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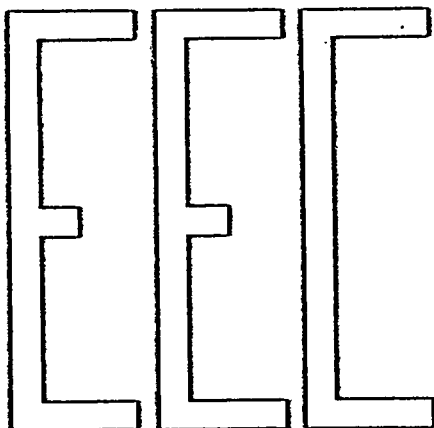


EUROPESE  
ECONOMISCHE GEMEENSCHAP

BULLETIN

of the

EUROPEAN  
ECONOMIC  
COMMUNITY



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# BULLETIN

of the European Economic Community

SECRETARIAT OF THE COMMISSION OF  
THE EUROPEAN ECONOMIC COMMUNITY



## TABLE OF CONTENTS

	Page
I. The British, Danish and Irish applications for membership of the European Economic Community	5
II. Extracts from an Address given by M.S.L. Mansholt, Vice-President of the EEC Commission	24
III. The Commissions's memorandum on the future system for the association of the overseas States with the Community	29
IV. Tariff, quotas 1961	39
V. Activities of the Community	
— External relations	46
— Economic and financial affairs	54
— The internal market	62
— Competition	63
— Social affairs	68
— Agriculture	72
— Transport	84
— Development aid	87
— Overseas development	88
— Administrative affairs	94
— The Statistical Office of the European Communities	96
— Visits	97
VI. Institutions and organs	
A. The Council	98
B. The Economic and Social Committee	100
C. The Monetary Committee	101



# I. The British, Danish and Irish applications for membership of the European Economic Community

## The British application

On 9 August 1961 Mr. Harold Macmillan, Prime Minister of the United Kingdom of Great Britain and Northern Ireland, addressed to M. Ludwig Erhard, President in office of the EEC Council and Minister for Economic Affairs of the Federal Republic of Germany, a letter containing Great Britain's application for membership of the European Economic Community. The text of the letter is as follows :

Monsieur le Président,

I have the honour to inform Your Excellency that in accordance with the terms of the resolution carried by both Houses of Parliament on the 3rd of August, Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland wish to open negotiations with a view to acceding to the Treaty of Rome under the terms of Article 237.

As the Member Governments of the European Economic Community are aware, Her Majesty's Government have need to take account of the special Commonwealth relationship as well as of the essential interests of British agriculture and of the other Members of the European Free Trade Association. Her Majesty's Government believe that Member Governments will consider these problems sympathetically and therefore have every confidence in a successful outcome to the negotiations. This would constitute an historic step towards that closer union among the European peoples which is the common aim of the United Kingdom and of the Members of the Community.

(sgd. Harold Macmillan)

On 10 August a copy of this letter was handed to the Commission by Mr. Tandy, United Kingdom Ambassador to the European Communities.

## Interim reply by the President of the EEC Council

On 14 August M. Erhard, President in office of the EEC Council, addressed to Mr. Macmillan an interim reply to the British application, pending its discussion in the Council. The text of this reply is as follows :

Mr. Prime Minister,

I have the honour to acknowledge the receipt of your letter of 9 August, in which Your Excellency informs me of the decision of Her Majesty's Government in the

United Kingdom of Great Britain and Northern Ireland to apply, in accordance with Article 237 of the Treaty of Rome, for the accession of the United Kingdom to the European Economic Community.

I agree with Your Excellency that the accession of the United Kingdom to the Community would constitute a decisive step towards that closer union among the European peoples which is the common aim of the Member States of the Community and of the United Kingdom.

I have immediately forwarded Your Excellency's letter to the members of the Council, and have arranged for the procedure envisaged in the Treaty to be set in motion as soon as possible.

(sgd. Ludwig Erhard)

#### Consultation of the Commission

In a letter dated 25 August M. Erhard requested the President of the EEC Commission, Professor Walter Hallstein, to convey to him, as required by Article 237 of the Treaty of Rome, the Commission's opinion on the accession of Great Britain to the EEC.

Mr. President,

In a letter addressed to the President of the Council, of which a copy is attached, Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland have applied for membership of the European Economic Community.

In accordance with the first paragraph of Article 237 of the Treaty I have the honour, on behalf of the Council, to ask you for the Commission's opinion on this application. I should be grateful to you, Mr. President, if this opinion could be conveyed to the Council as soon as possible.

