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Brussels, December 1965
P/72-65

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1 9 6 5 I N R E T R O S P E C T

The year 1965 has been dominated by the common agricultural policy. After the milestone of December 1964, when the Six reached agreement on a common price level for cereals, came the breakdown of negotiations on the common agricultural policy at the end of June 1965. As a result of the French Government's decision to take no further part in the work of the Council of Ministers, the Community's activities slowed down during the second half of the year.

The decisions on cereal prices taken on 15 December 1964 were proof of the resolve to pursue and hasten the integration of agricultural markets, and therefore also of industrial markets.

The fresh vigour given to the common agricultural market by the agreement on common cereal prices was, in fact, behind the proposals which the Commission submitted to the Council on 31 March 1965. These, it will be remembered, concerned the completion of the customs union between the Six on 1 July 1967, the financing of the common agricultural policy, independent revenue for the Community, and greater powers for the European Parliament.

At their meetings of 15 June and 28-30 June 1965, the members of the Council expressed their Governments' views on these proposals as a whole. While there was broad agreement that 1 July 1967 would be an acceptable date for introducing the free movement of agricultural and industrial goods, the same cannot be said of the idea of inaugurating the single market stage for farm produce on 1 July 1967 and allocating independent revenues to the Community from that date. Consequently, the arrangements for financing during the transitional period had now to be fixed not simply for the period 1965-67 but until 1970, in accordance with Regulation No. 25 on the financing of the agricultural policy.

On 22 July the Commission addressed a memorandum to the Council summarizing the proceedings in the Council and suggesting, in the light of these, a number of alterations to its proposals. In the Commission's view, the answer to the question as to what proportion of eligible expenditure should be borne by the Agricultural Fund from 1 July 1965 onwards would depend on the date by which the common agricultural policy and the agricultural market were fully established. On the point of the Community's expenditure, the Commission proposed that it should, as a general rule, be met from the Community's own resources from 1970 onwards. Before that date but after the introduction of the common customs tariff in 1967, customs revenues should, it was suggested, be put into a fund from which Member States would be reimbursed. On the question of increasing the European Parliament's control over the budget, the Commission considered that the possibilities of reaching agreement had not yet been exhausted, and reserved its right to revert to the matter at a later stage of the Council's discussions.

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At the beginning of March the EEC and EAEC Councils reached agreement on the points still outstanding with regard to the merger of the EEC Commission, the EAEC Commission and the ECSC High Authority, and to the corresponding merger of the three Councils.

The principal effects of the merger will be that the three executive organs of the European Communities will be replaced by a single executive Commission and the three ministerial councils by a single Council of Ministers.

It has been decided that the single Commission will consist of 14 members until such time as the treaty establishing a single European Community enters into force, and at most for three years from the date on which the members of the single Commission are appointed.

INTERNAL MARKET

On 1 January 1965 the intra-Community customs duties were reduced by a further 10%, bringing the intra-Community duties on industrial goods down to 30% of the basic duty. The duties on liberalized agricultural products were reduced to 50%, as against 60% before, and those on other agricultural products to 55%, as against 65%.

On 29 December 1964 the Commission put before the Council a proposal for a common definition of "origin" of goods, to apply in trade with non-member countries. This will help to achieve a correct application of the common commercial policy that is to be introduced.

In January the Commission submitted to the Council two proposals for directives of interest to farmers. Under the first each Member State would have to abolish all restrictions relating to the system of agricultural leases, in respect of nationals and companies of other Member States engaged in an agricultural activity in its territory or who are establishing themselves there for that purpose.

The second lays down that each Member State shall abolish, as regards nationals and companies of other Member States who have been engaged in an agricultural activity in its territory for more than two years, all restrictions on their right to transfer from one farm to another.

In April the Commission submitted a proposal for a directive on freedom of establishment and freedom to supply services in a self-employed capacity in forestry. In the same month four other proposals for directives were also submitted to the Council; these concern,

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respectively, self-employed activities in retail trading (except for the sale of medicines, pharmaceuticals, poisons and pathogenes), in the personal services sector and in the food and beverages industries, and detailed transitional measures applicable to self-employed activities in the latter sector.

During the year the work of drafting a convention on the mutual recognition of companies in accordance with Article 58(2) was completed, with the assistance of government experts.

