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## P a r t I

### DEVELOPMENT OF EUROPEAN INTEGRATION

#### I. GENERAL PROBLEMS

##### 1. Mr. Michel Debré and the making of Europe

Mr. Michel Debré, Minister for Economic and Financial Affairs, stated, in an interview with "XXe siècle fédéraliste", that to build Europe in order to "improve it" and to raise living standards made sense; but the real problem was to reach that stage of interdependence and, ultimately, of solidarity where the basic aims that are peculiar to every great nation - articulated in terms of the defence capability, strength and the unrestricted self-realization of its individual citizens - come to be regarded by the vast majority of Europeans as the real end of a common policy. Then, and only then, will it be reasonable to entertain hopes of a new nation-state that guarantees the freedom of the individual to a greater extent than do the nation-states of today. Even so, it means that the thinking of the leaders of European countries - and the sense of participating in a common endeavour that is felt by the peoples of Europe - must be directed to this end. At the moment this is not the case, for nowhere is the principle of interdependence asserted either from the standpoint of economic expansion or from that of defence. Nor are the ideas of strength and greatness, with the effort, discipline and faith that they imply, asserted either. Yet how, failing any desire to achieve greatness or power, can the future of peoples who want to become one state and one nation, be directed?" (XXe siècle fédéraliste, March 1966)

##### 2. Address by Mr. Colombo, Minister for the Treasury, on the future of Europe

On 25 March, at the invitation of the European Students' Group, Mr. Colombo celebrated the ninth anniversary of

the signing of the EEC and Euratom Treaties by delivering an address to the students of Rome University.

Mr. Colombo recalled the hopes, disappointments and failures - culminating in the collapse of the EDC - which had preceded the signing of the Rome Treaties. He pointed out that these contained not only economic features but also an important political factor, that is the will to seek a solution of the problem of co-existence and collaboration between European countries which had traditionally been a source of division and opposition. The economic success of the EEC during the period 1958-62 had also been a political achievement in as much as "there has never been anything that could be distinguished as purely technical and economic and divorced from political implications. This is because what we class as economic factors are really one aspect of the path towards political union - in short, are themselves political factors."

Mr. Colombo went on to say that it was this success which had prompted Britain's application to enter the Common Market aroused keen interest in Latin America, Africa and Asia and inspired the first attempts to move on from an economic Community to a political union. From that moment, however, divergent attitudes towards the forms of political integration had underlain the successive crises through which Europe had passed, from the suspension of negotiations with Britain to the breakdown in the talks between the Six on the financing of the common agricultural policy in June 1965. As regards the latter, Mr. Colombo spoke of the divergent interests of the Six but added: "In a Community, assets and liabilities are seen as a whole, without losing sight of the ideal in view, of the goal striven for, even while carefully guarding national interests. As regards Italy, you know that, by degrees, as all the agricultural regulations come into force, assets and liabilities will to a large extent tend to balance."

But even during the June crisis the underlying cause of the dispute had been political. While it was true that relations between the Six had been resumed, could it be assumed that the crisis had really been surmounted? "If we really go to the root of the problem, our answer cannot be in the affirmative. It is no accident that the European crisis has been rapidly followed by the Atlantic crisis, or rather by the problem of France's attitude towards NATO. This takes us to the heart of the arguments dividing us in Europe. Economic union should have culminated in political union but at a certain stage of



economic union the political crisis arose. Will the economic union provide the impetus needed for solving the problem of political union, or will the lack of political agreement call economic union itself into question? In my view we should do our utmost to pursue the policy of economic integration and to keep the Six united at least at that level, even if this calls for occasional sacrifices. But the ideal we pursue is such a worthy one, so important for a balanced world situation and for peace, and so intimately connected with Europe's rôle in the world and with the traditions of its civilization, that we must have the moral and political courage to accept sacrifices in order to preserve this solidarity."

Mr. Colombo wound up his address with the words: "At the same time we should continue to thrash out political arguments relating to the future of Europe in order to disseminate more and more widely among the peoples a consciousness of their European identity and faith in a supranational Community - an integral part of the Atlantic Community - linked to the United States by a partnership on the lines so clearly mapped out on a number of occasions by the late President Kennedy. We shall derive strength from the knowledge that popular opinion cannot but influence governmental decisions, as has been shown, for example, by the vote of French electors on 5 December last." (Il Popolo, 26 March 1966)

### 3. Press conference given by Federal Chancellor Erhard on European problems

At a press conference held on 25 February 1966, the German Federal Chancellor dwelt mainly on European questions, the crisis in the North Atlantic Pact, relations between the Federal Republic and the Arab world, and party and domestic questions.

Turning to General de Gaulle's last press conference, Dr. Erhard called for the resumption of the regular conferences of the Foreign Ministers of Member States which had taken place between 1959 and 1962. He saw no reason why these negotiations should have been suspended. Asked what preparations had been made for such a meeting of Foreign Ministers, he stated that an approach was about to be made to the Member States. During their February talks Dr. Erhard and General de Gaulle had agreed that joint consultations should be held with a view to launch-

ing new initiatives. Dr. Erhard hoped that the day was not far off when the Heads of Governments would once again hold direct talks together. The establishment of closer political collaboration in Europe was a historic task. At one time attention had centred first and foremost on institutional forms. What was now needed was practical measures. In his address Dr. Erhard made no reference to "political union" as he clearly did not think that the time was yet ripe for a conference between Heads of Government.

Dr. Erhard expressed the hope that negotiations for Britain's entry to the Common Market would shortly be resumed. He was not in favour of any top-level change in the Brussels Commission because, with the situation as it was at present, nothing should be done to disturb the continuity and progress of the EEC.

Turning to the practical steps which would be necessary, Dr. Erhard felt that the solutions sought should be as comprehensive as possible. General de Gaulle was also thinking of including the problem of the East European countries in the talks and preparations and felt that in the end reunification could be brought near by establishing peaceful relations with these countries. This idea was not to be brushed aside, but it did not relieve the statesmen of the Federal Republic of their current political tasks and did not alter the fact that the division of Germany, and therefore of Europe, remained. Dr. Erhard added that during his visit to Moscow General de Gaulle would also discuss the overall European attitude from the French point of view.

As regards General de Gaulle's decision, announced at his last press conference, that France would leave NATO while remaining in the Atlantic Alliance, Dr. Erhard stated that the Federal Government would continue to give unconditional backing to the integration of military forces. His Government however rejected integration restricted to German territory. Except for France, all NATO Member States were in favour of military integration. France's withdrawal from NATO certainly threw up serious problems but Dr. Erhard did not want to go further into these at this stage.

Dr. Erhard also spoke out in favour of a joint nuclear force and stressed that the negotiations in the Committee concerning a right of say was no substitute for this. The Federal Republic would never demand that nuclear weapons should be in its possession, or put at its disposal, on a national basis. He recalled German opposi-

tion to the production of nuclear weapons on its soil, which amounted to an advance contribution towards an anti-proliferation treaty. Moreover, the Federal Government was prepared to take part in further negotiations of this kind so long as the security provided by the deterrent was preserved in NATO. (Frankfurter Allgemeine Zeitung, 26.2.1966; Die Welt, 26.2.1966; Neue Zürcher Zeitung, 27.2.1966)

#### 4. European aspects at the CDU Rally in Bonn

In an address to the CDU Party Conference held in Bonn on 21-22 March 1966 Dr. Konrad Adenauer, the retiring Chairman, launched an urgent appeal for political union in Europe. European political union was the great task for the future. "We have built up our country within the limits staked out for us; let us now with the same courage settle down to the task of building Europe within the limits possible to us."

Turning to the NATO crisis, Dr. Adenauer said that in his talks with General de Gaulle in the Elysée Palace he had gained the impression that an acceptable solution could be achieved through negotiation. The creation of Europe was a fundamental need since the European powers faced the risk of being torn apart as a result of the difficulties the super powers were experiencing in their relations to each other. The free European States could preserve their independence only by banding together. The United States of America had always been in favour of such a union but the European States, after initial successes, had unfortunately ceased to make any progress and were indeed increasingly drifting apart at their own peril. Dr. Adenauer pointed out to the delegates at the Party Conference that if the ideal itself was unattainable, it would be necessary to strive for what was possible and to proceed step by step. He wound up his address with the words: "Believe me, once a start is made on political union it will acquire such an impetus that no one will be able to stand in its way."

Dr. Erhard, Federal Chancellor, in the part of his address dealing with external policy, concentrated mainly on the founding of a peaceful order in Europe on a secure basis and described a European settlement based on the division of Germany as offering only an illusion of peace. German efforts to achieve self-determination, far from

hampering moves to ease international tension, were a prerequisite for a peaceful system in Europe. For this reason the Federal Government was in favour of enlarging the EEC by opening the door to Britain.

Dr. Erhard added that German support for military integration in NATO was a major feature of German strategy for peace. "We, too, are conscious of the change undergone by the world - and Europe - in the twenty years since the Atlantic Alliance came into being. This is only natural if we consider that adjustments to new realities are both desirable and necessary. But no one can dispute that the Alliance has proved its worth. One need only try to imagine what might have otherwise happened in Europe since the war to realize its importance. Above all we cannot, and indeed do not want to do without the friendly and well-tried co-operation with the United States and Canada. Each Member State should do everything in its power to avoid weakening NATO. The friendship between Germany and France must also be preserved, particularly in the face of difficult problems."

Dr. Rainer Barzel, Chairman of the CDU/CSU Group in the Bundestag, criticized State-guaranteed credits to the Soviet Zone on the ground that they merely restricted the armoury of economic weapons available in the fight for Berlin and freedom. The report that in the event of an agreement for the delivery of Dutch eggs to the Soviet Zone, the EEC would regard the latter as a non-member country, had caused bewilderment in Western Germany. The Federal Republic of Germany was a member of the EEC without territorial "subtractions" and as such it possessed the right and duty to speak for the whole of Germany i.e. without any, so to speak, surgically detachable parts. Dr. Barzel considered that the advance of Europe should not be allowed to proceed on anti-American lines. One's attitude to the Soviet Union was not one of irreconcilable opposition; on the contrary, one looked forward to the day when Russia would finally turn its face towards Europe. In this respect, General de Gaulle was right. One could not, however, agree with a policy that tended to weaken the American position in the struggle between the two world giants. There was no inconsistency in cultivating the friendship of both France and the USA. Whatever France's decision regarding its place in the Atlantic Alliance it would be essential to collaborate with her as closely as possible.

Dr. Barzel stated that no effort should be spared to arrange European talks between the Heads of Government, avoiding too many reservations and protocols. Although

trends in Franco-German relations had aroused misgivings, there was no point in adopting an attitude of resignation. France and Germany knew too well that there was a limit to what either of them could achieve in isolation. Without French support there could be neither a united Europe nor a united Germany. The loose political union advocated by President de Gaulle was, however, unacceptable. One could not say "Amen" to everything merely because it was suggested by Paris. Nevertheless, the will to cooperate with France was unbroken. Dr. Barzel also called for common institutions, which should also be open to neutral and Eastern bloc countries, to serve the military alliance and the cause of peace. (Die Welt, 22, 23.3.1966; Frankfurter Allgemeine Zeitung, 22, 23.3.1966; Le Monde, 23.3.1966; Industriekurier, 22.3.1966)

##### 5. Mr. Maurice Schumann and Mr. Maurice Faure debate current European issues

On Wednesday 2 March, students at the "Institut d'études politiques" heard Mr. Maurice Schumann and Mr. Maurice Faure compare and contrast their views on the political future of Europe.

The speakers agreed that it was necessary to unite Europe politically, strategically and economically but they differed beyond this point. Mr. Maurice Faure did not think that gaullist policy would inevitably lead to the failure of the European enterprise; on the contrary, the European federation might one day spring from the confederation in which the co-operation advocated by General de Gaulle would culminate.

Mr. Maurice Faure, on the other hand, felt that the links between the Six had, over the past eight years, been getting weaker all the time; it was not "by stretching Europe from the Atlantic to the Urals that we shall strengthen it." He felt, moreover, that integration ought to be promoted among the Six - and with the United Kingdom - without compromising the nuclear protection afforded by the USA which was healthy and necessary and would continue to be so for a decade.

Mr. Schumann felt that the European problem ought to be seen not against the background of the map of Europe but against that of the world, because of three recent

changes: the end of the colonial empires and the entry into the neutral camp of new nations, the end of the invulnerability of American territory and the end too of the monolithic phase in the Communist empire. He stressed the importance of the Kennedy Round; for the first time, he said, Europe would appear as a single state vis-à-vis the USA - through the intermediary of the EEC Commission. "This proves the extent to which the Commission is the kingpin of the Treaty."

Mr. Maurice Faure stated for his part that Europe was "not to be built as America's adversary; it takes an unusual type of mind to suppose that once Europe is united, it will immediately rush into becoming a vassal to the USA." He felt that France had gained nothing by staying away from Brussels for eight months. He also felt that economic integration might promote political integration in a succession of stages and that the "integration of minds" would allow for the election of a Parliament by universal suffrage. He was opposed to Europe's stretching its bounds eastwards for the integration of States depended on three conditions: their having comparable economic and social systems, their professing the same democratic principles and their not being tied from without.