(sgd. Ludwig Erhard)

On 7 September the President of the EEC Commission sent the following reply to M. Erhard:

Mr. President,

The Commission has the honour to acknowledge receipt of the letter of 25 August 1961 with which, in conformity with Article 237 of the Treaty establishing the European Economic Community, the Council requests the Commission to give its opinion on the application submitted by the United Kingdom on 9 August 1961.

In its commiqué of 1 August the Commission has already expressed its lively satisfaction at the British Government's request for the opening of negotiations with a view to the accession of the United Kingdom to the European Economic Community.



It is the Commission's desire that these negotiations be begun without delay.

Since the negotiations will concern a number of issues of interest to the Community, the Commission will express its views on these as the negotiations proceed. The Commission will submit its opinion under Article 237 of the Treaty in the light of the results of the negotiations.

(sgd. Walter Hallstein)

### The Council's reply

At its session of 25, 26 and 27 September the Council examined the application put forward in Mr. Macmillan's letter of 9 August 1961 and approved the text of reply to be sent to the British Government. This reply was handed on 27 September 1961 by the President in office of the Council, Professor Erhard, to His Excellency Ambassador Tandy, Head of the United Kingdom Delegation to the European Communities.

On 27 September, Professor Erhard, President of the EEC Council, addressed the following letter to Mr. Macmillan, Prime Minister of the United Kingdom of Great Britain and Northern Ireland:

Mr. Prime Minister,

I have the honour to refer to your letter of 9 August 1961 and to inform Your Excellency that the Council of Ministers of the European Economic Community has at its session of 25 and 26 September 1961 given its opinion on the application made by Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland for the opening of negotiations with a view to acceding to the Treaty of Rome under the terms of Article 237 of that Treaty.

I am glad to be able to inform Your Excellency that the Council has unanimously approved this application.

In the letter referred to, Your Excellency has drawn the attention of the Governments of the Member States of the European Economic Community to the British Government's need to take account of the special Commonwealth relationship as well as of the essential interests of British agriculture and of the other Members of the European Free Trade Association.

The Governments of the six signatory States of the Treaty of Rome have taken note of this and have instructed me to inform Your Excellency that, in order that the negotiations may be begun under the most favourable conditions, they consider it necessary to be fully informed of the problems arising for the British Government, especially in the three spheres referred to in Your Excellency's letter of 9 August 1961, and of the solutions which your Government proposes.

To this end the six Governments have instructed me to invite the British Government to attend a meeting which could be held in Paris on 10 and, if necessary, 11 October 1961. The point of view of the British Government could be put before them at this meeting.

As soon as the Governments of the Member States of the European Economic Community have completed the study of the points thus submitted to them they will, whilst reserving the right to ask for supplementary information, decide by agreement with the British Government on the date when the negotiations proper shall begin. In the view of the six Governments these could take place in Brussels, starting in the first half of November."

(sgd. Ludwig Erhard)

Bulletin 6/1961 outlined the main stages by which Great Britain arrived at this decision. The more recent developments in Great Britain, and also in Denmark, Ireland and the European organizations, are recorded below.

#### Statement by Mr. Macmillan to the House of Commons

On 31 July Mr. Macmillan made the following statement to the House of Commons:

"The future relations between the European Economic Community, the United Kingdom, the Commonwealth and the rest of Europe are clearly matters of capital importance in the life of our country and indeed of all the countries of the free world.

This is a political as well as an economic issue. Although the Treaty of Rome is concerned with economic matters it has an important political objective, namely to promote unity and stability in Europe which is so essential a factor in the struggle for freedom and progress throughout the world. In this modern world the tendency towards larger groups of nations acting together in the common interest leads to greater unity and thus adds to our strength in the struggle for freedom. I believe it is both our duty and our interest to contribute towards that strength by securing the closest possible unity within Europe. At the same time, if a closer relationship between the United Kingdom and the countries of the European Economic Community were to disrupt the long-standing and historic ties between the United Kingdom and the other nations of the Commonwealth the loss would be greater than the gain.

"The Commonwealth is a great source of stability and strength both to Western Europe and to the world as a whole, and I am sure that its value is fully appreciated by the member governments of the European Economic Community. I do not think that Britain's contribution to the Commonwealth will be reduced if Europe unites. On the contrary, I think its value will be enhanced.

"On the economic side, a community comprising, as members or in association, the countries of free Europe, could have a very rapidly expanding economy supplying, as eventually it would, a single market of approaching 300 million people. This

rapidly expanding economy could in turn lead to an increased demand for products from other parts of the world and so help to expand world trade and improve the prospects of the less developed areas of the world.

“No British government could join the European Economic Community without prior negotiations with a view to meeting the needs of the Commonwealth countries, of our European Free Trade Association partners, and of British agriculture consistently with the broad principles and purpose which have inspired the concept of European unity and which are embodied in the Rome Treaty.”