Since 1 July, the six Member States have been implementing a recommendation to allow duty-free entry, up to a specified value, for small consignments and goods contained in travellers' luggage. Entry charges other than customs duties, such as purchase tax and countervailing charges, are, however, still payable.

At the end of July the Commission submitted to the Council a proposal for a directive on freedom of establishment and freedom to supply services in a self-employed capacity in banks and other financial establishments; stock-brokers, who exercise a measure of public authority in France, Germany and Italy, are excluded.

COMPETITION

In connection with competition, government experts and the Commission's staff have finished drafting a convention to simplify the formalities applicable to the mutual recognition and execution of decisions taken by the courts.

In January the Council adopted a regulation proposed by the Commission empowering the latter to grant block exemptions under the rules governing competition. This applies mainly to exclusive dealing agreements and to agreements relating to the acquisition or utilization of industrial property rights.

A Working Party set up by the Commission to consider postal services and telecommunications held its first meeting in January, when it discussed problems connected with rates and charges. A number of specialized sub-groups will assist the Commission's staff in this field.

In two proposals for directives, the Commission suggested to the Council that the Community should take immediate steps to correct distortions of competition on the world shipbuilding market by instituting aids designed to offset such distortions.

In May the Ministers of Finance of the six Member States approved the terms of reference given by the heads of tax departments to a Working Party that would work under the aegis of the Commission and deal with the harmonization of excise duties.

In June M. von der Groeben made a speech in the European Parliament dealing with the broad outlines of competition policy as seen by the Commission.

The Commission has decided to make a study of the margarine sector, because it has become apparent that, in spite of substantial price differences between various countries, intra-Community trade in margarine is lagging far behind the general development of trade in other sectors.

In July the Commission adopted a first decision declaring the ban contained in the Treaty inapplicable to a certain agreement.

In the same month of July, the Commission submitted to the Council a proposal for a directive concerning the approximation of the Member States' legislation on traffic indicators on motor vehicles.

In addition, the Commission informed a number of producers and traders in Germany, Belgium and the Netherlands that, after making a preliminary examination, it considered that the agreement notified by them concerning quotas and prices for the Netherlands market fell under the Treaty's ban on agreements and did not justify exemption.

ECONOMIC AND FINANCIAL POLICY

In the field of financial and monetary policy, the Commission submitted to the Council at the end of December 1964 a draft directive concerning the harmonization of indirect taxes on capital contributions.

The Medium-term Economic Policy Committee began work. It adopted draft rules of procedure in January, and met regularly during 1965.

The Budget Policy Committee, composed of senior officials from the Member States, met for the first time in February. In September it studied the question of the public authorities' financing operations, basing its work on tables and notes prepared by the Commission's staff.

In April the Council, acting on a proposal of the Commission, adopted the text of a new recommendation to the Member States on short-term economic policy.

In May the Commission adopted and submitted to the Council its first communication on regional policy, in which it suggested the main lines of a general regional policy for the EEC.

In June the Council adopted a decision on the rules applicable, in the matter of export guarantees and finance, to certain sub-contracts from other member countries or from non-EEC countries.

The panel of experts on "economic budgets" met in September to study the main assumptions regarding the world business situation and the development of the Community's external trade, in connection with the work of elaborating the full economic budgets for 1966.

AGRICULTURE

In the agricultural sector, there are several points to be noted in addition to the events referred to above.

The European Agricultural Guidance and Guarantee Fund began its operations. The first instalment of aid under the Guidance Section, totalling 9 056 922 u.a. for 57 projects, was allocated in October, and in December the first instalment under the Guarantee Section, amounting to 28 723 086 u.a. (for the year 1962/63).

The most important decision with regard to cereals concerned a proposal which the Community put forward at the GATT negotiations in Geneva, with a view to agreement on the outlines of a general arrangement. The main suggestions were that "margins of support" should be bound, that international prices be fixed at a level that would ensure a fair and profitable return on trading operations and that those prices should be stabilized; in addition the Contracting Parties to GATT should all try to reach agreement on the treatment of surpluses. In this connection, it will be necessary to consider the problems involved in providing increased aid to the developing countries in the form of food.

Pending the entry into force of the common cereals price in July 1967, the Council left the price brackets for grain unchanged for the current marketing year; for rice, the prices agreed for the 1964/65 marketing year were also maintained for the current year. In February the Commission submitted to the Council a proposal for a regulation on starches.