In conclusion, he referred to defence: "For a decade at least the defence of the Six will depend on the American nuclear potential. This is neither final nor satisfactory but any change hinges on political progress in Europe." (Le Monde, 4 March 1966)

## II. ECONOMIC POLICY AND ECONOMIC SECTORS

### 1. Italian industrialists and European problems

The annual general meeting of the General Confederation of Italian Industry (Confindustria) was held in Rome on 9 March 1966. Dr. Furio Cicogna, retiring President of Confindustria, spoke in particular about economic and political problems in Europe. The interests and activities of Italian industrialists now covered a far wider geographical area as a result of the notable progress made in European economic integration. At the same time the European Economic Community had increasingly determined economic developments in Member States.

After rapidly reviewing the achievements of the EEC, Dr. Cicogna went on to say that the Common Market was now quite different from what it had been five years ago. "We earnestly hope that we shall be able to surmount a crisis that has been the worst since the start of the discussions on the setting up of the Common Market. The crisis has however shown that the impetus of the Common Market is irreversible in that it is now difficult in Europe - and, I would say, throughout the world - to conceive how one could do without a political and economic entity that has already made such great advances. The conviction has become stronger than ever that the idea of the Common Market has vigour of its own which is greater than that of the governments whose job it is to establish it, that it is for the Common Market to determine national politics and not the other way about. Further crises may be encountered and these may be as serious as the last one; this shows that we are getting down, by degrees, to the fundamental problems of European unity and that in tackling problems of economic integration we are increasingly brought face to face with political problems, regarding which any clashes are bound to be sharper. The need to preserve what has been achieved to date, and the even greater successes that lie ahead - perhaps in the relatively near future - must be set against the understandable desire to speed up progress."

Having thus clearly mapped out the position of Italian industrialists vis-à-vis European integration, Dr. Cicogna went on to deal with a still unsettled problem of great interest to Italian industry - the Kennedy Round. "The crisis of the European Common Market has certainly had a hampering effect on the negotiations. A study of

the complex arguments to be resolved leads one however to assert that success can only be achieved if all the main participants display a firm political will to reach agreements on all sectors and on all problems on the basis of a fair and balanced overall arrangement." The target date for the conclusion of the agreements was 30 June 1967, the date of expiry of the Trade Expansion Act of 1962. "The time available is therefore very short and the normal resumption of the Common Market's activities is obviously a condition for the success of the negotiations. It is also the necessary prelude to the resumption of discussions with non-member countries in Western Europe. It is to be hoped that solutions other than those that may be derived from the success of the Kennedy Round may be found, so that we can continue to advance towards economic integration in Europe. It appears at present that we are more likely to achieve satisfactory results by resorting to approaches of a less binding nature than those provided for in the Treaty of Rome." (Mondo Economico, 19 March 1966)

## 2. The development of Belgian enterprises

In an article entitled "The new proportions that business concerns must assume and the adjustments this calls for", Baron Snoy et d'Oppuers, formerly Belgium's Permanent Representative to the Councils (1958-59), has analyzed the development of business concerns in Belgium. His view is that Belgium's prosperity predicates a large economic area if, that is, she is to make the most of her greatest natural asset, her geographical position at the crossroads of Europe. Although such a large area is a necessity, it will, however, expose Belgian firms to a severe and exacting competition. How then should the needs of redevelopment be envisaged?

It would be indefensible for Belgium to pursue the same kind of narrow, conservative policy here as for the coal-fields; similarly, the lack of specialization in Belgian industrial production was to be deplored; it meant Belgium would lag behind other Western European countries in terms of industrial production. There were, of course, certain risks: competition, the fact that no further recourse to protectionism would be possible. The need would be for highly technical processes which predicated recourse to the most advanced techniques already in service; in the redevelopment that had to come, the intro-



duction of these processes had to be effected without demur. The techniques in question stemmed both from the "scale" imperative to which the modern firm was subject and from another need i.e. foreign investment.

There was at present a trend of some moment towards the concentration of enterprises: a recent enquiry conducted by "International Management" revealed that 70 to 80 per cent of companies in the world at large were controlled by 2 per cent of the world's business enterprises. This trend was inevitable and fully justified. The highly technical firm would be inconceivable without the support of constant research. Yet research, which must allow for the risk of failure, predicated that the company should be of a certain size: it had thus, to a large extent, to be self-financed.

Belgian firms were lagging behind in terms of scale and this forced them to call in foreign capital. Technologically, there was little to be gained from individual research into every single process and every single invention already at the disposal of competitors. From this standpoint the United States represented the most abundant source of technological progress in the world. Under present circumstances, and until Europe was unified, the growth of America's technological potential would remain unrivalled.

Baron Snoy drew the conclusion that the need for advanced techniques and a larger scale of operations would engender the necessary expansion, even if this were to stem from a foreign impetus. The danger was that such investments might produce inflation, induce a feeling of apathy among European research workers and involve a certain neo-colonialism. To face up to the almost invincible strength of the United States' economy, an economically united Europe had to be built. This would mean a division of work between the Member States, each sticking to its respective last, aided by a policy of free competition. Belgium would have to make the most of her position at the crossroads and attract the concentration of productive activities.

The growth of Belgian business also formed the background to the annual report submitted by the Société Générale de Belgique to its annual general meeting. This focused attention on production cost trends over the last few years firstly in Europe and secondly in Belgium.

The different economic trends in Europe and the USA were

manifest in the rates of increase in the main cost components in selling prices and in yields from invested capital: in Europe the nominal increase in labour costs had varied, since 1962, from 6 per cent to 15 per cent per annum, whereas in the USA the annual increase had been 3 per cent; the difference in the cost of money had been: 5 per cent in the USA as against 7 per cent in Europe. Average wages in the USA were, of course, still more than twice the European average both because of differences in the standards of living and, especially, the American lead in productivity. The moderate rise in wages and interest rates as compared with Europe had done nothing but strengthen the competitive position of the United States.

The profits earned by American firms undoubtedly gave them a decisive advantage, for these profits went back into research and into capitalization. In contrast to Europe, these investments constituted a smaller fraction of the national income; in absolute and per capita terms, however, they were still higher than the European figures. This superiority was partly due to the substantial backing given to American firms, in the form of government research contracts and orders. Lastly, the resources at their disposal enabled the United States to attract European research workers and academicians by offering them highly advantageous terms.

The solution to this problem lay not in discriminating against American investments which would only aggravate Europe's leeway, but in allowing European industry to retain sufficient funds to be able to finance its expansion and obtain all the help it needed; its profit margins had to be wider for this was at present a negligible factor in the economy as a whole.

The profits statistics of industrial concerns showed up the difficulties facing Belgian firms and here the contrast with the USA was striking. Indeed, Belgian profit margins in 1963 were slimmer than those of 1957, a development that had had unfavourable repercussions in terms of the capital available to firms after the distribution of profits; the relevant figures for 1965 were also lower than those for 1957.

The low yields, competition from other more profitable investments and the recent tax laws affecting stocks and shares had forced Belgian firms to resort to heavier borrowing than their foreign - and especially their Anglo-Saxon - competitors. This was hardly conducive to financial health, especially in view of the high interest

rates current in Belgium, due to some extent to the deplorable state of public finance.

If public finance were put back on a sound footing this would give Belgian firms much easier access to the financial markets. Savings incentives, of the kind provided abroad through tax rebates, would also have a salutary effect. The real remedy lay in re-establishing adequate profit margins. In this connexion, it was worth remembering that the wage bill had been increasing at a rate that was becoming more and more difficult for firms to absorb; this had already forced certain firms to go into liquidation or to sacrifice their independence. (Bulletin social des Industriels, No. 324, February 1966. Bulletin de la Fédération des Industries Belges, No. 6, 20 February 1966)

### 3. Harnessing Europe's fuel and power resources to the European idea

Mr. Pierre Chatenet, President of the Euratom Commission, made a statement to "La vie française" about Euratom's future under the forthcoming merger of the Executives. "The momentum imparted (by Euratom) to European nuclear research must be maintained. The record to date has been one of action and intention; the single Executive will now have to "forge" a closely-knit programme of scientific and technical research that embraces every branch of European industry. Indeed, nuclear research will simply be a facet - of no mean proportions - of the total research effort.

Clearly the concerns of the six countries have not, as yet, been identical. The Germans have, for the last four years, been engaged in a large-scale national nuclear research drive. The French, already at an advanced stage, have continued their own research. The Italians' main concern has been to obtain electricity cheaply, because they have no coal to draw on and their hydro-electric output is almost all spoken for. There is no immediate prospect of energy shortages in the Benelux countries; their main interest in Euratom is in how it can help their industries to move into a new phase of expansion.

The first conclusion to draw from this is that the rules governing Euratom's modus operandi need to be made more

flexible; the alternative is deadlock, every State becoming increasingly sensitive about the degree to which the other States are benefiting. If the nuclear industry were to come under a comprehensive policy for European industry, the system whereby it is geared to an inflexible expenditure allocation key could give way to what Mr. Louis Armand, my predecessor, so aptly termed an "à la carte" system. Germans, French and Dutch could come together on one project. Others, such as the Belgians and Italians, could engage on another. It would be easy to progress from agreements between governments to agreements between industrialists, either through firms merging or, more simply, through their working together in specific spheres."

Mr. Chatenet went on to say that "this nuclear industry policy should not make us forget Europe's imperative need to have an eye to its energy supply. Indeed, in 1970 - less than four years hence - more than half the energy consumed in the Community will come from third countries. At present, electricity consumption is doubling every nine years; there is nothing to indicate that this rate of growth will slacken."

Nuclear energy today constitutes an ancillary factor; tomorrow it may represent a solution. By 1970, the electricity drawn from nuclear sources will be no dearer than that produced by thermal methods. The atom, however, will remain an adjunct, at least to begin with."

In conclusion, Mr. Chatenet said: "This brings us to what will be one of the single Commission's biggest tasks: Europe needs a co-ordinated energy policy which sets out clearly the parts that each State and each product (electricity, oil, gas, coal, atom) has to play. To date coal has been within the jurisdiction of the ECSC, oil and gas of the EEC and the atom of you know who. Well, this has got to stop. The single Commission must give priority to framing and implementing a common energy policy."

Thus Euratom will continue its work and come into its own in the new and united Community." (La vie française, 18 March 1966)

#### 4. Views of the CNEL on the common agricultural policy

The National Economic and Labour Council (CNEL), in reply to the request made on 22 November 1965 by the President of the Council of Ministers, at the suggestion of the Foreign Minister, has put forward its comments and proposals on problems connected with the common agricultural policy and customs union between EEC Member States anticipated for 1 July 1967.

The far-ranging discussions at the meeting of the CNEL dealt mainly with the EEC's agricultural policy, that is, with the way its aims were being pursued, the criteria on which it was based, and the manner in which it had so far been implemented. A large number of Council members took part in the discussions and representatives of the agricultural trade unions underlined the importance of rapidly finalizing the Common Market in the light of the rules and principles of the Treaty of Rome, with a view to ensuring maximum national development in the economic and social sectors.

At the same time, however, it had been shown that in view of a possible speeding up on 1 July 1967 of the target dates laid down in the Treaty of Rome the necessary conditions had to be created in Italy to ensure the free movement on Community territory not only of agricultural and industrial products but also of labour, capital and services. It was also held to be absurd to pursue a common agricultural policy designed merely to secure agreements on market policy through regulations that had so far related to agricultural and stock-raising sectors of greater advantage to other Member States. Under the Rome Treaty, the common agricultural policy was founded on the indivisibility of market policy, productive structural and infrastructural policy and social policy. Italy's special interest in these policies justified the arguments put forward by Italian representatives in the Community for freeing the "Guidance" branch of the European Agricultural Guidance and Guarantee Fund, (EAGGF) from its present dependence on the "Guarantee" branch.

The CNEL unanimously adopted the following resolution:

"The National Economic and Labour Council:

1. Considers that the bringing forward on 1 July 1967 of the target dates for the Common Market set out in the Treaty will necessitate:

- a) the creation of suitable conditions to ensure free movement not only of agricultural and industrial goods but also of labour, capital and services;
  - b) the definition of broad lines for a commercial policy, economic and monetary policy, social policy and a common transport policy, and the starting up of a process of approximation of fiscal and industrial laws, particularly in so far as this can directly influence the conditions of competition between Member States;
2. More especially as regards the common agricultural policy, confirms the indivisibility of market policy, productive structural and infrastructural policy and social policy. To integrate markets without improving productive structures and social infrastructures would be merely to aggravate existing imbalances in the economic and social sectors. Conversely, it is impossible to pursue a rational structural policy without taking the consequences of the integration of markets into account. Again, improvements in markets and structures unaccompanied by an efficient social policy may accentuate rather than ease any social imbalances.
3. The CNEL therefore considers that between now and 1 July 1967, the scheduled date for completion of the Common Market:
- a) approval must be given to the general directives relating to the development of structural policy, social policy and regional policy, and to Community plans for raising living standards in rural areas;
  - b) a start be made on the implementation of the regulations on market organizations for fats and oils, sugar, tobacco, flowers and ornamental plants, as well as on the supplementary provisions for the fruit and vegetable sector;
  - c) the "Guidance" Branch of the EAGGF should be detached from the "Guarantee" branch to ensure that it possesses the funds required to enable it to take the necessary steps for the reform of land and agricultural structures and of the basic services essential for progress in rural areas and for a higher standard of living among agricultural workers;
  - d) the common agricultural policy must take into account the need to preserve traditional Italian crops - particularly durum wheat, sugar-beet, olive

oil and tobacco - and allow for action to be taken, where necessary, for the integration of market prices;

4. Considers that market policy should take into account the need for the prices (individual and Community-based) of the various agricultural products to stand in such a relation to each other as to ensure balanced production." (Agri Forum - February 1966)





## P a r t II

### PARLIAMENTARY ACTIVITY

#### I. EUROPEAN PARLIAMENT

a) Session of 7 to 11 March in Strasbourg

##### 1. Address by the Eldest Member acting as President

The March session, during which the European Parliament, on the expiry of the term of service of its previous president, Mr. Leemans, elected the remaining members of its Bureau and of the Committees, was opened by an address by the Eldest Member Mr. Granzotto Basso.