Going on to recall the visits Ministers had recently made to Commonwealth countries, Mr. Macmillan said:

“We have explained to Commonwealth governments the broad political and economic considerations which we have taken into account. They for their part told us their views and in some cases their anxieties about their essential interests. We have assured Commonwealth governments that we shall keep in close consultation with them throughout any negotiations which might take place. Secondly, there is the European Free Trade Association. We have Treaty and other obligations to our partners in this association and my right hon. friends have just returned from a meeting of the European Free Trade Association Ministerial Council in Geneva where all were agreed that they should work closely together throughout any negotiations. Finally, we are determined to continue to protect the standard of living of our agricultural community.

“During the past nine months, we have had useful and frank discussions with the European Economic Community governments. We have now reached the stage where we cannot make further progress without entering into formal negotiations. I believe that the great majority in the House and in the country will feel that they cannot fairly judge whether it is possible for the United Kingdom to join the European Economic Community until there is a clearer picture before them of the conditions on which we could join and the extent to which these could meet our special needs. Article 237 of the Treaty of Rome envisages that the conditions of admission of a new member, and the changes in the Treaty necessitated thereby should be the subject of an agreement. Negotiations must therefore be held in order to establish the conditions on which we might join. In order to enter into these negotiations it is necessary under a Treaty to make formal application to join the Community, although the ultimate decision whether to join or not must depend on the result of the negotiations.

Therefore, after long and earnest consideration, Her Majesty's Government have come to the conclusion that it would be right for Britain to make a formal application under Article 237 of the Treaty for negotiations with a view to joining the Community if satisfactory arrangements can be made to meet the special needs of the United Kingdom, of the Commonwealth and of the European Free Trade Association.

"If, as I earnestly hope, our offer to enter into negotiations with the European Economic Community is accepted we shall spare no efforts to reach a satisfactory agreement. These negotiations must inevitably be of a detailed and technical character covering a very large number of the most delicate and difficult matters. They may therefore be protracted and there can of course be no guarantee of success. When any negotiations are brought to a conclusion then it will be the duty of the Government to recommend to the House what course we should pursue.

"No agreement will be entered into until it has been approved by the House after full consultation with other Commonwealth countries by whatever procedure they may generally agree."

### The communiqué from the EEC Commission

On 1 August, after it had been informed by Ambassador Tandy of Mr. Macmillan's statement in the House of Commons, the EEC Commission issued the following communiqué:

"The Commission of the European Economic Community has taken note with very great interest and lively satisfaction of the declaration made by the Prime Minister, Mr. Harold Macmillan, on the subject of Great Britain's adhesion to the European Economic Community. The Commission considers this a turning point in post-war European politics.

"The Commission regards it as a fresh recognition of the economic and political value of the work of European integration undertaken since 1950. It is particularly glad to note the very apt terms in the British declaration according to which the Treaty of Rome has an important political objective which consists in promoting unity and stability in Europe, essential factors in the struggle for liberty and progress throughout the world.

"It recognizes, no less than the British Government, the extent and the difficulty of the negotiations which are to be begun. For some months, the Commission has been studying the problems raised in the case of adhesion for Great Britain and for her various partners on the one hand, and for the Community on the other. It is resolved to bring its full support to a positive solution of these problems, in order to contribute to the realization of this new step in the economic and political unification of Europe, and thereby to tighten the bonds which link the free world on both sides of the Atlantic."

### Statement of the EFTA Council

On 31 July the seven countries of the European Free Trade Association released the following joint statement:

“At their meeting in London on 27 and 28 June, EFTA Ministers decided to re-examine at their next meeting the question whether their common objective — a single European market — could be achieved by way of negotiation for membership of, or association with, the European Economic Community, and they agreed on the lines on which such negotiation should be co-ordinated in EFTA. This examination was carried further at the Ministerial Meeting in Geneva on 28 July. In this connection, Ministers recalled the repeated statements by the Members of the European Economic Community of their willingness to accept other countries as Members or in an associated status.

“EFTA Governments consider that the decision of the United Kingdom Government to take the initiative announced by the Prime Minister in the House of Commons this afternoon, which was followed by a similar statement of the Danish Government, provides an opportunity to find an appropriate solution for all EFTA countries and thus to promote the solidarity and cohesion of Europe. In reaching this conclusion, the Members of EFTA reaffirmed the decisions recorded in the London Communiqué.

“The Members of EFTA consider that it is the duty of all concerned not to miss this new opportunity. EFTA, for its part, will, on the lines set out in the London Communiqué, do everything in its power to seize it. All Member States of EFTA declare their intention to examine with the European Economic Community, the ways and means by which all Members of EFTA could take part together in a single market embracing some 300 million people.

