



Bulletin from the EUROPEAN COMMUNITY

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SUSPENSION OF U.K.—COMMUNITY NEGOTIATIONS: COMMUNITY EXECUTIVES SPEAK OUT

THE COMMUNITY REACTIONS to the breakdown of the negotiations with Britain on January 29 (for summary of the fateful fortnight, see Pages 4 and 5) were expressed by the Presidents of the Common Market Commission and of the ECSC High Authority and by Euratom Commission Member Emmanuel Sassen before the European Parliament in Strasbourg on Tuesday, February 5.

This issue of the *Bulletin* is devoted to reactions to the January crisis. Here is a summary of EEC Commission President Walter Hallstein's Strasbourg speech:

EIGHTEEN MONTHS AGO the Government of the United Kingdom requested that negotiations should be opened with a view to acceding to the Treaty of Rome under the terms of Article 237. After fifteen months of intensive efforts, which made great demands on all concerned, the negotiations had to be interrupted on January 29. The first reactions were disappointment and regret. Throughout the world, and especially in Europe, too many hopes had been linked to these negotiations and too much effort and good will expended on overcoming the difficult material problems for it to be otherwise. The other main feelings were anxiety and uncertainty about the future shape of the Community and of the whole free world.

The negotiations, stage by stage:

If we look back today on the lengthy negotiations, *three stages* can be discerned:

Stage 1 lasted from October 1961 till April 1962. It was the stage of exploration, of preparation, of cautious reconnaissance of the other party's positions, and of getting down to deal with problems of substance.

On the basis of this preparatory work it was possible to go on to *Stage 2* of the negotiations, which closed at the beginning of August 1962 and can be described as the most successful stage in these negotiations. On the Commonwealth problem in particular, great progress was made

during this stage. The British delegation was anxious to concentrate the discussions on this subject, as the Prime Ministers of the Commonwealth countries had been invited to a conference in the middle of September.

The break-through was made on the basis of a proposal from the Commission on how industrial products from Canada, Australia and New Zealand should be treated; there would be both consultation and special time-limits for application of the common external tariff in trade with these countries. This meant that the Commonwealth countries concerned would be able to adapt themselves gradually to the new circumstances and to enjoy during the transitional period a degree—though a falling degree—of preference on the United Kingdom market; also, in the course of this transitional period there were likely to be reductions in the rates of duty, particularly in connection with what are called the Kennedy negotiations [to be conducted as a consequence of the enactment of the U. S. Trade Expansion Act]. These exceptions to the normal rules were acceptable to the Community because

- (a) it was possible to ensure that by the end of the transitional period the common external tariff would be applied *in toto* by Great Britain as well as the Six, and
- (b) the steps toward the final situation were clearly visible and would be laid down in the agreement reached.

This basic concept of the Commission, which came to be known as the *décalage*, provided a solution for a number of other problems as well.

A second great success came with the agreement on arrangements for India, Pakistan and Ceylon. Here again the solution was based on a proposal made by the Commission, which was taken up by the Six and accepted—with some amendments—by the British delegation.

The main features of the solution reached were:

1. British renouncement of all claims to a preference on goods from these countries imported to the British market after the end of the transition period;
2. The early negotiation of a generous commercial agreement between the Community as a whole and the Commonwealth countries concerned;
3. During the transitional period:
 - a) guarantee by the Community of India's and Pakistan's traditional exports of cotton textiles;
 - b) a safeguard clause and certain measures taken as a part of the common commercial policy in order to avoid market disruption;
 - c) a *décalage* in adapting the British customs tariff to the common external tariff;
 - d) reduction of the duty on tea from 20 per cent to zero per cent.

I should like at this point to say that in my opinion the arrangements for India, Pakistan and Ceylon are a creative achievement of the Community of obvious economic and political importance; I would like, too, to express a hope that despite the interruption of the negotiations with the United Kingdom the basic idea of these arrangements, namely, the early conclusion of a comprehensive trade agreement between the Community and these countries, should not pass into oblivion.