Turning first to recent developments on the European scene, Mr. Granzotto Basso asked whether the European momentum of the Governments and Parliaments of Member States was not flagging. European integration was more a political than an economic necessity. It was the answer to the many complex problems of the day:

- a) the need for a just and democratic society;
- b) the independence of the European continent, for only a federal State of continental proportions would be strong enough to pursue an independent policy;
- c) the need for peaceful development in the East European countries;
- d) the need to set an example to the non-member countries, Africa and South America, for whom a united Europe must serve as a model in their march towards federal union.

Mr. Granzotto Basso was concerned about the growing trend towards nationalism. To combat this and persuade both the parties and governments to engage in fresh European initiatives, he called for close and active co-operation on the part of all federalistic and European forces. Recalling the "Appeal" of the "Democratic Front for a federal Europe" of October 1964, he called - as in his address of the previous year - for a widening of the

powers of the Parliament and for the direct election of its members.

## 2. Election and address of the President

Of two candidates, Mr. Poher (France), till then Chairman of the Christian Democrat Group of the European Parliament, and Mr. Vals, French Socialist member, Mr. Poher was elected President of the Parliament by 73 to 41 votes.

The President then began his address by reviewing the period - almost fifteen years - during which the Parliament had been in existence, and paying a tribute to his predecessors. The Parliament would, he insisted, derive more weight and influence from direct universal suffrage, and the proposals which the Parliament was drafting on the subject, under Article 138 of the EEC Treaty, had not been forgotten. A widening of the powers of the Parliament was a logical prerequisite of Community progress. Although the crisis through which the Community was passing left little scope for rapid development at the institutional level, progress could be made even within the present limits of the Treaties. What was needed was not the antiquated formalism of national parliaments but a search for completely fresh approaches. One's gaze should be turned to wider horizons if the work of building the Community was to be satisfactorily completed. As Robert Schuman said on 9 May 1950, "Europe will not be built at one stroke; it will be brought into being through concrete measures, with which alone real solidarity can be achieved." Mr. Poher stressed that many ideas dating back to the early stages would now have to be formulated afresh and amplified. A case in point was the separate existence of three Communities which, though understandable at the start, could no longer be justified. In future the Parliament would apply itself to the problem of the merger of the Communities and of the transition from economic integration to political union.

## 3. Appointment of alternates for Committee members

At its March session the Parliament debated a report submitted by Mr. Bech for the Legal Committee on the appoint-

ment of alternates for Committee members (1). On the strength of a study carried out by a working party the Bureau had in January 1966 adopted a proposal for a resolution amending Article 37,2 of the Rules of Procedure, and instructed the Legal Committee to prepare a report on the subject.

The Bureau's proposal provides for the appointment, for each Committee, of a number of alternates corresponding in each Group to half the number of its regular Committee members, each Group having at least three alternates for each Committee. Alternates for each Committee meeting are selected by the Groups from the list of alternates. In an Opinion delivered by the Legal Committee the view was expressed that the new arrangement would make for greater continuity of work in the Committees, facilitate specialization and obviate possible drawbacks.

During the debate Mr. Thorn, speaking on behalf of the Liberal and Allied Group, opposed the adoption of the proposal on the grounds that as more and more committee meetings were held the number of alternates would have to be increased rather than reduced to enable time-limits to be respected and decisions to be taken. Such restrictions imposed by the proposed arrangement would make it particularly difficult for small Groups to send representatives to Committee meetings. Mr. Thorn had no knowledge of any abuse of the existing procedure regarding alternates.

As the proposal had been turned down by one of the Groups, the Parliament decided to refer back the draft resolution to the Legal Committee. The question of alternates for Committee members would have to be settled in the course of the contemplated general revision of the Rules of Procedure.

#### 4. Approximating turnover taxes

The Parliament returned its Opinion on the first EEC Commission proposal relating to turnover taxes in October 1963. The Commission took this Opinion into account and, in July 1964, submitted an amended version of its original proposal. This embodied the Parliament's suggestion that

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the added value taxation system should be introduced in two as opposed to three stages. Then in May 1965 the Commission asked the Parliament's Opinion on a second directive setting out how the system advocated was to be put into application. These two texts were referred to the Internal Market Committee which appointed Mr. Seuffert (Socialist, Germany) rapporteur (1).

Under the first Commission proposal, as amended, the national implementing laws would come into force by 1 January 1970 after being passed no later than 31 December 1967 by the national parliaments. The rapporteur felt that although this time interval was longer than that originally proposed, it was necessary because the introduction of the new system might give rise to cyclical difficulties. The abolition of fiscal frontiers, furthermore, which would involve standardizing rates and exemptions and abolishing compensations, would not take effect until 1972. For this reason, the Council would take the relevant decision before the end of the transitional period - 31 December 1969 at the latest. The Internal Market Committee approved the working schedule proposed by the Commission and trusted that the Council would take a decision on the first, amended, directive without waiting until the second directive had been finalized. There was no possibility of fiscal frontiers being abolished before rates had been standardized. This solution appeared hazardous in view of the economic and financial policies of the Member States.

Taxation on services rendered constituted a special case, in that there were, as far as they were concerned, no fiscal frontiers. The EEC Commission proposed that it be left to the Member States to decide how to deal with the majority of these services. It did, however, list activities to come under common provisions. The Internal Market Committee felt that there should be one or two changes made in this list. It failed to understand why certain activities, representing a cost that had considerable bearing on commodity prices, should have been omitted from the Commission's list.

The Committee paid special attention to the question of the deduction of taxes due on investments. There were two possible solutions, either to deduct the whole amount of tax due or to deduct tax pro rata temporis. For reasons of convenience the Internal Market Committee came out in favour of integral deduction. Investment taxes

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paid at the time of purchase could thus be deducted at once. If this option were possible, however, it would constitute a strong investment incentive. Such a cyclical policy tool could have unexpected effects, especially if there were no common short-term economic policy. This was why a majority of members on the Committee would prefer, initially, to leave it to the Member States to decide whether to introduce integral deduction at once or whether to continue to use the other method for the time being.

Agriculture also came within the scope of the added value taxation system. The EEC Commission intended to submit proposals to the Council, before 1 April 1966, with a view to introducing a special system of reduced rates for agricultural products. Mr. Klinker, who drafted the opinion of the Agricultural Committee, was in favour of bringing agriculture within the scope of the added value taxation system provided there were an assessment system that cancelled out taxation already paid, so that the taxes due did not exceed those already paid. The advantage from the farmers' viewpoint would be that they would not have to keep detailed accounts. The Agricultural Committee thought that the farmer ought to be able to opt for the normal system if he felt this to be preferable in view of his substantial investments.

The Economic and Financial Committee, whose opinion was also asked, studied the repercussions that introducing the added value taxation system would have on the economic policies of the Member States. In the Opinion he drafted for the Committee Mr. Bersani noted that this would deprive the States of one of their cyclical policy tools and that they would have to time the introduction of this system very carefully to avoid - wherever possible - price rises and any undue increase in investments. For these reasons also he felt it would be preferable to opt for the "pro rata temporis" system with respect to the acquisition of capital goods. He trusted that the tax would receive wide application and that there would be no exceptions other than those made indispensable, for example, by special regional situations. He thought that the liberal professions should be regarded as assessable or else brought under the special reduced rate system.

The report was submitted by Mr. Seuffert at the public session of 8 March 1966.

Mr. Deringer (Germany) explained the viewpoint of the Christian Democrat Group. He had great hopes of this proposal for he felt it could impart momentum to the

European integration process because of the effects on economic policy introducing the added value taxation system was bound to have. He trusted that the Council would immediately pass the first directive, which raised no further problem. He was, in principle, opposed to exceptions, whether for agriculture or the liberal professions. Lastly he supported the attitude adopted by the Internal Market Committee on the complete deduction of taxes on capital goods and took the rapporteur's arguments in support of this system a stage further. He did not think the system would lead to a rise in prices or that it would be necessary to opt for the "pro rata temporis" system. He felt that the financial burden of these deductions would affect prices whatever method was applied.

Mrs. Elsner (Germany), speaking for the Socialist Group, said that introducing the added value taxation system might mean price increases; it might influence potential investors; hence the Member States had to be able to choose a time when the state of the economy was favourable to the introduction of this new taxation system. She suggested inserting a new paragraph in the resolution asking the EEC Commission carefully to study the repercussions that the added value system might have on competitive conditions and the trade cycle to preclude increases in the burden borne by the consumer or new disparities between the Member States.

Mr. Van Campen (Christian Democrat, Netherlands) felt that the second EEC Commission directive needed to do no more than put into application the principle of neutral taxation, the purpose of which is to obviate competitive anomalies. The removal of fiscal frontiers ought to have been left out of the second directive for the time being because it restricted the Member States unnecessarily in their fiscal policy, especially in agriculture and social questions.

Mr. von der Groeben, a member of the EEC Commission, stated that the ultimate objective in harmonizing turnover taxes was to eliminate fiscal frontiers. At present, however, it did not seem wise to set any definite date by which this was to be achieved. It seemed possible that the Council would also accept this ultimate objective. He had a word to say on harmonizing direct taxation. Once trade in goods and services was no longer subject to the anomalies resulting from different indirect taxes, it would be advisable to harmonize direct taxes in order to preserve fiscal neutrality with regard to production, trade and the exchange of capital. The Commission would

try to eliminate these anomalies as soon as possible. It hoped to submit a suitable programme in the near future to the Committee of Directors General of the Inland Revenue Departments in the Member States.

Criticism of the second Commission directive had varied from that of the detailed articulation of the obligations of the Member States to that of not making the necessary harmonization obligatory. The Commission's reply to these criticisms was that it proposed a degree of harmonization that would make it possible ultimately to remove fiscal frontiers with only slight changes in the application machinery, only rates and exemptions being involved in the subsequent adjustments.

He was unable to accept the solution advocated by the Parliament for agricultural products. This would only delay the work in progress with the government experts, so that the deadline of 1 April 1966 could not be met. The assessment system raised delicate problems such as setting the rate of assessment.

Following a general discussion, the Parliament unanimously adopted the amendment tabled by Mrs. Elsner. It rejected two amendments submitted by Mr. Fanton (EDU, France); Mr. Fanton wanted "the abolition of fiscal frontiers" to be regarded as equivalent to "absolute taxation neutrality with respect to the origin of goods and services"; he had moved that the former term be struck out. It adopted another amendment which Mrs. Elsner tabled for the Socialist Group which approved the draft directive subject to the reservations made in the resolution, in particular that powers equivalent to those entrusted to the national parliaments be transferred to the European Parliament with regard to the application of the directive. Lastly, it adopted an additional amendment calling upon the Council to take its decision on rates and exemptions before 1 January 1967 and after consulting the Parliament.

In the resolution thus amended the Parliament called upon all the Community institutions to take all necessary measures with a view to implementing the proposals without delay. It stressed that when the Member States went over to a common system they would have to bear in mind its possible cyclical and social effects; it stressed that policies in this sphere should be co-ordinated. It trusted that farmers would be able to choose between a simplified system or the normal system and that they would be able to offset the taxes due on the delivery of products. It asked the Commission to guarantee, if necessary by special provisions, that the tax paid prior

to farm investments might be deducted at once and in full. It considered that the relevant powers vested in the national parliaments and withdrawn from them ought to be transferred to the European Parliament. It approved the directive subject to these reservations and trusted it would receive proposals on the special conditions applicable to agriculture and on the rates and exemptions in good time.

#### 5. Questions raised by the budgets for 1966

At the end of September 1965, the EEC Commission sent the Parliament a first draft of the budget for 1966; it referred this to the Council at the same time. Notwithstanding the stipulations of the Treaty the Council failed to submit the draft budget to the Parliament within the usual time limit, that is by 30 October 1965 at the latest. It was not however until 16 February 1966 that the Parliament received this text, following the agreements reached in Luxembourg.

In the report he submitted for the Budget and Administration Committee (1) Mr. De Gryse (Christian Democrat, Belgium) was unable to conceal either his surprise or his mixed feelings. He was surprised that the Council should have felt it necessary to wait until reaching the Luxembourg agreements before submitting a budget that was, in the last analysis, conservative: in other words it was an interim budget. Similarly he viewed the draft budget with mixed feelings because the Council had included certain major undertakings planned by the Commission "for reference only". Under these conditions the rapporteur was unable to ask the Parliament to approve the draft budget. He simply asked that the Parliament should take cognizance of the draft pending submission at an early date of an additional budget, which he regarded as indispensable.