“The Council of EFTA will consider at future meetings, what further action should be taken by the Members of EFTA in the light of these developments.

“The Council invited the Chairman, Dr. Bruno Kreisky, to inform the European Economic Community of the declaration.

“The Council instructed the Secretary-General to inform the Finnish Government of these decisions.”

Below are given extracts from the communiqué released after the meeting of 27 and 28 June and referred to in the above statement:

“... A new effort to bring to an end the European division will necessitate a readiness to make some modification of policy on all sides, but it must respect the basic political positions not only of the several states of Europe, but also of the European Economic Community... While some EFTA countries could not accept obligations of a political nature, all members of EFTA are willing to undertake, in order to achieve an integrated European market, obligations which go beyond those which they have accepted among themselves in the Stockholm Convention ...

“... Ministers considered whether ... a single European market ... could be achieved by way of negotiation for membership of, or association with the European Economic Community. They concluded that it was premature to judge whether this was possible or was likely to be successful ...

“Ministers resolved that the European Free Trade Association, the obligations created by the Convention between the Members, and the momentum towards integration within the Association, would be maintained at least until satisfactory arrangements have been worked out in negotiations to meet the various legitimate interests of all Members of EFTA, and thus enable them all to participate from the same date in an integrated European market. They agreed that a partial solution which created new economic division within Western Europe could not in any circumstances be regarded as satisfactory.”

On 2 August the President of the EFTA Council of Ministers, M. Bruno Kreisky, Austrian Minister for Foreign Affairs, paid a visit to M. Erhard, President in office of the EEC Council of Ministers. He presented the London and Geneva Resolutions of the Council of Ministers together with certain oral observations. There followed a discussion on the different aspects of integration and M. Erhard promised to raise these issues for early discussion in the EEC Council of Ministers.

### Western European Union and the United Kingdom decision

At a meeting on 1 August in the Italian Embassy in Paris the Council of Ministers of WEU heard a statement by Mr. Edward Heath, Lord Privy Seal, on his Government's decision to open negotiations with the EEC with a view to Britain's accession to the Common Market.

After a discussion the following communiqué was released:

“The representatives of the Six signatory states of the (EEC) Treaty very favourably welcomed this initiative, which is of the highest importance for the political and economic future of Europe.

“They recalled that they had always hoped that European States who were ready to assume the same responsibilities and the same obligations in all fields would adhere to the European Community.

“The Council agreed it was necessary, once the procedure foreseen was complete, that negotiations should start as soon as possible and should be conducted and concluded in a spirit of mutual goodwill.”

### The debate in the House of Commons

The two-day debate which followed Mr. Macmillan's statement in the House of Commons ended with a Government majority of 313 to 5 in favour of the opening of negotiations; 258 Labour members and 21 Conservatives abstained. The debate led to a thorough discussion of the subject and allowed the Prime Minister to clarify several points from his statement.

Speakers dealt mainly with questions of sovereignty, of Great Britain's duties and commitments towards the Commonwealth and the EFTA countries, and the requirements of British agriculture.

The approval given by the House of Commons to the Government's démarche was coupled with a request for certain guarantees and assurances on the main points raised. On a number of questions reservations and criticisms were made by Conservatives hostile to the Government's project as well as by the Opposition. Though Conservative objections were less numerous, they would seem more intransigent than those made by the Labour Party, which abstained from voting, though certain of its members made no secret of their approval of the Government's statement. The Labour amendment, which was defeated, notes the Government's decision but calls for a number of assurances which the Government declined to give.

Among the reservations most frequently expressed may be mentioned those connected with the fear of Britain having one day to accept a loss of sovereignty; on 1 August an amendment was submitted to the Government by a group of sixteen right-wing Conservatives in the form of an addendum to the Government's motion, demanding that the Government reject any arrangements with the Six "involving a material derogation of British sovereignty or an implied undertaking to proceed to political union or federation or which are in any other way inconsistent with the continuance by the United Kingdom of its traditional role in the Commonwealth". The amendment was defeated.

Mr. Hugh Gaitskell, Leader of the Opposition, also voiced his objections to any idea of federation.

Mr. Emmanuel Shinwell (Labour) spoke on much the same themes, stressing the fact that if Great Britain moved down the road towards membership of the EEC, she would thereby be committing herself in the long run to complete political integration. Mr. Shinwell added that he thought consultation with the British electorate prior to any decision was indispensable, and if this were not done the Government might find themselves embroiled in considerable difficulties.