A third important step forward resulted from the readiness of the Community to extend the association provided for in Part Four of the Rome Treaty to those Commonwealth countries which are in a similar position and to territories under British suzerainty, especially in Africa and the Caribbean.

"Large Parts of the Problems Solved"

The most difficult task was to find an arrangement for temperate-zone agricultural products. Here too the Commission sought to help the negotiations forward by submitting written proposals. In the last few weeks before the summer break, a considerable measure of agreement was reached on essential elements of both the long-term solution and the transitional measures.

Important questions were left unsolved, however. The British delegation, for instance, was unable to give its approval to the text proposed by the Community on the subject of the future price policy. The transitional measures for milk products, beef and veal, mutton and lamb, sugar and flour also had to be left open. Everyone concerned also realized that the measures envisaged would probably not prove sufficient to solve the New Zealand problem. Since, in addition to all this, there were differences of opinion both among the Six and with the British delegation on the method of implementing the provisions of Regulation No. 25, which deals with the financing of the common agricultural policy, it proved impossible, despite great efforts, to reach agreement on August 4 on the global prob-



WALTER HALLSTEIN
EEC Commission President

lem of agricultural imports from the temperate-zone countries.

In these circumstances the partial agreements reached also had to be left in the air, as all the elements in the discussion were economically and politically interdependent. I should add that specific requests had been tabled by the British on pork, eggs, certain sorts of fruit, wine, tobacco, rice, cheddar cheese and a number of minor products, and that these requests would have needed further discussion.

To sum up, it can be said that *in Stage 2 large parts of the problems raised by relations with the Commonwealth countries were solved, even though complete clarification of this first group of problems put forward by the British delegation was not achieved.*

The results of the Commonwealth Prime Ministers' conference were on the whole satisfactory for the Government of the United Kingdom, and so at the end of September last year it was possible to move on to *Stage 3*, in which we concentrated on the second large set of problems which the British wished to discuss, namely, agricultural policy. As the United Kingdom Government did not consider that it could accept the Community ruling as it stood and without exception, it put forward a number of demands, of which the most important were:

1. A longer transition period for British agriculture;
2. Retention of the British system of guaranteed prices and deficiency payments till the end of the transition period;
3. Alteration or extension of the Community's agricultural regulations in a number of points, the main aim of which would be to obtain supplementary guarantees for the producers of livestock products;
4. Special arrangements for British horticulture.

The Six were not able to agree to all these British demands. They were, however, able—once again largely on the basis of proposals made by the Commission—to suggest ways of coping with the special problems of British agriculture without departing from the common agricultural policy. It would in particular have been possible, by permitting degressive consumer subsidies and, if necessary, producer subsidies as well, to bring market prices in Britain gradually into line with producer prices.

On the other hand, the Six were unable to agree to those British demands concerned with the change-over from the British system of agriculture to the Community system. Acceptance of these proposals would have meant that the common agricultural policy would not have applied to

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Great Britain from the moment of Britain's membership, but only at a later date, and in certain fields not until the end of the transition period. For the six, who had made the transition from one day to the next, between July 31 and August 1 last year, this would have been unacceptable on political grounds. Questions of competition policy also made it difficult to accept these proposals.

This question was hotly contested. The British delegation did not feel that it was in a position to make appreciable concessions on the main points. It was suggested from the Community side that certain compromises seemed to be possible if Great Britain would agree to the transition period and to the application of the Community system from 1965 onward. But as long as the British attitude showed no signs of readiness to compromise in these questions, the conference was unable to make any progress.

To get out of the difficult situation then created, it was suggested in December that a committee should investigate the real economic effects of applying, on the one hand, the proposals put forward by the Community and, on the other, those of the British delegation. This extremely useful piece of work, carried through under the guidance of my colleague Mansholt, was completed by January 16. Unfortunately, the results could no longer be fully utilized in the political discussion; but when the negotiations were resumed, the report put forward by this investigation committee produced a clear impression that the work done had caused ideas to advance on both sides—including the British.