In the egg and poultry sector, the supplementary amounts to be added to the levies on imports from non-member countries have been revised fairly frequently, owing to fluctuations in world market prices. In July a supplementary amount was for the first time imposed on pigmeat, for a short period. Reduction of the levies on processed products was authorized in several cases, in view of the state of the market.

The Commission authorized certain Member States to sell at reduced prices the stocks of butter held in public storage. The present large stocks of butter are mainly due to imports effected before the common organization of the market came into force. The difference between the upper and lower limits of the basic target prices for milk in the various countries was slightly reduced in comparison with the previous marketing year; the same was done in the case of the guide price bracket for calves. In order to encourage beef production in the Community, the Council raised both the upper and lower limits of the guide price for cattle. As sufficient supplies were not forthcoming on the EEC market, a temporary reduction was made in customs duties on frozen meat, and in certain Member States there has also been a temporary reduction, in some cases to zero, of the duties on fully grown cattle or calves.

In May the Council made amendments to the system of reference prices for fruit and vegetables, in accordance with the package deal of December 1964. The new system includes provisions that guarantee fruit and vegetables the same measure of protection as that enjoyed by products

covered by the other organized markets. In order to avoid an increase in the consumer price, the Commission proposed to the Council in December that the general system of reference prices should be modified in the case of oranges. In June the Commission suggested that the regulation on fruit and vegetables should be extended to apply also to garden cabbage, Brussels sprouts and celery. During the first half of the year the Council continued its discussions on the application of quality standards to fruit and vegetables marketed in the producing Member State, and on the supplementary proposals for the common policy in this sector. Progress was also made with the drafting of a regulation on quality wines produced in specified areas.

At the same time work continued on common policies for the sugar and the oils and fats sectors.

In February the Commission laid before the Council two proposals for regulations on the retraining of agricultural workers. One concerns the training of advisers who would staff information services for farmers and farm workers wishing to change their occupation, and the other the retraining of farmers obliged to adapt their farms in consequence of changes in the organization of agriculture. In May the Commission adopted an action programme for a common policy on vocational training in agriculture. With the co-operation of the Standing Committee on Agricultural Structure, the Commission continued its efforts to co-ordinate agricultural structures.

There has been increased activity with regard to the approximation of legislation. In January the Council issued a directive establishing standards of purity for permitted preservatives in food for human consumption. The Commission submitted a number of draft directives to the Council concerning: jams, marmalades, fruit jellies and chestnut purée; olive oils for use in food; measures to prevent the importation of plant pests, and health requirements for animals and meat imported from non-member countries.

The end of June saw the entry into force at national level of two directives on health requirements for intra-Community trade in cattle and pigs and fresh meat. By analogy with the development of the common agricultural policy in other sectors, the Commission suggested that, in order to complete the institutional framework for the harmonization of legislation, three new committees should be set up on the lines of the management committees to deal, respectively, with foodstuffs, veterinary matters and agricultural, horticultural and forestry seeds and seedlings.

The Council decided to set up an information service on farm accounts in the EEC. This will provide the Commission with facts and figures about the incomes and economic operation of different types of farm in the Community, as such facts and figures are required for the implementation and development of the Community's agricultural policy.

SOCIAL AFFAIRS

In the social sector, a meeting of representatives of workers' and employers' organizations was held in Brussels towards the end of December 1964 to survey the action taken in pursuance of Article 118 of the Treaty in respect of social security.

In January the Commission approved and submitted to the Council two proposals for regulations to improve the effectiveness of the European Social Fund. These will extend the Fund's aid to certain categories of wage-earners and enable the Fund to act more directly to promote regional development.

A meeting of experts, attended by representatives of the Statistical Office of the European Communities and of the Directorate-General for Social Affairs, was held in February to study the economic impact of social security. During the discussions a number of papers on method were examined.

In March the Commission called a meeting of representatives of the Member Governments in connection with the first joint programme to encourage exchanges of young workers, approved by the Council last year. It was decided that 4 455 young workers should be covered by the programme in 1965.

In April the Commission laid before the Council a proposal for a regulation amending and supplementing Regulations Nos. 3 and 4 concerning social security for migrant workers. The proposal concerns additional provisions on the payment of family allowances.