Mr. Arthur Holt (Liberal) declared that the fact of signing the Treaty of Rome involved a certain loss of the sovereignty of the House of Commons and of the part played by the Members in the conduct of the affairs entrusted to them by the electorate.

Reservations on the threat of limitations on sovereignty were also expressed by other supporters of British accession to the Common Market, though they stressed the fact that such accession had no political implications.

Sir Derek Walker-Smith (Conservative) was in favour of a simple association of Great Britain with the Common Market: the Government, he said, should not ignore the long-term implications of the EEC Treaty, which is the prelude to a political Community. What would Great Britain do when the Six reached that stage, if she did not intend to follow them along this road, and could she remain a member of the EEC solely on the economic plane?

Mr. Duncan Sandys, Secretary of State for Commonwealth Relations, replying to Sir Derek Walter-Smith, said that there was no political responsibility more fundamental than that of national defence; yet Great Britain, by joining NATO and transferring a large part of the Armed Forces to an integrated international command, had in practice greatly limited her freedom to decide for herself the ultimate issue, the most important of all, peace or war. Mr. Sandys added that the Government had no intention of bringing before the House proposals which would involve any derogation of British sovereignty outside the sphere specifically covered by the Treaty of Rome. The derogation of sovereignty did not extend beyond the economic and social sphere set out in the text of the Treaty.

On this subject the Prime Minister had pointed out that although the federalist movement existed in Europe it was not favoured by the leading figures and certainly not by the leading Governments of Europe today — certainly not by the French Government. The alternative concept, the only practical concept, “would be a confederation — a commonwealth, if you like — what General de Gaulle called ‘l’Europe des patries’, ... working together economically in clearly defined spheres for their common interest.”

On the subject of the Commonwealth, touched on by very nearly all speakers, the stress fell on the fact that links between Great Britain and the Commonwealth were such that it was unthinkable that they should be broken: the safeguarding of the interests of the Commonwealth countries should constitute the main objective in the negotiations. In particular, Members called for consultation with the Commonwealth Governments before any decision was taken.

Sir Anthony Hurd (Conservative) declared that it was essential to reserve powers to maintain a steady market in Britain, with full preferences to Commonwealth countries, and this should be written into any agreement with the EEC countries.

Sir Robert Grimston (Conservative) pointed out that to open negotiations without revising GATT or reorganizing the Ottawa Agreements might well damage the links with the Commonwealth to a quite disastrous extent.

Mr. Hugh Gaitskell, Leader of the Labour Party, set particular store by Great Britain’s obligations to the Commonwealth and criticized the Government for the delay in opening negotiations and for doing this at the very moment when Great Britain found herself in a position of grave economic weakness.

Mr. Harold Wilson, Labour, Chancellor of the Exchequer in the “shadow Cabinet” referred to the possible dangers attendant on entry into the Common Market: deterioration of the trade balance, outflow of capital and decline of Great Britain as banker for the sterling area. He accused the Government of having opted for Europe rather than for the Commonwealth.

Referring to the arguments developed by Mr. Gaitskell and without attempting to conceal the points of divergence between the majority and the Opposition, Mr. Charles



Pannell (Labour) stressed the goodwill on his side of the House for the Common Market. He affirmed that many of them, having thought long and hard about it, had reached the conclusion that what they were debating was not the break-up of the Commonwealth but the "ushering in of a new sense of national greatness". He hoped the talks would succeed.

Mr. Duncan Sandys gave an assurance that the Government would accept no proposals which would prevent her from playing her part in Commonwealth affairs.

This statement did not allay the misgivings of the Conservative splinter group opposed to the Government motion. Some speakers defended the argument that the Government should give pride of place to Commonwealth interests in the forthcoming negotiations, and should adjust its attitude in the light of development in the negotiations.

Dealing with the question whether Great Britain could best serve the Commonwealth within or without the EEC, the Prime Minister affirmed that Britain in isolation would be of little value to its Commonwealth partners, and he thought they understood this. "I believe that our right place is in the vanguard of the movement towards the greater unity of the free world, and that we can lead better from within than outside."

Alluding to certain remarks by Mr. Reginald Maudling, the Prime Minister promised that the Commonwealth countries would be consulted at every level and at all stages. If the Commonwealth countries wished it, a meeting either of Ministers or of Prime Ministers could be held at the appropriate stage before any final decision was taken.

In reply to a Conservative Member, who had asked for an assurance that in the event of negotiations with the Six failing the House would not be asked to maintain its support for a European policy, the Prime Minister declared: "(If it fail), I think that we ought to be quite clear ourselves, and perhaps the countries with which we are to negotiate ought to be quite clear, that quite a lot of things will happen and quite major changes may have to be made in the foreign policy and the commitments of Great Britain". (There has been disagreement over the interpretation of this statement.)