In another difficult sphere—the British request for nil duties on some twenty-six tariff headings in the industrial field—progress was made during this third stage of negotiations. For the most important of these items (aluminum, lead, zinc, newsprint and paper pulp) possibilities of a solution could be discerned toward the end. As late as January 15 this year the Commission forwarded new proposals on the subject to the six member states.

The Situation on January 29

Let me close this review by summarizing the state of affairs on January 29 this year.

Taking first the difficult but important group of problems relating to the Commonwealth, it can be said that, except for the case of Hong Kong, the problem of the developing countries of the Commonwealth had in the main been solved. An arrangement had also been worked out on the importation of industrial products from Canada, Australia and New Zealand. The important but difficult complex of agricultural imports from the temperate zone had not, however, been resolved, although here too partial solutions had been worked out. As I have already pointed out, this problem was intimately connected with the question of New Zealand and the financing of the common agricultural policy. The proposals made by the Six for dealing with processed agricultural products from the Commonwealth countries had also not been accepted by the British delegation.

On the second group of problems, the position of British agriculture in the Common Market, the conference did not manage to reach agreement except on limited aspects. I should, however, like to say at this point that in the view of the Commission this does not mean that solutions could not have been found. The real test was still to come, and in the last few days of the negotiations it was noticeable that the British delegation was preparing to reduce its demands.

As the negotiations on the second set of problems were not completed, it was not possible for the conference to tackle in any detail the third set of problems raised by the United Kingdom—that of the relations of the United Kingdom and the Community with the other member states of the European Free Trade Association. Not only did this question remain unsolved, it must also be said that the scale of the question is still to some extent an unknown factor.

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MALVESTITI: 'Britain Would Have Been a Source of Strength'

"The High Authority regrets the interruption in the negotiations between the Six and the United Kingdom. It has always held that Britain's membership in our Communities—once she had accepted integration into the Community system—would have been a source of strength to Europe, though it has at the same time always recognized that a number of new problems would arise in consequence.

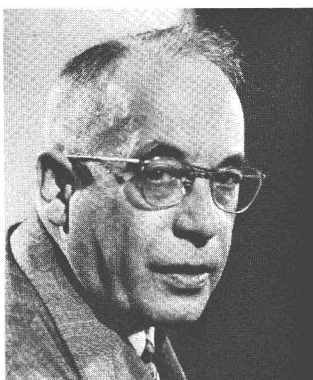
"The agreement of association concluded with Britain in 1954 [which has been in force since September 23, 1955] played its part in the maintenance of cordial relations be-

tween Britain and the Community, and helped to prepare the atmosphere in which the resolve developed on the British side to open negotiations for entry.

"The British representatives agreed, at a meeting in Luxembourg on January 22, on the abolition of all incompatibilities in steel. The Six also worked out and put to the British a proposed solution to the problem of harmonized steel duties. The coal side, however, was still under debate when the negotiations were interrupted, as the Six had not yet established common positions.

"The High Authority feels that in the course of the negotiations it was able, in its capacity as adviser, to give valuable assistance to the Six, both in outlining the problems at issue and in drawing up possible solutions.

"We trust that the governments of our countries and all the European institutions will recognize the seriousness of the situation and strive to repair the rifts which have developed within the Six in recent weeks."—*Excerpt from statement made by President Malvestiti to the European Parliament on February 5.*



PIERO MALVESTITI, *President of ECSC High Authority*

NEGOTIATIONS: The Fateful Fortnight



MONDAY, JANUARY 14—PARIS GENERAL DE GAULLE: *"England is insular, she is maritime. . . . She has in all her doings very marked and very original habits and traditions. . . . The very nature and structure of Great Britain differ profoundly from those of the continental countries. . . ."*



THURSDAY, JANUARY 17—BRUSSELS

MAURICE COUVE DE MURVILLE, *French Foreign Minister*: *"France proposes the adjournment of the conference on the entry of Great Britain into the Common Market."*

HENRI FAYAT, *Belgian Deputy Foreign Minister*, presiding over the negotiations conference: *"The five other delegations of the European Economic Community and the British delegation have declared themselves opposed to this proposal. Discussions . . . will be continued on January 28."*