In April the Commission convened a meeting in Brussels of government experts on social security in agriculture, to examine the first part of a study on the financing of social security in this field, which had been prepared from the Member States' replies to a Commission questionnaire. A method of comparing financing procedures was approved.

In the same month the report on "Manpower problems in the Community in 1965" was approved by the Commission and submitted to the Council, as were three proposals for social action to help Italian workers affected by measures to place the sulphur industry on a sound footing.

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In May the Commission adopted two action programmes, one for a common policy on vocational training in general, and the other on vocational training in agriculture. The Commission also adopted and submitted to the Council two proposals on the approximation of laws, regulations and administrative instructions concerning dangerous substances and preparations.

In June the Commission put before the Council a proposal for a crash programme of vocational training for 3 000 Italian workers, the purpose of which is to mitigate certain manpower shortages in the Community.

In July the Commission addressed a recommendation to the Member States on the housing of migrant workers and their families. It also adopted a recommendation to the Member States on the conditions governing payments to those suffering from occupational diseases.

In December the Commission adopted a proposal for a regulation extending to seafarers the provisions of Regulations Nos. 3 and 4 on social security for migrant workers.

The Commission adopted a report on the position at 31 December 1964 with regard to the implementation of the principle of equal pay for equal work.

In addition, during the 1965 budget year, the Commission authorized grants of some 7.5 million u.a. from the European Social Fund for expenditure connected with the re-training and re-housing of workers. As a result, about 115 000 workers were able to find new jobs.

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TRANSPORT

Two research bureaux were asked by the Commission to make studies and forecasts of road traffic in an area bounded by Liège, Luxembourg and Strasbourg. These were started at the beginning of 1965 and should be completed by October 1966.

In agreement with the Member States, the Commission adopted in April a decision on censuses and surveys to be carried out in 1966 on the use made of infrastructure facilities for transport by rail, road and inland waterway.

In March the Council adopted directives on the standardization of procedures for issuing licences for road haulage between Member States, and on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport.

In June the Council took several decisions which constitute an important step forward towards a common transport policy. In particular, it reached agreement on the general principles for the organization of the market in transport. The agreement comprises a transitional system in two stages ending on 31 December 1972, but does not define the system to be introduced after that date. The main feature of the transitional arrangements for the first two stages is the co-existence of two tariff systems, one with compulsory tariffs and the other with reference tariffs. Both these systems include tariff brackets, i.e. upper and lower limits, but whereas in the compulsory system charges must be kept within these limits, except where special contracts provide otherwise, in the reference system the limits are only indicative; in the latter case, enterprises that do not keep to them must report those of their charges that lie outside the bracket to bodies to be set up by the Member States, and these bodies will have to publish them.

On 29 October 1965 the Commission laid before the Council amendments to its initial proposal of 10 May 1963, taking into account the provisions of the agreement reached by the Council.

ASSOCIATION WITH THE AFRICAN STATES AND MADAGASCAR

The Association between the Community and the African States and Madagascar got into its stride during the year. The organs provided for in the Yaoundé Convention were set up.

The Parliamentary Conference of the Association, which had met in Dakar in December 1964, held its second session in Rome from 6-9 December. In addition to dealing with certain internal matters, the Conference adopted, after an interesting debate, the report submitted by E. Fedini on the first report of the Association Council. The Conference had been prepared by the Joint Committee, which met several times in Berlin and Luxembourg.

The Association Council held a meeting in Brussels on 7 April 1965, for which the preparatory work had been done in Brussels by the Association Committee at the level of Ambassadors and Permanent Representatives. At its various meetings the Committee discussed trade between the Community and the Associated States. The Council agreed on a definition of the concept of origin, except for printed textiles and preparations and preserves of fish. It also considered the problem of outlets in the EEC for products from the Associated States, and tried to find a solution that would enable the African States and Madagascar to improve their trade balances with the Community. The members of the Council have instituted the practice of keeping each other informed and consulting together on matters of commercial policy, in accordance with Article 12 of the Convention. The system relating to agricultural products similar to and competing with European products has been examined in detail, particularly in connection with the Commission's proposal to the EEC Council on the organization of the market in oils and fats.

The Association Council has likewise been consulted on the projected agreements between the Community and other African States, notably Nigeria and the East African countries.