Mr. Macmillan said that he hoped the negotiations would succeed. In any case, he added, it was impossible to go on in the prevailing climate of uncertainty, which would injure rather than benefit the life and strength of the free world.

#### TEXT OF THE GOVERNMENT MOTION CARRIED ON 3 AUGUST BY 313 VOTES TO 5

*That this House* supports the decision of Her Majesty's Government to make formal application under Article 237 of the Treaty of Rome in order to initiate negotiations to see if satisfactory arrangements can be made to meet the special interests of the

United Kingdom, of the Commonwealth and of the European Free Trade Association; and further accepts the undertaking of Her Majesty's Government that no agreement affecting these special interests or involving British sovereignty will be entered into until it has been approved by this House after full consultation with other Commonwealth countries, by whatever procedure they may generally agree.

On agricultural problems Mr. Gaitskell (Labour) felt some optimism in regard to competition between Great Britain and the countries of the Continent.

Mr. Macmillan hinted that the present system of subsidies to British agriculture might be dropped in favour of a new pattern which would ensure an adequate income to farmers. The agricultural programme of the Common Market had hardly advanced beyond the embryo stage, and the situation in the United Kingdom differed from that in some EEC countries since in the United Kingdom those engaged in agriculture were numerically only a small part of the population.

The Prime Minister concluded that it would be wrong to suppose that Britain would be obliged to accept low agricultural prices as part of the bargain. Nor would she be forced to alter the basis of her social security.

The motion moved by the Labour opposition was defeated by 319 votes to 209.

## TEXT OF THE OPPOSITION MOTION

*This House notes* the decision of Her Majesty's Government to make formal application under Article 237 of the Treaty of Rome in order to initiate negotiations to see if satisfactory arrangements can be made to meet the special interests of the United Kingdom, of the Commonwealth and of the European Free Trade Association; regrets that Her Majesty's Government will be conducting these negotiations from a position of grave economic weakness; and declares that Great Britain should enter the European Economic Community only if this House gives its approval and if the conditions negotiated are generally acceptable to a Commonwealth Prime Ministers' Conference and accord with our obligations and pledges to other members of the European Free Trade Association.

### The debate in the House of Lords

The House of Lords also held a debate, which was opened by Lord Home, Secretary of State for Foreign Affairs. Lord Home voiced his conviction that Britain would continue to do "an enormous volume of Commonwealth trade" and added that Britain could serve the Commonwealth better inside the European Community than outside. He stressed that derogations of sovereignty could only be agreed to within the clearly defined limits specified in the EEC Treaty.

Lord Attlee was strongly opposed to the opening of negotiations with the EEC. The former Prime Minister told the Upper House of his fears of Great Britain joining with "essentially capitalist" European countries, and of the British economy falling under the influence of groups of big financiers who control German industry, which is in very much the same hands as those who had supported Hitlerism. Moreover, Lord Attlee felt that by going into Europe Britain would be taking a step back to the old ideas of European hegemony and European colonialism. He did not regard the union of Europe as a step towards the unity of the world. He feared that Great Britain might get so absorbed in Europe that it would neglect the larger issues.

Lord Hailsham (Conservative), while recognizing that the association of Great Britain with the EEC involved certain political links, disputed the notion that Great Britain would be obliged to surrender her sovereignty to a federation.

Lord Layton (Liberal) asked both Houses to approve the Government motion by the largest possible majorities. He recalled that accession to the Common Market was the official policy of the Liberal Party and had been recommended in resolutions at the Party's annual conference.

At the end of the debate the House of Lords approved the Government decision to open negotiations with the EEC by 86 votes to 17.

## Procedure

While considering the replies that had to be made to the United Kingdom's application the Council discussed various procedural problems. It was decided that the Commission should attend the negotiations with the right to speak. The Council also agreed to propose that the negotiations should take place in Brussels.

The Council agreed that other points of procedure, in particular the question of the chairmanship, should be discussed at its next session, and that in the meantime the Permanent Representatives should be instructed to examine them.

Lastly, the Council noted that application for membership of the Community implied unqualified acceptance of the rules and objectives of the Treaty and also accession to the two other Communities (ECSC and Euratom).

Mr. Heath has been appointed by the British Government to be responsible for negotiations at Ministerial level and Sir Pierson Dixon as Permanent Head of the British delegation to conduct the negotiations.

Greece, the associated African States, and Madagascar have been informed of the British, Danish and Irish applications to join the EEC.