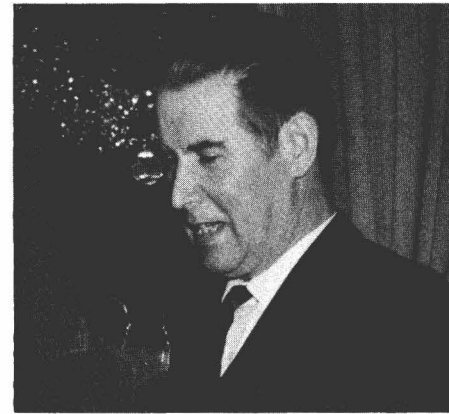


TUESDAY, JANUARY 29—BRUSSELS Seventeenth ministerial conference of the negotiations assemblies. Five of the Community countries propose that the Common Market Commission be given a mandate to report to the Six and Great Britain on the state of the negotiations. France rejects the proposal. The negotiations are broken off.



MAURICE COUVE DE MURVILLE: "In the present state of things, Great Britain is not yet ready to accept the discipline of the Rome Treaty. We do not seek to maintain a small or a big Europe, but to know if the Europe we create will be European."

EDWARD HEATH, leader of the British delegation: "The end of the negotiations is a blow to the cause of the wider European unity for which we have been striving. . . . We are a part of Europe, by geography, history, culture, tradition and civilization. . . . We shall continue to work with all our friends in Europe to make it stronger and more prosperous."



GERHARD SCHROEDER, German Foreign Minister: "Britain's desire to move toward the Common Market remains. We shall examine methods suitable to further this aim."



WEDNESDAY, JANUARY 30—LONDON

BRITISH PRIME MINISTER HAROLD MACMILLAN: "We want to heal the divisions of Europe by real unity, and we want to see this freely united Europe use her strength and prosperity for the benefit of the whole world."

SASSEN: Euratom for an Open Community, an Equal Partnership with U.S.

"The Euratom Commission regrets to have to note that the situation created on January 29, 1963, for the moment also prevents the continuation of the negotiations with Great Britain for her entry into the European Atomic Energy Community.

"The Commission hopes nevertheless that meanwhile the material gathered during these negotiations will open up possibilities of closer and more extensive cooperation in the framework of the fruitful relations which have already developed between the United Kingdom and the Community since the beginning of 1959. It was apparent, right from the time when Great Britain applied to join the Communities, that British membership would represent a massive increase in the atomic potential of an integrated Europe.

"The Communities are above all *European* communities, and that is not synonymous with *continental*. . . . Our faithfulness to the Treaty compels us to continue and to develop its open nature for the European countries who wish to join us. Moreover, the importance—and consequently the responsibility—of the Communities is such that they cannot pursue a policy of autarchy and protectionism toward the free world.

"We have previously had occasion to welcome in this House the projects and the actual steps taken by the



EMMANUEL SASSEN
Euratom Commissioner

United States in order to establish an equal partnership with the Community. . . . The organization of such a partnership, naturally on the basis of equality of the partners, is necessary and indispensable. One of the essential conditions for carrying out this task . . . is the maintenance and strengthening of the Community character and the structure of our Communities.

"Any form of supremacy or hegemony is incompatible with the concept and the existence of a Community."—
Excerpt from Commissioner Sassen's statement to the European Parliament on February 5.

Suspension of Negotiations: Hallstein

(continued from Page 3)

The British Government has intimated that in view of the United Kingdom's commitments to the EFTA countries it could not join the Community until satisfactory arrangements were worked out which would take account of the legitimate interests of all members of EFTA and enable each of them to share the benefits of an integrated European market from a given date. As there seemed little likelihood that the negotiations, not only with Denmark and Norway but also with Austria, Sweden, Switzerland and Portugal, could be completed in a few months, it could only be assumed that here too there would be a serious political problem to solve.

There were also several important problems still outstanding in connection with the tariff arrangements for a number of products, and the British delegation still had some reservations in the field of economic union. In the institutional field there was broad agreement as long as the matter was discussed simply on the assumption of Great Britain's membership in the Community. On the other hand, it must be assumed that discussion of the Community's institutional structure would raise a number of difficult problems when based on the hypothesis that other States would become members.