The rapporteur found it regrettable that the Council should have refused to pass the appropriations requested by the Commission for operational and not merely administrative undertakings. The following were involved: an enquiry into the cyclical factors affecting the consumer, agricultural market studies, Community interventions in the campaign against epidemics threatening cattle in the

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Member States, special measures on behalf of redundant sulphur mine workers, the common, accelerated, occupational training programme designed to remedy the shortfall of skilled workers in the Community; because the Council had not yet taken any decision on the Commission proposals relating to the last two points, it had struck out the appropriations asked for. The Budget and Administration Committee felt that here the Council could have adopted the "frozen" appropriations procedure.

The two Euratom budgets were also submitted nearly four months late. Mr. Battaglia, rapporteur for the Budget and Administration Committee (1), thought that by and large these two Council draft budgets appeared this year to lack dynamism, coming under an overall policy whose scope had been further curtailed.

The rapporteur's criticisms were directed mainly at the procedure the Council had adopted with regard to the budgets. Indeed, despite improvements in recent years in obtaining a more effective democratic control over expenditure, the Council had simply made the conditions, under which the Parliament had to return its Opinion on the budgets, worse. Lastly, the rapporteur agreed that an additional budget would be necessary during the financial year if merging the Executives involved additional operating expenditure.

The research and investment budget was examined from two points of view: the decision to overhaul the second five-year programme and the fact that 1966 was the penultimate year of the programme's term. The Commission had tried to spread the balance of programme funds over the two remaining years. The rapporteur pointed out here that the sums earmarked and which were rarely used up in a single year, were hardly consistent with the principle of an arithmetical sharing system. He felt that the Commission had been wise in not increasing the appropriations requested for 1966 for that would have brought the Council to a standstill. Indeed, the Council's draft budget fell far short in this respect. The Commission felt that these reductions were unfortunate for they meant that the plant and machinery at the various Euratom centres would not be employed to capacity.

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The appropriations not covered by fund transfers amounted to a considerable figure. The rapporteur was unable to conceal his concern at the reduction the Council had decided upon for these, might well affect the results of the second five-year programme. He suggested the Commission should submit an additional budget during the year to remedy the extremely serious situation resulting from the present draft budget.

The rapporteur concluded that the budget was, in relation to the decision to recast the second five-year programme, a step backwards; the Parliament would have to have a serious discussion on Euratom policy when the General Report was submitted. None the less, he asked the Parliament not to table any amendments to the draft budget because this would mean that the Commission would not get the funds it urgently needed until an even later date.

The report submitted by Mr. De Gryse was discussed at the public session on 9 March 1966. Mr. De Winter (Belgium) explained the Christian Democrat viewpoint. He readily took sides with the rapporteur in deploring the refusal to pass certain substantial appropriations for the purposes of occupational training, for agricultural scholarships and for the medium-term economic policy. Although he was not in favour of any undue increase of expenditure, he agreed that an additional budget might be necessary to enable the Commission to carry out its programme. He trusted, however, that when Parliament came to vote on the draft budget, it would take a definite attitude and do more than simply take cognizance of this draft budget. This would mean the Parliament's stating clearly that it accepted the budget and declined to table amendments. Mr. Wohlfart (Socialist, Luxembourg) said that the Socialist Group supported the efforts of Community officials, who were requesting that their service regulations be correctly applied. In his opinion the present and future operation of the institutions could only benefit if greater attention were focussed on this question. He felt it would be unfortunate if these officials felt obliged to stop work because the salaries were not adjusted in compliance with the criteria laid down in Article 65 of the service regulations and equally he felt that it would also be unfortunate if, in the longer term, European public service were abandoned.

Mr. Levi Sandri, a member of the EEC Commission, said that the work of the Community would be held back through lack of staff. The requests for the creation of staff posts had always been subject to cuts either because the accession of other States to the Community was in the

offing or because an early merger of the Executives was in the air. This was why the Commission had engaged a great many auxiliary agents. The way in which Article 65 of the service regulations was applied was furthermore to a great extent the reason for recruiting difficulties. To overcome these difficulties, the Commission had recently proposed increasing the adjustment coefficient which was based solely on the cost of living criterion. It would also submit proposals relating to the other criteria articulated in Article 65 which would thus be applied clearly and precisely. The position of auxiliary agents was one to which the Commission was paying special attention. It would endeavour to give permanent posts to all those who were temporarily engaged to fill such posts.

At the same session the Parliament heard a report by Mr. Battaglia on the Euratom operating and research and investment budgets. Speaking for the Christian Democrat Group, Mr. Carcaterra (Italy) expressed satisfaction at the good will demonstrated by the Council in passing the budgets at their first meeting in Luxembourg. He regretted however that they had not borne in mind the wishes expressed by the Parliament with regard to staff policy, particularly concerning the holding of permanent posts by temporary or auxiliary agents. He feared that the research and teaching programme might not be completed because of the lack of funds due to the criteria by which the Council had been guided in allocating the funds remaining to be appropriated for the last two years. The concern of the speaker was not to increase expenditure at all costs. He felt, however, that it was the duty of the responsible authorities of the Community to do everything possible to achieve the aims of the Treaty of Rome.

Mr. Merten (Germany) submitted the observations of the Socialist Group. He could not escape being unfavourably impressed by the draft research and investment budget. He felt it would lead to stagnation, to liquidation and to useless and ruinous competition between bilateral research agreements and the efforts that had so far been undertaken in common. The budget made no reference to the third research programme which was essential to obtain the maximum benefit from the results achieved to date. This seemed to indicate that certain Member States did not appear to realize the need for joint efforts in the sphere of research.

These fears were shared by Mr. Baas (Netherlands) who, speaking for the Liberal and Allied Group, asked if the problems raised by merging the Executives did not put into the background the special aspects connected with

the ECSC and Euratom activities.

Mr. Sassen, a member of the Euratom Commission, did not feel there was any justification for saying that the appropriations authorized by the Council were so insufficient that they could jeopardize the execution of the second programme; but he did not see how these funds were to enable Euratom to continue its work as vigorously and dynamically as it should. This was why the Commission envisaged submitting a supplementary budget, probably before July so that more staff could be taken on. The funds transferred were, moreover, inadequate because the commitments had accumulated over the first three years of the programme's term and the most recent commitments had to be met much earlier. The Commission would therefore have to submit a supplementary budget during the year in order to meet its commitments.

Mr. Margulies, a member of the Euratom Commission, could not understand why the Council had not passed the draft budgets for Euratom at an earlier date. Despite the difference of opinion that had emerged on the Council, the latter had constantly stated that it would adhere to the treaties. He was also surprised that the Council had found it necessary to reduce the credits requested by the Commission, even though the latter had always been scrupulously kept within the rate of increase in expenditure laid down by the Council.

Mr. De Groote, a member of the Euratom Commission, described the reactions of research workers following the budget discussions. They could not accept the idea of liquidation with reference to the budgets for 1966 but simply feared that these budgets would jeopardize both the return on investments and the prestige of the institution.

Mr. Fischbach, President in Office of the EEC and Euratom Councils, replied to the observations made by the two rapporteurs on behalf of the Budget and Administration Committee and to the various interventions.

The Councils were unable to set out their reasons in greater detail without making choices concerning the policy of the Communities. Their institutional structure was very different from those of the Member States and the Councils did not generally take fundamental decisions at the time when they passed draft budgets. They could only take decisions with a full knowledge of the facts when proposals relating to these aims were submitted.

The Council had carefully calculated the operating expenditure, taking into account the prospect of the merger of the institutions and the size of the present staffs. The operating expenditure earmarked for social purposes mentioned by various speakers could not be included in the budget because no decision had been taken on the regulations proposed by the Commission on this subject. The fact that these items had been included for reference only did not mean that the Council did not attach to these matters the importance due to them. The procedure consisting in freezing appropriations, furthermore, had not appeared to be suitable. It was preferable to introduce a supplementary budget since the sums had been calculated precisely and the Parliament would be able to return its Opinion with a better knowledge of the facts.

The President of the Council felt that the draft research and investment budget provided for increased appropriations which reflected the dynamism that the Council intended to impart to the execution of the second five-year programme. As regards the payment orders, the Council felt that the increase of 20 million units of account in comparison with 1965 would make it possible gradually to make good the gap between the appropriations and the payment orders. It was thus not a liquidation budget. If it was still not possible to envisage what would happen when the second programme was completed, it was for the Commission to make proposals to the Council for a third five-year programme.

In conclusion, the Council felt that the draft budgets submitted were such as to enable the Communities to guarantee the continuity of the work of the Communities without, at the same time, compromising the possibilities of making adjustments as time went by.

At the close of these debates, the Parliament passed two resolutions. The first concerned the EEC budget. In this, the Parliament asked the Commission to prepare and the Council to pass a supplementary budget for 1966 in the near future. This should in particular make provision for bringing the number of officials up to the level required by the increasing amount of work the Commission had to do, to enable the Statistical Office of the Communities to conduct the enquiries referred to in its draft budget, to make possible a joint occupational training programme to remedy the lack of skilled workers in the Community, for the special measures on behalf of redundant sulphur mine workers and to finance a study mission in the Associated African and Malagasy States on the part of the Committee of the Development Fund. It demanded that Article 65 of the Staff Service Regulations should be fully and correct-

ly applied. In order to avoid further delay in passing the budget, it restricted its attention to taking cognizance of the draft budget drawn up by the Council and noted that under these conditions the budget could be regarded as final.

In the resolution relating to the Euratom budgets the Parliament regretted that the Council had axed the original demands for funds made by the Commission and found exceptionable that the Council should have called into question the decision to recast the Five-Year Plan by reducing the appropriations requested. It decided not to modify the draft budget although it did not withdraw any of its political reservations which stemmed more from its general trend than from its various constituent factors and it therefore noted the two Euratom budgets could be regarded as final.

#### 6. The current political situation in the European Communities

On 9 March 1966 the European Parliament debated a report (1) on the current situation in the Community submitted by Mr. Metzger for the Political Committee. The Committee, which had been instructed during the January and March sessions to keep track of political progress in the Community, decided in February 1966 to submit a report to the Parliament on the subject.

Attention is focussed in the report on the study of the decisions taken by the Council of Ministers at its extraordinary meetings of 17-18 and 28-29 January 1966. The Committee was glad to see that the Council had unanimously decided to resume its normal work in Brussels. If the existing state of affairs, which was contrary to the Treaty, were to persist over a protracted period, it would seriously impede the development of the Community. The constructive parts of the statement were recognized but a number of points gave rise to certain misgivings. The Rapporteur stressed that with all three problems - majority voting, relations between the Council and the Committee, and the powers of the Parliament, it was essential that the Rome Treaty be respected.

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(1) Doc. 18/1966-67: Report by Mr. Metzger on the current situation in the European Community.

The majority rule related to the application of the Treaty and not to the way it was interpreted. To permit different interpretations would be to call into question the certainty of law.

As regards the method of collaboration between the Council and the EEC Commission, the Committee welcomed the Council's statement that this would be decided upon by common accord, as laid down in Article 162 of the Treaty. It would be contrary to the provisions of the Treaty if relations between the Council and the Commission were determined entirely by either one of them. While the Council stated that the jurisdiction and powers of neither of these bodies should be encroached upon, steps would have to be taken to ensure that the Commission's activities were not indirectly restricted by the Luxembourg agreements. The Committee pointed out that the Commission must be composed of independent persons whose attitude towards their tasks was not a purely technical one.

The Council considered it desirable that the Commission and the Governments of Member States keep in close touch through the permanent representatives regarding proposals of special importance. If the word "desirable" were to be taken to imply compulsion, this would be liable, in the Committee's opinion, to slow down the work of the Commission considerably.

The Committee deplored the fact that at its extraordinary meeting the Council of Ministers had not gone into the problems connected with the democratic structure of the Community and the tasks that the Parliament had to carry out. The Parliament had to be advised of the position by the EEC Commission before the Councils took their decision. The Commission was answerable to the Parliament which had the right to exercise supervision. It was impossible to admit any other interpretation of the Treaty, or practices - such as, it might be felt, that under item 2 of the Luxembourg agreement - aimed at curtailing the rights of the Commission and of the Parliament. In the case of the ECSC it was essential to see that the budgetary provisions of the Treaty were not contravened.

In the course of the debate, Mr. Illerhaus (Federal Republic), the newly elected chairman of the Christian Democrat Group, thanked the members of the Council of Ministers for the work they had done to bring about a compromise in which there were neither victors nor vanquished. The Luxembourg agreement afforded the Community at least a chance - if not yet the certainty - to surmount the difficulties underlying the crisis. A whole set of

economic problems awaited solution; a host of decisions had yet to be reached. It was essential now to prevent the opponents of integration from recasting the Community - in the course of the harrassing day-to-day activities of the institutions - in the mould of their own particular hegemony - something they had failed to do throughout the months of crisis. The Community's institutional structure, which was designed to preserve a balance of interests in accordance with the constitutional rules of the EEC Treaty, provided the most effective safeguard for the Community's future. Mr. Illerhaus examined in some detail the seven points of the Luxembourg declaration which dealt with the relationship between the Council and the Commission and seemed to aim at shifting the balance in the Community to the Council's advantage. He then turned to the principle of majority voting, pointing out that this was not a mere working formula but a fundamental constitutional rule of the Rome Treaty binding on all Member States. An "agreement to disagree" could be accepted for the sake of establishing a European "truce" but could not be justified on legal grounds.