## The Danish application

On 10 August M. Otto Krag, Danish Minister for Foreign Affairs, addressed to M. Erhard the Danish application for membership of the EEC. The application was handed to the Council by M. Tillitse, Head of the Danish Government's Mission to the Communities, who submitted at the same time a memorandum in which the Danish Government made clear its position on the Treaty of Rome and expressed its views as to the way in which the negotiations should be carried out.

The text of M. Krag's letter is as follows :

Mr. President,

On behalf of the Danish Government I have the honour, with reference to Article 237 of the Treaty of 25 March 1957 establishing the European Economic Community, to request the admission of Denmark as a member of the Community.

The Danish Government would welcome it if the negotiations on the conditions for admission and on the adaptations of the Treaty rendered necessary by this step and by the particular requirements of the Danish economy and the Danish Community, including Greenland and the Faroe Islands, could be begun as soon as possible.

(sgd. J. O. Krag)

A copy of this letter has been sent to the EEC Commission.

## The EEC Council's reply

At its session of 25 to 27 September the Council approved the text of the reply to the Danish Government's application for membership under Article 237.

This reply, addressed to the Minister for Foreign Affairs of Denmark, was handed on 27 September 1961 to His Excellency Ambassador Lars Peter Tillitse, Danish ambassador to the European Communities, by M. A. Müller-Armack, Federal German Under-Secretary of State, on behalf of the President in office of the Council.

Mr. Minister,

I have the honour to refer to your letter of 10 August 1961 and to inform Your Excellency that the Council of Ministers of the European Economic Community has at its session of 25, 26 and 27 September 1961 given its opinion on the application made by the Danish Government for the opening of negotiations with a view to accession to the Treaty of Rome under the terms of Article 237 of that Treaty.

I am glad to be able to inform Your Excellency that the Council of Ministers has unanimously approved the opening of such negotiations.

In order that the Community be enabled to discuss certain matters of procedure and to obtain information on the specific problems to which the Danish Government's application gives rise, I am also authorized to propose to Your Excellency that a first meeting be held in Brussels on 25 October 1961, which would be followed by the negotiations proper at a later date to be decided in the light of the time required to study the results of the first meeting.

(sgd. Müller-Armack)

### Statement by Mr. Krag in the Danish Parliament

Authorization for the opening of negotiations had been given by the Folketing at a meeting on 3 August. At this meeting M. Krag, referring to the British Government's decision to open negotiations for the accession of the United Kingdom to the Common Market, to the reasons which had induced the British Government to take this step, and to the EFTA statement, said :

"Denmark has always maintained only a single market organization which covered both of our principal outlets, Germany as well as the United Kingdom, could satisfy our commercial needs.

"Such a unified market would enable us to avoid the discriminatory treatment to which our exports would inevitably be subjected as a result of a permanent division of Europe into two market groupings — a division which would have harmful repercussions on all sectors of Denmark's economic life.

"It is evident, therefore, that Denmark must join a new extended common market. The question is: how soon and in what form? Seeing that the negotiations between the United Kingdom and the Six are likely at a very early stage to be concerned with a common European agricultural plan which would cover also the market and the farming industry of the United Kingdom, as well as the question of Commonwealth exports to that market — partly in competition with Danish agricultural exports — there can be no doubt that Denmark's application for admission should be submitted at the same time as the British application as far as possible, aiming — like the British application — at negotiations for full membership with such rights and such commitments as this would imply.

"In the light of the considerations I have explained here the Government has indicated ... that Denmark will approach the European Economic Community in the same way as the United Kingdom, applying for negotiations to be opened with a view to Denmark's admission into the Community on terms which take account of the special needs of the various sectors of our economic life and of the Danish community as a whole, including Greenland and the Faroe Islands.

"The Government declarations by which the United Kingdom and Denmark have indicated their desire for admission into the European Economic Community are clear and concise. The declarations make it clear that the applicant countries want

to join the European co-operation with the obligations, the responsibilities and the rights which this co-operation involves, and that the applicant countries aim at strengthening this co-operation.

"A watering down of the Rome Treaty will not be accepted. Major amendments of the Treaty will hardly be accepted either, even if certain adjustments will be inevitable. The main points to be negotiated will be the special protocols which each individual country will need for its accession, similar to those already set up for the original Members.

"The Danish problems to be solved in the course of these negotiations are very far-reaching. Anticipating the present developments, the Government initiated examinations already a couple of months ago in order to determine as far as possible, — prior to negotiations with the Six — the scope of such provisions and to ascertain also in what cases special provisions would be necessary or desirable for Denmark and what changes in Danish legislation they may involve. These studies, which have reached a fairly advanced stage, will be completed before 1 September 1961.

"It is essential for Denmark to retain full employment, to expand our exports, to continue the development of our industries, to avoid impeding the growth of our standard of living, to continue the improvement of social benefits or — in other words — to ensure that economic growth can be achieved under the best possible conditions in our country.

