaments of Latin America that a "Latin American Parliament" be set up and, to that end, adopts the following principles:

1. A single-chamber legislature to be known as the "Latin American Parliament" shall be established and take up its seat in Lima, Peru, on 2 July 1965.
2. Only national Parliaments of States at present constituted shall be admitted to the Latin American Parliament, always provided that the said Parliaments have been elected by popular suffrage.
3. The admission of new members shall require the favourable vote of not less than two-thirds of all members of the Latin American Parliament. Where a State is constituted on territories claimed by any one of already existing Latin American States from an extra-continental power, the admission of the Parliament in question shall further be subject to prior recognition of the newly constituted State by the claimant State.
4. The Delegation of each national Parliament shall consist solely of parliamentarians selected, according to their political

affinities, in the same proportions as in the national Parliament in question.

5. Each national Delegation to the Latin American Parliament shall be entitled to twelve votes and may consist of up to twelve delegates.

Voting shall be effected on an individual basis.

Should any Delegation consist of less than twelve members, delegates shall be entitled to accumulate up to three votes per person, having regard to proportional representation of the political affinities of the said Parliament and the stipulated maximum of twelve votes per Delegation.

6. The term of office of each member of the Latin American Parliament shall be determined by the national Parliament concerned.

7. The Delegations of the various Parliaments of Latin America shall encourage the introduction in their respective States of legislation under which every parliamentarian, as well as the Secretary-General who attends sessions of the Parliament, will enjoy the immunities accorded to the legislators of the country in which the session takes place.

8. It shall be the duty of the Latin American Parliament to make itself acquainted with any matter or project connected with the political, economic, cultural and social integration of Latin America, or with questions of common Latin American interest, and to discuss and deal with same through the issue of recommendations.

9. The Latin American Parliament shall meet in ordinary session once a year, and in extraordinary session whenever so requested by at least one-third of the Delegations of the national Parliaments.

At both ordinary and extraordinary sessions, discussion shall be limited to items included on the agenda, which shall in each case have been previously prepared. The permanent Secretariat shall include on the agenda of ordinary sessions any items that have been put forward by the Delegations at least sixty days previously, and in the case of an extraordinary

Latin American Parliament

session any items proposed by the Delegations that have asked for such a session to be held.

Once the Parliament is in session, other items may be discussed if approved by a two-thirds majority of members present.

10. Ordinary annual sessions shall be held in rotation in each of the countries whose Parliaments belong to the Latin American Parliament.

11. The Permanent Bureau of the Latin American Parliament shall be the Secretary-General's Office having its seat at Lima and consisting of a Secretary-General, a Deputy Secretary-General, five Regional Under-Secretaries and five Deputy Regional Secretaries, to be elected by the Latin American Parliament. The Secretary-General, Regional Under-Secretaries and Deputy Regional Under-Secretaries shall be chosen from different States.

The posts shall be of an honorary character and the Parliament shall defray only travelling expenses incurred in connexion with attendance at meetings of the Bureau.

The first appointment shall be effected by the Special Committee referred to in Section 12 below and shall remain in force until the Latin American Parliament has been constituted.

12. A Committee shall be set up consisting of one representative and two Deputies from each Delegation attending the present assembly at Lima. This Committee may conduct business if a majority of its members are present, and shall be responsible for drawing up, within a period of 120 days, drafts of the Constitution and of the Administrative and Budgetary Regulations of the Latin American Parliament, so that these can be brought to the notice of the national Parliaments.

The draft Constitution shall be dealt with in accordance with the provisions of the multilateral Treaties and shall come into force as soon as it has been ratified by half the States represented in this assembly.

Pending completion of the Treaty, the Latin American Parliament shall conduct its business under an agreement between the national Parliaments.

The Committee referred to in the first paragraph of this Section shall make a special study of and put forward proposals on relations between the Latin American Parliament and the various international Institutions.

13. Each national Parliament is recommended to set up a special Committee to study questions connected with the Latin American Parliament, and to set up a permanent Latin American studies and information bureau.

14. The cost of setting up and running the Latin American Parliament shall be met by the Parliaments of which it is composed.

15. The official languages of the Latin American Parliament shall be Spanish and Portuguese. (Lima, 11 December 1964)