The Christian Democrat Group was convinced that the only answer to the crisis was to keep faith with the Treaty since the EEC was a Community based on law. There was no political alternative to the European Community and only through the Community was partnership with the United States possible.

Mr. Vals (Socialist Group) wondered whether the Luxembourg agreement was ushering in a second phase of the European Community in which work on the construction of Europe would come to a sudden halt and national barriers would be set up. Such a situation should not be allowed to develop. Although the French Government's attitude towards majority decisions in no way altered the text of the Treaty, it hampered negotiations because it created a fear of a new crisis. Mr. Vals gave his views regarding the seven points of the Luxembourg agreement and the merger of the Executives and of the Treaties. Steps must be taken to prevent any attempt to weaken the position of the new Commission. Mr. Vals was concerned about the delay in lining up the social policies of the various Member States. His Group would be submitting a draft resolution asking the Commission to review what had already been accomplished and to catalogue, in a sort of testament, all the problems that had to be settled in the third stage.

Mr. Terrenoire (European Democratic Union) recalled that on 20 January 1966 the observations of Mr. Spaak, who



spoke as representative of the Council, had met with unanimous applause. This unanimity, however, no longer existed. Reviewing the report section by section, Mr. Terrenoire decided that the Committee's criticisms of the Council of Ministers were without foundation. While everyone welcomed the result of the Luxembourg Conference as it enabled joint activities to be resumed, the Political Committee was adopting a negative attitude. The gloomy and over-cautious interpretation given in its report of the text of the agreement was anything but constructive.

Turning to majority voting, Mr. Terrenoire said that one could not conceive a Community in which Member States were forced to accept decisions which ran counter to their vital interests. Although the Luxembourg agreement did not represent a final decision, it took into account French demands regarding the principle of unanimity and, in the view of the EDU, constituted a triumph for the Community spirit.

Mr. Pleven (France) expressed the satisfaction of the Liberal and Allied Group regarding the compromise reached by the Council of Ministers. The underlying causes of the crisis still remained and the resulting delay had not yet been made good, but the machinery of European unification had been started up again. Mr. Pleven referred to the special problems caused by the postponement of the merger of the Executives, which should have been completed by 31 December 1965. The Governments and the Council of Ministers should put an end to the uncertainty regarding the future of the European Executives if they really wanted the Community to move ahead. As to the causes of the crisis, they were to be sought neither in the agricultural problems nor in the memorandum of the Hallstein Commission. The trouble went deeper, and integration could have been pushed ahead without difficulty so long as political problems had no bearing on the process. If progress was now to be made, however, political questions could no longer be shelved. The view of the Liberal Group was that, in the compromise, the European Parliament was a loser. To the extent that the progress of the European Community spelled a reduction in the powers of the national parliaments, the powers of the European Parliament should be widened. The mutual arrangement arrived at involved an extremely unbalanced distribution of powers.

Mr. Levi Sandri, Vice-President of the EEC Commission, stated that the Commission shared the satisfaction felt by the rapporteur regarding the Council of Ministers' agreement that normal work should be resumed. Discussions between the Commission and the Council would enable the

difficulties and differences of opinion that still divided Member States to be overcome. Mr. Levi Sandri stressed that the Commission should take the vital interests of Member States into account. As regards relations between the Commission and the Council, the Commission placed the emphasis on the independence of the Community institutions. It regarded contacts with the Governments as desirable as these ensured a measure of flexibility while not restricting its competence. Publication of decisions should not present any special difficulties. As regards the Joint Information Service, Mr. Levi Sandri felt that the Council's decisions threw up problems that called for investigation. The Treaty assigned to the Commission, by virtue of its institutional function, informatory duties which it had to carry out independently.

Finally, the Commission emphasized that the bonds between the Six were still so strong that the future of the European Community could no longer be imperilled.

In the Resolution (1) adopted, the Parliament welcomed the readiness of the members of the Council to resume the normal work of the Community. It expressed concern however at the fact that, on certain points of the published text describing the views and decisions of the Council, uncertainty existed regarding the correct interpretation. This gave grounds to the Parliament for certain reservations. In view of the procedure laid down in the Treaty for the taking of majority decisions in the Council, the Parliament was convinced that members of the Council should always seek solutions that served the Community's interests and were acceptable to all concerned. It did not however think it permissible for the Council to exclude the possibility of arriving at majority decisions. The Parliament considered it essential that the rules determining relations between the Council and the Commission be drawn up by common accord before the merger of the Executives. It expressed concern at the fact that the new procedures which were being considered for co-operation between Commission, Council and Governments might hold up the day-to-day work of the Commission, and urged that such procedures should on no account be allowed to encroach on the rights of the Parliament as the institution entrusted by the Treaty with the political supervision of the Commission's activities. The Parliament stressed that the Executives also enjoyed its full

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(1) Resolution of 9 March 1966, Journal officiel des Communautés européennes No. 53, pp. 796/66.

confidence as regards the Information Service, and that it did not wish any restrictions to be placed on their competence in that field. It regretted the failure of the Luxembourg agreement to devote attention to the problems, which were as pressing as ever, connected with the Community's democratic structure and the task the Parliament has to carry out.

## 7. The development of the European Schools

On 10 March the European Parliament discussed problems connected with the development of the European Schools. The basis for the discussion was a report (1) submitted by Mr. Merten (Socialist, Germany) on behalf of the Committee for Research and Cultural Affairs.

Mr. Merten recapitulated the origin and structure of the existing European Schools (Luxembourg, Brussels, Varese, Mol, Karlsruhe and Bergen). He pointed out that these were not Community institutions; under the Statute of 12 April 1957 and the Protocol of 13 April 1962 these were institutions of the Member States; they did, however, have common structural features.

Mr. Merten examined problems relating to the external organization of teaching. He stressed that the European school-leaving certificate was today officially recognized throughout the six countries of the Community and in Switzerland, Austria and the United Kingdom. He trusted that textbooks would be published that were adapted to the European Schools because history and geography books in the Member States still bore traces of national resentments. He suggested that a special "Pedagogical Institute" should be founded whose business it would be to compile textbooks and to make it easier for teachers at the European Schools to keep up to date professionally. In view of the importance that the European Schools had come to assume - and given that this experiment was conducive to European unity - Mr. Merten argued the need to build European Schools in those areas of the Community and in third countries where there were an appreciable number of people (who were not, however, officials of the Communities) from the Member States.

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(1) Doc. 8/1966-67

Mr. Moreau de Melen (Belgium) spoke on behalf of the Christian Democrat Group. He said that the need for European Schools had been demonstrated by the success with which they had met. His Group, however, had reservations about Mr. Merten's report which led him to suggest that it would be desirable to solve the present difficulties before building new European Schools.

Mr. Seifriz (Germany), speaking on behalf of the Socialist Group, approved Mr. Merten's report without qualification. He trusted, however, that before new European Schools were built, the existing ones would be linked with the foreign schools in the Member States and that a pedagogical institute, an important co-ordinating body, would be set up.

Mr. De Clerq (Belgium) as spokesman, said that the Liberal and Allied Group considered that several problems faced the European Schools. In facing up to these problems, he hoped that technical education would be introduced into the European Schools alongside teaching on traditional lines.

Mr. Pedini (Christian Democrat, Italy) approved the principle underlying the European Schools but felt that the goal they sought to attain to was that of conferring a European vocation on all the schools in the six countries of the Community. He also approved Mr. Merten's report, although he shared the views of Mr. Moreau de Melen that before increasing the present number of European Schools, it would be desirable to consolidate and perfect the experiment in progress, for this was the first step to be taken in tackling the real problem of schools in the six countries: co-ordinating teaching.

Mr. Müller (Christian Democrat, Germany) drew the attention of the European Parliament to the problem of textbooks. In this connexion he said that there was in Germany a National Textbook Institute which had published a list of textbooks that could safely be used in all schools. He suggested that this list might also be used for the European Schools.

Mr. Levi Sandri, Vice-President, spoke on behalf of the EEC Commission. He agreed that the European Schools had been built to cope with immediate needs; in the long term, however, they had a valuable contribution to make towards uniting Europe. In conclusion he accepted the proposal to build new European Schools in several large cities.

Mr. Coppé, Vice-President of the ECSC High Authority, reviewed the contribution made by the Coal and Steel Community from the beginning to the development of the European School in Luxembourg. He assured the European Parliament that the High Authority would endeavour to resolve the teaching problems arising in so far as the means at its disposal allowed.

Mr. Margulies, a member of the Euratom Commission, had certain reservations about the proposal to increase the number of European Schools in view of the costs that this would involve; such costs were not covered in the Euratom budget.

The European Parliament passed a resolution in which it urged the Member States: to finalize the Protocol on the setting up of European Schools in places where there were no Community institutions; to build "a pedagogical institute linked with the European Schools"; to conduct an enquiry into building European Schools in the major cities of Europe both in and outside the Community. The European Parliament then asked its Research and Cultural Affairs Committee to follow developments in connexion with the problem of introducing the desirable European cultural co-operation into the European Schools and that of linking them institutionally with the Community when the treaties were merged.

#### 8. The European sports certificate

On 10 March, the European Parliament discussed the problem of instituting a European sports certificate; the basis for the discussion was a report (1) submitted by Mr. Bernasconi (EDU, France) on behalf of the Committee for Research and Cultural Affairs.

Mr. Bernasconi recalled that the Communities had so far taken very little interest in sport. In 1963 a modest move had been made in this direction by the Committee of Ministers of the Council of Europe which instituted a European sports certificate for young persons of from 16 to 18 years of age. The Community ought to institute a European sports certificate for young persons of from 12 to 16 years of age in order through sport to give expres-

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(1) Doc. 12/1966-67

sion to the European idea, in other words through the medium of a sector of social life that exercised an unrivalled attraction for a great many young persons and in order to promote the participation of young persons in the six countries in Community sporting activities.

Speaking for the Christian Democrat Group, Mr. Moreau de Melen (Belgium) stated that while recognizing the importance of the European sports certificate, he trusted that the activity of the Community would be co-ordinated with that of the Council of Europe in the sports sector.

Mr. Wohlfart (Socialist, Luxembourg) said that the proposal to introduce a European sports certificate presented a double interest: in adopting an idea of the Council of Europe, the gaps in the latter were being filled in that the sports certificate would be open to young persons of from 12 to 16 years of age. He recalled that sport could make an appreciable contribution to the development of the European ideal among young persons. In conclusion, he felt it essential to ensure that the certificate was as widely distributed as possible in order that it might achieve its purpose, that of making young persons "ardent" Europeans.

The European Parliament passed a resolution in which it qualified as desirable the institution of a European sports certificate, drawn up in the four official languages of the Community, which would be awarded together with a medal to young persons in the EEC of from 12 to 16 years of age in view of the fact that the participation of young persons from the various countries of the Community in common sporting activities might awaken in them a sense of their solidarity. The European Parliament called upon the representatives of the governments meeting on the EEC Council to conclude an inter-governmental agreement to this effect.

#### 9. Results obtained in the second stage and the action programme for the third stage in the transition period

At the session of 10 March, Mr. Illerhaus, speaking for the Christian Democrat Group, Mrs. Strobel, speaking for the Socialist Group, Mr. Pleven, speaking for the Liberal and Allied Group and Mr. Terrenoire, speaking for the EDU Group, submitted a draft resolution to the Parliament concerning the submission, by the EEC Commission, of a

report on the results achieved in the second stage and of an action programme for the third stage of the transition period (1).

After Mr. Illerhaus, Chairman of the Christian Democrat Group, had submitted the proposal, Mr. Marjolin, Vice-President of the EEC Commission, speaking in his own name, told the Parliament of his concern not to overload the Commission. It would be preferable to wait until the middle of the year before submitting an action programme for the third stage.

The Parliament then passed a resolution (2) asking the Commission to submit a report on the activities of the Community during the second stage; this resolution also stated that it would be desirable for this report to contain an outline of an action programme for the activity of the Community during the third stage in the transition period.

10. Oral question by Mr. Pleven on industrial investments in the peripheral areas of the Community

On behalf of the Liberal and Allied Group, Mr. Pleven asked the EEC Commission whether it considered it necessary to adopt, in respect of peripheral Community areas, regional policy measures on a similar scale to those announced by the British Government on 17 January 1966 (3).