"There was a reasonable chance of success"

When the negotiations were interrupted there had also been no opportunity to discuss the financial questions or certain legal questions; it can, however, be taken that they would not have raised any insuperable problems.

In the light of the above outline, the prospects of the conference appeared as follows: It is impossible to consider the negotiations, at the moment when they were interrupted,

as having failed in practice, or to say it had been proved that they could not succeed. It is equally impossible to say that the negotiations had already to all intents and purposes succeeded—in other words, that they would without question have come to a successful conclusion. It would rather be true to say that they had reached a difficult stage, in which the British side too would have had to make a number of considerable concessions, but that there was a reasonable chance of reaching agreement. At any rate the Commission was certainly looking forward to such agreement. In other words, *there can be no doubt that the chance of success was great enough to justify continuing the negotiations.*

The Commission's rôle

The part played by the Commission in the negotiations was greater than its official rôle of "adviser" might imply. The multilateral organization adopted for the conference placed on the Commission an added responsibility for bringing about concerted views and concerted action by the Six.

We also had, as always, to guard the Treaty of Rome and the Community law based on it. But that was not all. The object of the negotiations was to define the conditions in which the United Kingdom could become a member and also the adaptations to the Treaty which British membership would make necessary. *Nobody, least of all the Commission, failed to recognize how great the problems of adaptation would be for so important a partner as the United Kingdom, which had decided only relatively late to take part in the process of integration. Consequently the Commission endeavored to give these difficulties fair consideration without losing sight of the essentials of the Rome Treaty.*

The success of our attitude is visible in black and white. We may look at the problem of finished products imported

from Canada, Australia and New Zealand; at the arrangements for India, Pakistan and Ceylon; at the negotiations concerning the duties on a series of important products; at the list of Commonwealth countries to which association would be open; or at the arrangements for the import of agricultural products from the temperate zone. *With one exception all the texts on which agreement has been reached between the Six and the United Kingdom in the past fifteen months are based on a proposal made by the Commission.*

After the Break

The Commission is aware that the Treaty of Rome leaves the question of accession by a new member in the last resort to the unanimous and sovereign decision of the member Governments—evidently on the assumption that the identity of the Community, as determined by its structure, is a matter so closely bound up with the whole policy of each individual member state that it cannot be entirely left to the Community institutions.

Without prejudice, however, to the decision which is reserved to the individual countries as to whether they will sign an agreement bringing in a new member, membership is unquestionably also a Community matter—and a Community matter of fundamental importance. This is reflected in the Treaty of Rome when it states that the conclusion of the agreement must be preceded by a decision of the Council of Ministers after obtaining the opinion of the Commission. The Commission is therefore acting within the framework of Community affairs when it makes the following declaration:

The manner in which one member Government made and communicated its decision to interrupt the negotiations is not in harmony with the duties imposed by the Community. The results of an interruption affect the whole Community, not just one member state. The Treaty defines accession as a Community matter. The opening of the negotiations was decided unanimously by the six member Governments at a session of the Council. The negotiations had been going on for fifteen months.

In these circumstances one might at the very least have expected that the question of the future of the negotiations, if it had to be raised, would have been discussed fully and frankly among the members of the Community. This did not happen, and our Community has faced its first real crisis. To say this is no exaggeration; not to say it would be playing the matter down.

Community Means Joint Responsibility

The crisis is one of confidence, and that is what makes it so serious. The life of our Community is based on everyone looking upon and treating Community matters as matters of real joint responsibility. That is only possible if the Community system and Community procedures are respected. The right of veto is also subject to rules, and it must be used with consideration. It is also necessary to avoid creating the impression that the Community and its aims, the Community institutions, and Community procedures are merely instruments of national diplomacy. It is no coincidence that the reaction has been sharpest in the smaller countries of the Community; it is they more than the others who see in the Community system the guarantee of a fair share in the discussion and shaping of the Community's fate.

I will close with the most important point: with the

repercussions of these events on the life of our Community. It would be naïve to believe that there are no such repercussions.