By the end of August all the resources of the first European Development Fund had been allocated - over 580 million u.a. Numerous decisions regarding the second Fund were taken by the Commission during 1965. At the end of November, the aid approved by the Commission since the creation of the second Fund totalled 192 million u.a.

The second Fund is a much more effective instrument than the first. The new convention regards technical assistance as a separate operation with rules of its own. Aids to production and diversification also appear as entirely new and independent functions, distinct from economic and social investment.

There has again been an increase in the number of grants made to nationals of the associated States, countries and territories for vocational and further training: 1 341 scholarships were awarded during the 1964/65 academic year, of which 920 were financed by the Fund and 421 out of the Community budget.

EXTERNAL RELATIONS

The Commission's activities in the sphere of external relations covered a wide field, with the Kennedy Round negotiations as the main single item. In addition, a large number of bilateral negotiations and talks were held.

In the Kennedy Round negotiations, the procedure for justifying exception lists for industrial products was initiated, and those of the USA, Japan, Finland, the United Kingdom and the EEC were examined in January and February. These multilateral talks were later continued on a bilateral basis, in order to explore the ground for future bargaining. Working parties began the examination of problems connected with various important industrial products (textiles, paper and wood pulp, aluminium, chemicals).

Progress was also made in the agricultural part of the negotiations, especially after the Council, acting on a proposal of the Commission, had in May decided that it would offer to negotiate a world cereals agreement, which was discussed in Geneva from June onwards. In addition, the studies on other agricultural products were continued. These threw light on the various countries' protection and support policies, and provided much important information for the subsequent stages of the negotiations and the deposit of concrete offers. Unfortunately, the Community was not in a position to submit its agricultural offers by 16 September. Up to the end of the year, the Commission was none the less active in all Committees.

In May the Commission submitted to the Council a number of proposals for the adoption of a uniform commercial policy which are particularly important for the GATT negotiations: one was for a Council regulation on protection against dumping or the payment of bounties or subsidies by non-member countries; another was for the establishment of a common list of imports liberalized, a third was for a regulation on the gradual introduction of a common procedure for the administration of import quotas.

At the beginning of March negotiations were opened with a joint delegation representing the Governments of Kenya, Uganda and Tanzania.

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On 19 March negotiations with Austria were opened in Brussels on the basis of a mandate adopted by the Council at the beginning of the month. On five occasions during the year the Austrian and Community delegations met to discuss, among other matters, a trading system for the industrial sector, trade in farm produce, and the harmonization of Austria's economic policy with that of the Community. An interim report by the Commission on the results of the first three meetings was transmitted to the Council.

On 21 May a three-year agreement on trade and technical co-operation was signed by the EEC and its Member States, on the one hand, and Lebanon, on the other. It provides for reciprocal application of the most-favoured-nation clause in the widest form and co-ordination of the action taken by Member States in the field of technical assistance to Lebanon. The provisions regarding technical assistance have been applied since 1 June. Before the agreement can enter into force it must be ratified by the Parliaments concerned.

Negotiations between the EEC and Tunisia began on 6 July and those between the EEC and Morocco on 12 July, on the basis of a partial mandate adopted by the Council in the middle of June. Both countries are hoping to conclude a preferential trading agreement with the Community. In a declaration of intention annexed to the EEC Treaty, the Member States had already expressed their readiness to enter into negotiations with these countries, with a view to their economic association with the Community.

At the beginning of July the fifth and final round of negotiations took place between delegations from the Community and Nigeria. All the questions arising in connection with the preferential treaty which it is hoped to conclude have now been settled, in accordance with the terms of reference agreed upon by the Council. The Commission subsequently began to draft a treaty embodying the results of the negotiations.

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In the spring (29 March - 2 April) technical talks were held in Brussels between a Polish delegation and officials of the Commission. As a result, the Commission decided to exempt Poland from the supplementary levy on eggs.

In January and May technical talks on trade took place between a Commission delegation and a delegation representing the Yugoslav Government.

The close working contacts with the Danish Government were maintained. At the Council's request, the Commission prepared a detailed report on the development of commercial relations between Denmark and the EEC. The Commission also developed its contacts with other West European countries, particularly Norway, Sweden, Spain and Ireland, and with the Latin American ambassadors accredited in Brussels.