Mr. Pleven felt that the EEC Commission's first report on regional policy in the Common Market contained a glaring deficiency. It said nothing about the regional policy of neighbouring countries, particularly of Great Britain, a country with abundant experience of promoting the industrialization of under-developed areas. Moreover, the British Government had just announced radical changes in its policy. Fiscal concessions, which had previously served as the main stimulus, had now been replaced by the grant of direct subsidies in the form of investment allowances to any new undertakings. The rate of investment allowance had been doubled in under-developed areas which, as it happened, were fairly extensive. In addition, the

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(1) Doc. 36/1966-67

(2) Resolution of 10 March 1966

(3) Oral question No. 1, 1966-67.

entire procedure had been simplified and applied in a more rational way. These measures of the Labour Government had been approved by the Liberal Party. In this connexion Mr. Pleven drew attention to the position, from the regional angle, of peripheral territories of the Community, particularly Finistère, which is only at a short distance from the British coast. In conclusion Mr. Pleven invited the EEC Commission to round off its report on regional policy in the European Community by expressing its views on the new British system.

In his statement Mr. Marjolin, Vice-President of the EEC Commission, pointed out that the British Government's regional policy was slanted towards industrial redevelopment rather than assistance of peripheral regions. The British approach could therefore only with difficulty be applied to the European policy on peripheral areas in the Community. While the system of investment allowances offered great advantages, it was essential to avoid the emergence of new, uncompetitive industries. Mr. Marjolin declined to pronounce on whether direct subsidies were better than fiscal concessions, but thought that the solution might lie in a mixture of the two.

As to the advisability of extending the system of subsidies, he fully shared Mr. Pleven's views. In this respect Italy could be said to have done pioneer work.

After pointing out that in Britain the rate of investment allowance was 20% to any new undertaking and 40% to one setting up in an under-developed area, Mr. Marjolin concluded that a similar system was out of the question for the Community. The level of investment in many Community countries was in fact already adequate. The EEC Commission was not therefore considering the adoption of a general system of aid to investment. This was not to say that it did not believe that such a system could be of use in a number of countries. Increasing the number of development areas involved the difficulty of making the right choice. In the course of the somewhat brief debate that followed, Mr. Dittrich (Federal Republic of Germany) drew attention, on behalf of the Christian Democrat Group, to the problem of peripheral areas lying east of the Community. If the structural overhaul of these territories was to be a success, the proposals for the reform of the Social Fund, from the point of view of resettlement and occupational retraining, would have to be adopted as soon as possible.

Loans at market rates of interest from the European Investment Bank were insufficient to provide the invest-



ment needed in these areas. As subsidies alone were not enough, the Christian Democrat Group looked for substantial financial aid for the installation of new industries, particularly to enable them to surmount transport difficulties. Desirable though fiscal concessions and loans at reduced rates might be, government orders would do more to help ailing industries in peripheral areas. The Christian Democrat Group also wished to see an improvement in transport infrastructure, and finally drew attention to the need for measures to step up progress in the vocational sphere.

Mr. Sabatini (Christian Democrat, Italy) dwelt on the influence British measures would have on the competitive capacity of the Common Market. This was why he attached such importance to rationalizing existing industries in the Community.

#### 11. Economic position of the Community

On 10 March the Parliament examined a report, drawn up by Mr. Kriedemann for the Economic and Financial Committee, on the EEC Commission's statement regarding the Community's economic position (1).

Although the report takes a highly favourable view of economic developments in the Community since its creation, the Economic and Financial Committee feels that as the transitional period laid down in the Treaty has already reached an advanced stage, it is an ominous sign that structural and short-term economic trends in the various Member States do not as yet present a uniform pattern. The Committee attributes these divergences to the fact that the decisions on the drawing up of a common policy do not follow the same lines. As the various national economic policies are proving less and less satisfactory, the Committee hopes that the national governments and parliaments will be guided by Community criteria in arriving at important economic decisions.

The report states that the investment policy of Member States does not appear to have had the desired effects. As productive investment is essential for economic growth, the Economic and Financial Committee cannot but deplore such a state of affairs. It would welcome a survey by

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(1) Doc. 17/1966-67

the EEC Commission of (i) savings in Member States - broken down if possible under population groups - and (ii) private savings in the various countries.

As regards the pattern of investment, the report states that investment should be encouraged mainly in areas with a reserve of manpower. The Committee feels that it is highly important that the Executive should provide down-to-earth analyses of economic trends and medium-term prospects as a guide to investors. There is not in fact any suggestion of controlling or influencing investment. Stressing the important part played by public investment in a stimulating private initiative, the Committee shares the EEC Commission's view that it is precisely in industrialized countries that it is particularly important that collective needs should be satisfied.

Price levels continue to cause the Community great concern. The Economic and Financial Committee feels it is essential to carry out a searching study of price increases. Special attention should be paid to certain underlying causes - for instance, the adjustment, too long deferred, of measures dating back to the post-war era; the rise in production costs; the substantial increase in certain countries of public spending, unaccompanied by a corresponding fiscal policy. The report also mentions excessive demand and the shortage of manpower. This shortage - the Committee feels - is aggravated by the excessive amount of manpower employed in uneconomic sectors of production.

As regards trends on the labour market, the report states that the political bodies concerned can hardly expect workers to assume their share of responsibility for price movements unless they themselves fully discharge their obligations. If an appeal is made to the understanding and sense of responsibility of the workers, they should be allowed to participate fully in discussions on economic trends.

The Economic and Financial Committee attaches great importance to a competition policy aimed at stabilizing prices. As to the measures adopted by Member States to prevent rises in price levels, the report points out that the Governments have only partly followed the Council's decisions.

In view of the tendency of all Member States to be swayed by national considerations in economic matters, the Committee regrets that the EEC Commission has not put forward any new proposals regarding a medium-term economic policy.

The report also considers it highly important that the institutions of the Community should do their utmost to keep those concerned fully informed regarding economic trends, and points out that the Commission's forecasts in this field have to a large extent proved accurate. The Commission should consider the submission of memoranda and recommendations in as detailed and concrete a form as possible as a permanent task assigned to it by the European Parliament.

As regards economic prospects, the report entirely approves the Commission's recommendations to the Member States. The voluntary restriction of wage demands called for by the Commission conflicts with the Economic and Financial Committee's view that it is not possible to impose such a restriction on all sections of the population.

In the debate which followed - in which, among others, Mr. Lücker (Christian Democrat, Germany) and Mr. Sabatini (Christian Democrat, Italy) took part - Mrs. Elsner (Socialist, Germany) Chairman of the Economic and Financial Committee, warned against the repercussions the widening gap between economic progress in the United States and in the Community might have on the competitive capacity of the EEC. This was why she attached so much importance to expansion in Europe.

It was the Parliament's duty to help the governments to solve the difficult problem of pursuing an anti-cyclical budgetary policy while taking into account the requirements of a balanced structural policy.

Mrs. Elsner thought the EEC Commission should prepare detailed rules for drawing up a policy for public spending based on short-term economic policy principles.

Although Mr. Lücker was sure that price rise could never be entirely avoided, he felt that price stability should be ensured as far as possible. The Christian Democrat Group also wanted a common capital market to be set up.

Turning to concentrations, Mr. Lücker defended a competition policy that took competition beyond the Community frontiers into consideration. He also pressed for the speedy adoption of European laws on competition and companies.

While stressing the links that existed between productivity and wage increases, Mr. Sabatini warned against tying wage increases too closely to rises in productivity owing to the fact that there were still social sectors that had

some leeway to make up. As to investment, economic planning was not the only requirement; economic decisions should also take account of essential social needs. Finally, Mr. Sabatini wanted the EEC Commission to enquire, jointly with the Italian Government, into ways and means of stepping up investment.

After bringing up to date certain points in the report on the Community's economic situation dating back to January, Mr. Marjolin stated that the essential problem for the Community remained the stability of prices. Half the rise in the cost-of-living indices in 1965 was accounted for by increases in the prices of foodstuffs on which these indices were based. These indices were not however always drawn up strictly in accordance with scientific principles.

The Commission would like to see the price levels of agricultural products closely examined between the production, processing and consumption stages.

It attributed the rise in the cost-of-living indices to higher rents and public service charges, both of which had suffered the delayed effect of earlier inflation. The EEC Commission felt that the rise had been excessive in the other service sectors in 1965.

The Commission undertook to make a wider and more searching study of prices, as had already been done in other sectors.

Finally, the Commission stated that in its opinion expansion should not be sacrificed to stable price levels. On the other hand prices could not be allowed to rise continuously since this would ultimately lead to stabilization measures which would act as a brake on economic growth. The combined efforts of the Commission, Parliament and Governments would be required to draw up a number of directives aimed at balanced progress towards a higher standard of living. The EEC Commission fully agreed that greater emphasis should be placed on anti-cyclical budgetary policy.

Mr. Marjolin then outlined the situation regarding savings in the Community. The European Parliament would shortly be consulted on the Community's development programme for 1966-70, the draft of which would soon be finalized. The Commission intended to submit to the Council, towards the middle of 1966, proposals for drawing up a co-ordinated short-term economic policy in the Community.

In its resolution (1), which was unanimously adopted, the Parliament invites the EEC Commission and the Council to work out a common economic policy. The Parliament stresses the crucial importance of investment for an increase in productivity and points out that the proportion of the national product set aside for investment varies widely from one Member State to the other. The Parliament considers that the resources of the capital market should for preference be earmarked for productive investments and, to the extent that budgetary credits were inadequate, for the development of economic and social infrastructure. As regards the retraining and adaptation of workers employed in unproductive sectors, the Parliament called for the speedy adoption of EEC Commission proposals for reform of the European Social Fund.

In its resolution the Parliament again invites the Commission to provide investors with the fullest possible information in order to encourage them to abandon national economic considerations in favour of Community criteria. The Parliament deplored the delay in setting up a European capital market and once again expresses its conviction that economic integration must lead to the introduction of a common currency. It also stresses the importance of competition as a guide to economic development, particularly with a view to checking price increases, and invites the Council and Commission to speed up the framing and application of a European competition policy. The Community will shortly have to take crucial decisions on commercial policy, particularly as regards the Kennedy Round negotiations. The Parliament also invites the Commission to submit without delay the medium-term economic policy programme for the period 1966-70. Finally, the European Parliament endorses the recommendations on the economic policy to be pursued in the immediate future submitted by the Commission to the Governments of Member States.

## 12. Combating famine in India

On 10 March, a resolution was tabled in the European Parliament calling for Community participation in combating famine in India (2). This was submitted by Mrs. Strobel and Mr. Spenale (for the Socialist Group), Mr. Pleven and

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(1) Resolution of 10 March 1966

(2) Doc. 35 (amended 2)/1966-67

Mr. Thorn (for the Liberal Group), Mr. Illerhaus and Mr. Van Hulst (for the Christian Democrat Group), Mr. Terrenoire and Mr. Bernasconi (for the EDU).

Mr. Spenale spoke in support of the resolution and Mr. Marjolin, Vice-President of the EEC Commission, suggested a slight change in the wording. Mr. Klinker (Christian Democrat, Germany) proposed that an offer of this type should be made every time famine broke out.

In the resolution that the Parliament passed at the close of the debate (1), it "called upon the EEC Commission to act, in liaison with the Council of Ministers, and bearing in mind the need as assessed by the FAO, in taking the necessary urgent measures to make available to India, as soon as possible, as much as can reasonably be spared in the way of essential foodstuffs."

13. Second meeting of the Parliamentary Conference of the Association with the African and Malagasy States

On 11 March, Mr. Metzger (Socialist, Germany) submitted to the Parliament his report, drafted on behalf of the Committee for Co-operation with Developing Countries, on the second meeting of the Parliamentary Conference of the Association which was held in Rome from 6 to 9 December 1965 (2).

Under Article 50 of the Yaoundé Convention the Parliamentary Conference of the Association meets once a year and preparations for the Conference are made by the Joint Committee. The 1965 meeting was held in Rome from 6 to 9 December and was attended by 54 representatives of the European Parliament and by 47 members of the Parliaments of the African and Malagasy States.

The report summarized the work done by the Conference and referred a) to the adoption of proposals to amend the Rules of Procedure (which until then had been provisional rules), b) to the financial arrangements, c) to the annual management accounts for 1964 and d) to the provisional estimates for 1966.

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(1) Resolution of 10 March 1966

(2) Doc. 9/1966-67

The second part of the report dealt with the work of the Association. Drawing on the report which Mr. Pedini (Christian Democrat, Italy) submitted to the Conference, Mr. Metzger outlined all aspects of the development of the Association: the institutions, which provided a permanent framework for relations between the Member States of the Association, supplied the political components necessary to the success of this exercise in co-operation. In this connexion, the rapporteur took exception to two anomalies: the scale of powers delegated by the Association Council to the Association Committee and the lack of contact between the institutions of the Association. He also stressed the scale of the Development Fund's interventions: this was the only aid body in the world whose policy was worked out jointly by those who benefited from it and those who financed it. The Fund could intervene in a whole series of ways, ranging from technical to financial assistance. The main concern of the original Fund had been to develop the substructure of the Associated States; the new Fund, which came into existence in July 1964 had been directed mainly at rural production, transport, telecommunications, hydraulics and town-planning. The rapporteur commended the work the Fund had done but called for better co-ordination between the interventions of the Member States, third countries and international organizations and for a better return on the funds committed.

Projects worth more than 150 million dollars had been submitted by the Associated States to the European Investment Bank; the rapporteur deplored the complete lack of control over the activities of the Bank.