We must therefore be prepared—and we are prepared—to find that in the next few weeks and months emotions continue to run high in the organs of our Community, as elsewhere. Just because this is so true, we must be careful that our Community suffers no irreparable damage. Everyone is agreed that the existence of the Community must not be jeopardized. This would, however, be an idle phrase



The British delegation listens as German Foreign Minister Gerhard Schroeder gestures to explain a point of discussion on the last day of the conference at Brussels: (left to right) Lord Privy Seal Edward Heath, Sir Pierson Dixon (directly behind Heath), Duncan Sandys, Christopher Soames, Schroeder, and Sir Eric Roll.

if the Community no longer functioned correctly. And that is what it would mean if we adopted the habit of subordinating procedures of the Community institutions to the thrashing out of all the underlying conflicts which have come to light in connection with the adjournment of the negotiations before success had been achieved.

The Community Must be Strengthened

The Community is, after all, something other than just a particular form of co-operation between sovereign governments or a permanent diplomatic conference decked out with certain organizational frills. It has its own personality. In accordance with a carefully worked-out constitution this personality speaks and acts through the institutions. These organs act in their own right. Participation is not a matter of choice for those concerned, but is their first duty and stems from the fact that they belong to the Community. *The Commission must therefore oppose any tendency to allow interruptions to occur in the proper functioning of the Community institutions.*

If we examine the motives which have led some of us to answer recent events with reactions which affect the smooth functioning of our organization, it seems that the intention is to take action, intended to be clearly visible both within and without the organization, to efface the impression that the Community is dominated by a single power—that anyone exercises hegemony within it. I need not repeat what we have so often said—that *the Community system, the constitution of the Community, is of itself the negation of any hegemony, the organized and methodical rejection of hegemony.* That is the real key to

its successful working throughout the years in which this Community has existed. We must consequently fight against anything which threatens this valuable characteristic of our system. But how? Only through the strengthening of the Community system, the operation of which is a complete refutation of any tendency toward hegemony.

Toward a federal Europe in partnership with U. S.

In the disquiet and uncertainty which has befallen us and all we are doing, we must start by finding one firm point around which or from which the rest can be got into order. This point must be our Community. For this to be possible, the Community must have authority. It can only have authority if it works. What are we seeking when we help it to work other than respect for ourselves—and for what we represent as a Community? Only a Community which respects itself in this way can be the element of order that we so much need today.

What is the system of which I am speaking here? The symbol of this order, its concept, remains unchanged. Seen from within, it is a democratically constituted Europe built on a federal pattern. To the rest of the world it is outward-looking and is open to new members. At Atlantic level it seeks, in agreement with American policy, to put in place of a system which harnesses together one giant and a number of comparative dwarfs a partnership of units which are already comparable and which will one day be equal—a partnership of America and Europe. In other words, a reorganized Europe which is not a “third force,” but in every way a part of the free world—the best contribution it can make in the historic circumstances of today.

“We shall not turn our backs on England”

While we exhort everyone to press on with the everyday work of our institutions, we are well aware that this is but a small part, the smallest—and from our point of view the most inevitable—part of what has to be done. Behind this there is, of course, the task of overcoming the problems which have been left unsettled. That means, first, British entry into the Community, which we too regard as merely postponed.

I can think of hardly any sentence of the interrupted conference more deserving of being kept in mind than that of the leader of the British delegation, Mr. Heath, when he said: “We shall not turn our backs on the continent.” To this we can only reply: “And we shall not turn our backs on England.” The door must not only be kept open, but solutions must be worked out to bridge the period before Britain becomes a member. An examination must be made of the questions which have arisen in connection with the negotiations for membership and which affect other countries: the States of the Commonwealth; the countries which wished to opt for participation in the association with the African States and Madagascar; and the countries which have applied for membership, for association or for other solutions. We must consider the repercussions which the interruption of the conference will have on the form and the content of the negotiations to be held with the United States on the basis of the authorization given to the American President in the Trade Expansion Act. It is still too soon to give concrete answers to any one of these questions, even tentatively. But we have lost no time in setting about the work.

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