Discussing cultural co-operation, the rapporteur expressed complete satisfaction at the full use that had been made of the opportunities provided for under the Convention. The Fund had financed 920 scholarships in 1964-65; during the same period, 221 scholarship holders had received training in Africa. The rapporteur asked that measures be taken to enable the greatest possible number of young Europeans to go to the Associated States. Lastly, he noted that trade had expanded as the Association had progressed, partly because of freer trade under the Association and partly because of the improved quality of the AAMS exports to the EEC. In this connexion, a general marketing programme was needed; similarly, the problem of fluctuating raw material prices had to be solved. The only real criticisms in his report concerned the right of establishment, whose new provisions had been given little effect; the Association Council had, as yet taken no decision on this matter.

In conclusion, the rapporteur drew the MPs' attention to problems such as the future of the Association: he felt that five years - which had been the term of the previous Conventions - was too short a period to allow for any long-term action. The Association also needs to be "personalized" to a greater extent through Information Offices being set up in the AAMS and through "associated missions" in which European and AAMS representatives could present a united front. In conclusion, Mr. Metzger recommended increased contact between the AAMS and EEC members of the Conference, especially through study and information missions on the part of European Parliament delegations to the Associated States.

During the discussion, Mr. Moro (Christian Democrat, Italy) stressed that the Rome Conference had consolidated the Association. He laid stress on the scale and number of interventions by the Fund, which had stepped up the pace of development. Lastly he discussed the lack of staff in the Associated States; it was necessary for the Community to be, as it were, physically present in these States.

Mr. Margulies, a member of the Euratom Commission, denied the statement made by Mr. Metzger in his report to the effect that his Commission had, in intervening, stepped beyond the bounds of the formal provisions of the treaties, i.e. it had acted without the consent of the Council in forging its links with the Associated States. Euratom had undertaken research into the utilization of nuclear energy on the basis of a resolution passed at the Dakar Conference and had been guided by a report by Mr. Savary, former French minister, and had been in touch with the EEC Commission in studying joint projects.

Lastly, Mr. Levi Sandri, speaking for the EEC Commission, endorsed the conclusions to Mr. Metzger's report; he too stressed the staffing problem that Mr. Moro had mentioned; this had a priority position in the budget.

In the resolution (1) that was passed unanimously at the close of the debate, the European Parliament endorsed the conclusions of the Parliamentary Conference and the recommendations made by its rapporteur. It trusted that the creation of a single executive would help to reinforce co-operation between the Communities and the Associated African and Malagasy States.

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(1) Resolution of 11 March 1966



#### 14. Problems attaching to occupational training and vocational guidance

In view of their complementary nature, Mr. Sabatini (Christian Democrat, Italy) submitted two reports together on 11 March; these were drafted for the Social Committee. The first dealt with a draft EEC Commission recommendation to the Member States which was designed to promote vocational guidance (1) and the second with the EEC Commission's action programmes under the common policy on occupational training in general and agriculture in particular (2).

The rapporteur dealt first with vocational guidance; he noted that the recommendation, concerning which the Parliament's Opinion was asked, sought to make vocational guidance available to an ever-increasing number both of young people going to work for the first time and workers obliged to change their employment. The recommendation comprised three proposals:

- a) the Member States should promote the expansion of the vocational guidance services for young people and adults and the benefits of these services should be extended to a greater number of people, bearing in mind the needs of those sections of the population affected; to this end each of the Member States ought to re-appraise the situation every three years; an attempt should also be made by recourse to regularly conducted studies and research to improve the quality of the services rendered;
- b) secondly the structure of the vocational guidance services should be brought in line with the requirements of the population, as should the resources at their disposal through a better geographical distribution of these services in terms of the population patterns and through the provision of adequate funds to pay for the technical and administrative arrangements that have to be made;
- c) the Member States ought to ensure greater continuity in guidance work; they should work in close liaison with employment agencies; they would also have to improve the general co-ordination of guidance activities.

The Social Committee agreed to the draft recommendation, although it felt that at the present stage, it ought to

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(1) Doc. 2/1966-67

(2) Doc. 3/1966-67

be left to the discretion of the Member States to make whatever arrangements might best be suited to their own individual cases; pilot schemes and periodic comparisons between the results of these schemes and those achieved at the national level could be made. The rapporteur also stressed the importance of the vocational guidance services in relation to the free movement of workers within the Community for the purposes of ensuring a more rational distribution and utilization of manpower resources.

Mr. Sabatini went on to look at the Community action programmes under the common occupational training policy; he noted that the Commission had in view special aims and an ultimate objective which was that "there should be a network of training centres or similar establishments that would provide all the young people (and where necessary adults) in the Community with appropriate opportunities for obtaining training." To achieve this involved, in the short term, solving the most pressing manpower problems and, in the long term, adopting common principles and making the training of workers a permanent feature of Community life, bearing in mind economic, scientific and technical change.

The rapporteur recapitulated individually the aims listed by the Commission: provisional estimates of manpower needs and resources; making vocational guidance generally available and improving it; initiating special occupational training programmes and refresher courses to meet vital or urgent needs; streamlining the occupational training set-up; approximating the levels of training given; streamlining training methods; raising teaching qualifications and increasing the opportunities of obtaining occupational training courses; adapting the training tools in relation to the foreseeable structural development of the various branches of industry and in relation to the need for the regions of the EEC to develop in a balanced manner.

In examining these objectives, the rapporteur drew the Commission's attention to the changes that production had undergone and to the need to train staff for automation. In a report drafted in 1962 the Social Committee had drawn attention to the need for vigorous action in the sphere of occupational training. It felt that the Social Fund ought, like the EAGGF in agriculture, to serve as one of the Community's basic intervention tools. Occupational training had a leading part to play both as part of regional development policy and in effecting the free movement of workers and the freedom to supply services.

On the action programme for agriculture, the Social Committee stressed the need for the Commission to co-ordinate the various intervention tools, i.e. the Social Fund and the EAGGF, with those to be introduced to enact Article 41 of the Treaty. All the means provided by the Treaty ought to be utilized under Community programmes appropriately to promote occupational training in agriculture.

During the debate leading up to the vote, Mr. Hansen (Luxembourg) speaking for the Socialist Group, made certain observations about occupational training in agriculture; he said that the sphere of operations within which the Commission's aims had to be attained, was of considerable dimensions.

Mr. Merchiers (Belgium) speaking for the Liberal and Allied Group, and Mr. Pêtre (Christian Democrat, Belgium) stressed that occupational training had not only social but also economic implications.

Mr. Levi Sandri, Vice-President of the EEC Commission, spoke of the stage reached in the work of the Community in the spheres in question; he mentioned the studies and schemes that were being planned and particularly emphasized the importance that would be attached to social problems in the first Community (medium-term) policy programme.

The Parliament then adopted two resolutions submitted (1) which resumed the points made by the Social Committee; with reference to occupational training, the Parliament signified its approval for the two EEC Commission action programmes but also suggested that "these various aims should be attained in concrete terms by recourse to the most effective legal tools available."

15. The work of the social services with regard to workers changing their residence within the Community

On 11 March, the Parliament examined a report submitted on behalf of the Social Committee by Mr. Carcaterra (Christian Democrat, Italy) on the action taken by the Member States pursuant to the EEC Commission recommendation concerning the work of the social services with regard to

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(1) Resolutions of 11 March 1966

workers changing their residence within the Community (1).

The EEC Commission made this particular recommendation in July 1962 to the Member States; it asked the member governments to "stimulate and promote the development and, where necessary, the creation of social services, endowed with adequate staff and funds, to be responsible for helping workers and their families who change their residence within the Community." In 1965, the Commission sent the Social Committee a paper on the action taken by the Member States; this had served as the basis for the Social Committee's work.

The report noted that the Community recommendation had been very favourably received; the Governments had arranged to give it unqualified support, expressly recognizing the importance and the relevance of this matter. They were determined to continue the work already initiated and achieve the aims laid down. They had already taken many measures involving a) an increase in the appropriation for the social services for migrant workers and their families; b) the improvement and co-ordination of the services; c) co-ordination of the action taken at the public and private levels. Consequently the recommendation had, on the whole, served its purpose. However, there was now a need for further measures coupled with more effective legal tools, such as directives or regulations, so that ultimately the migrant worker might enjoy the benefits of that "social code" which the Storch report had shown to be necessary. To this end, services ought to be available to the foreign worker at every stage in his migration: departure, journey, arrival and reception, residence, family regrouping and general settling-in problems.

In examining the action taken by the Member States pursuant to the Community recommendations, attention ought not to focus solely on the measures they had taken: appropriate enquiries ought to be made to ascertain how effective these measures had proved in practice.

The last point made by the Rapporteur, and which stemmed from findings in Germany and the Netherlands was that the activities of the social services ought to be expanded and improved not only in the host country but also in the country of origin. He commended the Commission's decision to initiate a special colloquy and recommended to the Commission that consultations be held with the workers' organizations.

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(1) Doc. 11/1966-67

During the discussions, Mr. Laan, speaking for the Socialist Group, said that a greater degree of harmonization in the social sphere generally ought to be part of the next medium-term programme. With reference to the social code, he compared and contrasted the lot of migrant workers from Community countries with that of those from associated countries and found there was a certain amount of discrimination.

Mr. Levi Sandri, Vice-President of the EEC Commission, stressed how effective the recommendations had been in the social context; they had made up for the restricted prerogatives enjoyed by the Community under Article 118. With regard to a social code, he noted that in their bilateral agreements, the Member States had tended to found these on EEC regulations: this was a trend to be encouraged, especially with respect to associated countries.

In the resolution unanimously adopted at the close of the debate (1) the Parliament noted with satisfaction that the 1962 recommendation had been favourably received by the Member States. It called for close attention to the effect in practice of interventions by the member governments and for these interventions to be harmonized. As to future progress, the Parliament asked the Commission to have "recourse to the most effective legal tools at its disposal" which implied recourse to legal instruments that were stronger than recommendations.

#### b) Work of the Committees in March

##### Political Committee (1)

Constituent meeting of 8 March in Strasbourg: Election of Mr. Edoardo Martino as Chairman and Mr. Van der Goes van Naters and Mr. Hougardy as first and second Vice-Chairmen. Exchange of views on the working programme of the Committee.

Meeting of 25 March in Brussels: Exchange of views on the institutional and political aspects of the Kennedy Round

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(1) Resolution of 11 March 1966

and on the negotiations in progress between the Community and Austria. Representatives of the EEC Commission were present.

### External Trade Committee (2)

Constituent meeting of 8 March in Strasbourg: Election of Mr. Pedini as Chairman and Mr. Kriedemann and Mr. Mauk as first and second Vice-Chairmen.

Exchange of views on the working programme of the Committee.

Meeting of 28 March in Brussels: Study of the amended draft of the Council regulation on dumping, drawbacks or subsidies on the part of non-Member countries.

Adoption of the draft report by Mr. Bading on the draft regulation for a common definition of the term "origin of goods".

Adoption of the draft report by Mr. Vredeling on the EEC Commission proposal to the Council on a draft regulation relating to the phased introduction of joint control of Community import quotas.

Exchange of views on the progress of the Kennedy Round. Representatives of the EEC Commission were present.

Exchange of views on the progress of negotiations on a world cereal agreement. Representatives of the EEC Commission were present.

Exchange of views on the progress in the negotiations between the EEC and the Austrian Republic with a view to an agreement. Representatives of the EEC Commission were present.

### Agricultural Committee (3)

Meeting of 8 March in Strasbourg: Constituent meeting of the Agricultural Committee. Election of Mr. Boscary-Monsservin as Chairman and of Mr. Sabatini and Mr. Vredeling

as first and second Vice-Chairmen. Exchange of views on the Committee's working schedule.

Meeting of 17 and 18 March in Brussels: Perusal of a draft directive on health problems and regulations relating to imports of pigs and cattle and fresh meat from non-member countries, and of a draft Council decision setting up a Veterinary Committee. Exchange of views with Mr. Richarts, rapporteur. Examination of working paper prepared by Mr. Kapteyn on the stabilizing of markets for basic products.

Perusal of a draft directive on the esterification of edible olive oils. Exchange of views with Mr. Carboni, rapporteur.

Examination of a draft Council decision setting up a Foodstuffs Committee. Exchange of views with Mr. Kriedemann, rapporteur. Report by Mr. Mansholt, Vice-President of the EEC Commission, and discussion on the fixing of prices for agricultural products, the financial regulations and the state of progress of the Kennedy Round.

Meeting of 24 and 25 March in Brussels: Perusal and approval of an Opinion submitted by Mr. Lücker, for transmission to the External Trade Committee, on working paper by Mr. Kapteyn, rapporteur for the Working Party, relating to the stabilization of markets for basic products.

Exchange of views with Mr. Mansholt, Vice-President of the EEC Commission, concerning, in particular, proposals for common price-levels for a number of agricultural products.

#### Social Committee (4)

Meeting of 2 March in Brussels: Examination of the draft Council regulation amending and amplifying Regulations 3 and 4 on social security for migrant workers (seamen) on the basis of an introduction by Mr. Bersani. Preliminary examination of the draft Council regulation on the application of social security systems to wage-earners and their families changing their residence within the Community.

Constituent meeting of 8 March in Strasbourg: Election of Mr. Troclet as Chairman, Mr. Muller as first Vice-Chairman and Mr. Angloy as second Vice-Chairman. Exchange of views on the working schedule of the Committee.

Meeting of 15 March in Brussels: Discussion of the amended EEC Commission proposals on measures on behalf of workers in the Italian sulphur industry; procedure laid down for decision of attitude on this subject. Discussion on the application in the Member States of the principle of equal pay for men and women. Examination of the draft EEC Commission recommendation on maternity services and benefits.

#### Internal Market Committee (5)

Meeting of 1 March in Brussels: Study resumed of the draft directive to co-ordinate the guarantees required of companies (as defined in Article 58,2 of the EEC Treaty) in the Member States with a view to making them equivalent to safeguard the interests of third parties and members; the basis for the discussion was a report by Mr. Berkhouwer and a vote was taken. Representatives of the EEC Commission were present.

Examination of the draft report by Mr. Berkhouwer on an EEC Commission proposal to the Council for a directive on approximating the laws of the Member States on postage rates for first-class mail and postcards. Representatives of the EEC Commission were present.

Constituent meeting of 8 March in Strasbourg: Mr. Blaisse elected Chairman and Mr. Berkhouwer and Mr. Seuffert elected Vice-Chairmen.

Meeting of 21 March in Brussels: Study resumed and vote taken on the draft directive on company law and on the draft resolution submitted by Mr. Berkhouwer, rapporteur. Representatives of the EEC Commission were present.

Vote on the draft report by Mr. Berkhouwer on a draft directive on postage rates for first-class mail and postcards. Representatives of the EEC Commission were present.



## Economic and Financial Committee (6)

Constituent meeting of 7 March in Strasbourg: Election of Mrs. Elsner as Chairman of the Committee and of Mr. Van Campen and Mr. Starke as first and second Vice-Chairmen.

Exchange of views on future work of the Committee.

Meeting of 20-22 March in Bari: Exchange of views with representatives of local authorities, professional associations and trade unions on regional policy problems in Apulia. The main points discussed were:

- a) industrial problems and the development pole;
- b) agricultural problems;
- c) manpower problems and occupational training.

The members of the Committee visited the steel industry plant at Taranto, the land reorganization projects at Metaponte, the petrochemical industry installations at Brindisi and the industrial zone of Bari.

Meeting of 31 March in Brussels: Preliminary exchange of views on the draft report by Mr. Bersani on the first Commission statement on EEC regional policy.

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

Constituent meeting of 8 March in Strasbourg: Election of Mr. Thorn as Chairman and Mr. Carcassonne and Mr. Pedini as first and second Vice-Chairmen. Exchange of views on the working schedule of the Committee.

Meeting of 24 March in Brussels: Exchange of views on the political situation in the Associated African and Malagasy States. Representatives of the EEC Commission were present.

Exchange of views on current problems facing the Association and on the outcome of the second meeting of the Association Committee. Representatives of the EEC Commission were present.

Exchange of views and problems arising from the working schedule of the Institutions of the Association. Representatives of the EEC Commission were present.

#### Transport Committee (8)

Constituent meeting of 8 March in Strasbourg: Election of Mr. Kapteyn as Chairman and Mr. Brunhes and Mr. Richarts as first and second Vice-Chairmen.

Exchange of views on the working schedule of the Committee.

Meeting of 14 March in Brussels: Exchange of views on a preliminary draft report by Mr. Brunhes on the proposal for a regulation to abolish discrimination in the sphere of transport rates and conditions. Representatives of the EEC Commission were present.

Approval of the Opinion given orally by Mr. Riedel - to be referred to the Internal Market Committee - on the report by Mr. Berkhouwer on an EEC Commission proposal to the Council for a directive to approximate the laws of the Member States on postage rates for first-class mail and post-cards.

#### Energy Committee (9)

Constituent meeting of 8 March in Strasbourg: Election of Mr. Burgbacher as Chairman and Mr. Bousch and Mr. Toubeau as first and second Vice-Chairmen. Representatives of the EEC Commission were present.

#### Committee for Research and Cultural Affairs (10)

Constituent meeting of 8 March in Strasbourg: Election of Mr. Catroux as Chairman and Mr. Schuijt and Mr. Merten as first and second Vice-Chairmen.

Exchange of views on the working programme of the Committee.

Meeting of 29 March in Brussels: Discussion on the draft report by Mr. Scarascia Mugnozza on setting up a European Youth Office. Representatives of the Executives of the three European Communities were present.

### Health Protection Committee (11)

Constituent meeting of 8 March in Strasbourg: Election of Mr. Dittrich as Chairman, Mr. Bergmann as first Vice-Chairman and Mr. Bousch as second Vice-Chairman. Short exchange of views on the working schedule of the Committee.

Meeting of 25 March in Brussels: Adoption at meeting attended by EEC Commission representatives of the draft Opinion submitted by Mrs. Gennai Tonietti, to be referred to the Social Committee, on the draft EEC Commission recommendation on maternity services and benefits.

Examination of draft EEC Commission recommendation on a Community definition of the degree of invalidity giving eligibility for benefits. EEC Commission representatives were present.

Examination of the draft EEC Commission proposal to the Council on a directive concerning jams, marmalades, fruit jellies and sweet chestnut paste. EEC Commission representatives were present.

Examination of a draft EEC Commission proposal to the Council on a directive concerning the esterification of edible olive oil. EEC Commission representatives were present.

Examination of EEC Commission proposals to the Council concerning

- a) a directive on health policy measures for swine, cattle and fresh meat imports from third countries. EEC Commission representatives were present.
- b) a decision setting up a Veterinary Committee.

Exchange of views with the ECSC High Authority on the circumstances surrounding the accident that occurred at the "La Tronquié" pit (Carmaux, France) in the Aquitaine coalfield on 25 November 1965.

#### Budget and Administration Committee (12)

Constituent meeting of 8 March in Strasbourg: Election of Mr. Vals as Chairman of the Committee and Mr. Carcaterra and Mr. Bernasconi as Vice-Chairmen. Adoption of the draft interim report by Mr. Vals on the draft regulation concerning the accounts of the European Parliament for 1965.

#### Legal Committee (13)

Meeting of 8 March 1966 in Strasbourg: Election of Mr. Deringer as Chairman, and of Mr. Granzotto Basso and Mr. Drouot L'Hermine as first and second Vice-Chairmen. Exchange of views on the work of the Committee.

#### Committee for Associations (14)

Meeting of 3 March in Brussels: Exchange of views on relations between Greece and the Community under the Association Treaty and particularly on trade trends, financial help given by the Community to Greece, the common policy and the duty reductions on tobacco, the position of Greek workers in the Community and the request made by Greece for a financial contribution from the Community towards carrying through its occupational training programme. Representatives of the EEC Commission were present.

Exchange of views on relations between the Community and Turkey under the Association Agreement with particular reference to drafting the first annual report of the Association Council, decisions to increase the preferen-

tial tariff quota for imports into the Community of tobacco, raisins, dried figs and hazelnuts from Turkey, problems of employment and occupational training arising in Turkey and on the position of Turkish workers in the Community. Representatives of the EEC Commission were present.

Constituent meeting of 8 March in Strasbourg: Election of Mr. Van Offelen as Chairman and Mr. Spenale and Mr. Moreau de Melen as first and second Vice-Chairmen.

Exchange of views on the working schedule of the Committee.

Sub-Committees  
of the  
External Trade Committee,  
the Agricultural Committee  
and the

Committee for Co-operation with Developing Countries  
responsible for studying the problem of  
stabilizing world raw material markets

Meeting of 2 March in Brussels: Adoption of the working paper by Mr. Kapteyn, to be referred to the Committees concerned on the problem of stabilizing raw material markets. The Joint Working Party's work was wound up.



## II. NATIONAL PARLIAMENTS

### a) Italy

#### European commitment of the third Moro Government

A vote of confidence in the third Moro Government, which was composed, like its predecessors, of the Christian Democrat, Socialist, Social Democrat and Republican Parties, was passed on 8 March by the Senate and on 15 March by the Chamber of Deputies. The new Government presented itself to the Chambers on 3 March. Mr. Moro, President, outlined the Government's programme, which had been agreed between the four parties of the Centre-Left majority. After confirming the Government's commitment as regards regional development and the expansion of production, Mr. Moro turned to foreign policy. The aim of Italian foreign policy was peace with security for the nation and therefore continued to be based on the Atlantic Alliance, with the political and military obligations that it implied, and on European solidarity.

European solidarity, which would be pursued in terms of economic and political integration, account being taken of the needs of a democratic organization and wide popular participation, offered Italy the desired scope for economic expansion and for the most effective and natural representation in international politics, in keeping with its traditions and culture and with its capacity and economic and social importance.

Mr. Moro then turned to the practical problems of European policy. The Government intended to continue its efforts to ensure full resumption of Community activities in line with the Treaties, with an eye to economic integration as a prerequisite for the political unification of Europe. These efforts would be deployed in all Community institutions - both economic and political - and the attention of the Parliament and the country would continue to be drawn to them. In addition, the project for the election of the European Parliament by universal suffrage would be pushed ahead with.

Mr. Moro turned to European problems in speaking of agriculture. The Government was determined to ensure the balanced development of Italian agriculture with a view to its being fitted into the Common Market in the best

possible competitive conditions. The Government undertakes to pursue a policy for the marketing of agricultural products closely geared to the Common Market and such as will ensure for producers adequate and stable prices. To that end it would seek final approval of the draft laws on the setting up of a national authority responsible for market interventions. This would provide instruments for market interventions requested in pursuance of certain EEC regulations, in replacement of the previous system.

Finally, at Community level, the Government would do its utmost to ensure the resumption of negotiations for the definition of the common policy, the speeding up of the process of European unification and the acquisition of those benefits which were so essential for the development of Italian agriculture, in accordance with the principles of indivisibility and equilibrium accepted in December 1964 as the basis of the common agricultural policy. Everything would be done to ensure (i) that in the regulations still to be issued regarding oils and fats, fruit and vegetables, tobacco and sugar, Community preference was given to typical Italian products, as was already the case for other products, and that (ii) the common agricultural policy paid special attention to the structural overhaul, reconversion and strengthening of Italian agriculture.

Mr. Moro returned to European problems in his address before the Chamber of Deputies on 15 March, when he described the Italian Government's attitude to the common agricultural policy in answer to criticisms from the Communists. First of all it appeared to him arbitrary to confine attention to a single sector, disregarding the effects that Italian membership of the Community had had and would continue to have, on the country's economy. The work of the Italian Government in the Community institutions was in fact guided by the need for a balanced overall arrangement under which burdens and benefits were fairly shared among all Member States. Mr. Moro defended the agricultural agreements of 1962 and the Italian initiative of that time aimed at synchronizing market and structural policies. He recalled that Italy had accepted the principle of financing the common agricultural policy subject to a possible review in the light of experience. The adjustment of the Italian contribution to the costs of the European Agricultural Guidance and Guarantee Fund carried out in 1964 had demonstrated the soundness of the Italian position. It was in the light of these circumstances that the Italian Government had decided the action it was taking in the Community on the financing of agriculture. At the same time it was demanding an adequate body of Community regulations - not confined to protective



aspects but offering scope for effective forms of intervention for structural overhaul - in agricultural sectors of particular concern to the Italian economy (fruit and vegetables, olives, etc.).

Mr. Moro then spoke about the political problems posed by European integration in the light of the crisis in the Atlantic Alliance. "A permanent feature of our foreign policy is direct action for promoting unity in Europe. We have pursued this policy even during the most difficult times and intend to go on doing so. Even in face of the present constitutional difficulties we played our part at the Luxembourg meeting with a view to ensuring the resumption of the Community's normal activities under the Treaties, in the cause of economic integration, a condition of political union in Europe. We are as convinced as ever of the value of contacts in the political sector, and earnestly hope that current trends will not slacken either existing bonds or those in the process of being established. The closest possible affinity between the Six is a crucial factor for political developments. We set great store on preserving good relations with our friend and neighbour France, and will spare no effort to that end. It is our hope that France, conscious of common interests and ideals, will not sever any of the links that have so far bound us together."  
(Il Popolo, 4 and 16 March 1966)

## b. The Netherlands

### Financing the common agricultural policy

Mr. Luns, Dutch Foreign Minister, stated in reply to a series of questions from Mr. Vredeling, concerning the European Parliament's being consulted about the financing of the common agricultural policy that the Ministers concerned - he was also speaking for Mr. Biesheuvel, Minister for Agriculture and Fisheries and Mr. Vondeling, Finance Minister - were bearing in mind the critical comments that had been provoked by the European Parliament's having no opportunity to return an Opinion on Regulation No. 25 on financing the common agricultural policy. He added: "This does not imply that we have ever endorsed these criticisms. The European Commission will probably submit new proposals to the Council on the basis of the Council

memorandum of 22 July 1965; it is impossible, however, to say when it will do so." If this proved to be the case, Mr. Vredeling asked the Ministers if they did not think it necessary for the European Parliament to have an opportunity at the earliest possible date to return an Opinion on such amended proposals. In reply, Mr. Luns stated that in view of the political moment of this issue, the Dutch Government was ready to urge the EEC Council to seek the Opinion of the European Parliament once again if the Commission made any substantial amendments to its original proposals.