"The Government is of the opinion that our high social standards will not be jeopardized by our joining the extended Common Market...

"To Danish enterprise the access to a wider European Market will open up new perspectives, which a small isolated market could never offer.

"The Government finds it essential that the Folketing as well as the various sectors of economic life should be enabled to follow the coming negotiations as closely as possible. In the view of the Government the best way to keep Parliament informed will be to set up a parliamentary committee; the various trade organizations can best be informed by following the existing method of holding regular meetings in the Ministry for Foreign Affairs.

"I want to emphasize that even if our admission to the European Economic Community will have far-reaching repercussions in economic and political fields, we find it essential that we should preserve our previous relations with outside countries in these fields.

"Denmark's accession cannot be effected until the results of the negotiations have been submitted to the Folketing and have been approved by the latter in accordance with the rules of the Constitution.

"We realize that the road on which we are now taking the first step will give rise to concern, but the Government is convinced that these developments also open up

new perspectives and can create new possibilities for our country in the present and future changes of economic, technical and political conditions.”

The Government's motion to open negotiations was carried by 152 votes to eleven (of the Socialist Party).

### The Council's interim letters to Denmark

On 16 August the President of the EEC Council replied to M. Krag:

Mr. Minister,

I have the honour to acknowledge receipt of the letter of 10 August in which Your Excellency informs me of the decision of the Danish Government to apply, in accordance with Article 237 of the Treaty of 25 March 1957 establishing the European Economic Community, for accession to the European Economic Community.

I have immediately forwarded Your Excellency's letter to the members of the Council.”

(sgd. Ludwig Erhard)

On 28 August M. Erhard addressed a second letter to M. Krag:

Mr. Minister,

Further to my letter of 16 August acknowledging receipt of the letter with which Your Excellency conveyed to me the Danish Government's decision to apply for accession to the European Economic Community, I have the honour to inform you that the members of the Council have authorized me to say that the procedure envisaged in the Treaty will be set in motion as soon as possible.

I avail myself of this opportunity to tell you how glad I am that the Government of Denmark shares the ideals which led the Member States of the EEC to conclude the Treaty of Rome and that it is ready to accept the principles, aims and objectives of that Treaty.

As soon as the Council has considered the request of the Danish Government I shall keep you informed of the result of its deliberations.”

(sgd. Ludwig Erhard)

### Consultation of the Commission

In a letter dated 6 September M. Erhard requested the President of the EEC Commission, Professor Walter Hallstein, to convey to him, as required by Article 237 of the Treaty of Rome, the Commission's opinion on the accession of Denmark to the EEC.

Mr. President,

In a letter addressed to the President of the Council, of which a copy is attached, the Government of the Kingdom of Denmark has applied for membership of the European Economic Community.

In accordance with the first paragraph of Article 237 of the Treaty I have the honour, on behalf of the Council, to ask you for the Commission's opinion on this application. I should be grateful if this opinion could be conveyed to the Council as soon as possible.

(sgd. Ludwig Erhard)

On 15 September, M. Hallstein, President of the EEC Commission, replied to M. Erhard:

Mr. President,

The Commission has the honour acknowledge receipt of your letter of 6 September 1961 in which you requested the Commission to give its opinion on the application submitted by Denmark on 10 August 1961, as required under Article 237 of the Treaty establishing the European Economic Community.

The Commission warmly welcomes the Danish Government's application for accession to the Community; it is the Commission's desire that the negotiations be begun without delay.

Since the negotiations will concern a number of issues of interest to the Community, the Commission will express its views on these as the negotiations proceed. The Commission will render its opinion under Article 237 of the Treaty in the light of the results of the negotiations.

(sgd. Walter Hallstein)

### Fixing the date for the negotiations

The Governments of the Member States will come to an agreement later with the Danish Government on the date on which the negotiations proper will open.

### The Irish application

The Irish application for membership of the EEC under Article 237 of the Treaty of Rome was addressed to the President of the EEC Council of Ministers by the Prime Minister of Ireland, Mr. Lemass, in a letter dated 31 July. A copy of this letter was passed to the Commission on 3 August.



Mr. Lemass had submitted to the Community on 4 July a memorandum setting forth the Irish Government's intentions but adding that, on account of its economic situation and of the development plan it was pursuing, Ireland would not be able to accept all the time-limits laid down in the Treaty of Rome. The Irish Government, however, intimated to the Council later that its application for membership should be considered independently of this memorandum.

The President of the Councils informed the Irish Government that he would submit the application to the EEC Council at its session of 25 to 27 September.

At this session the Council held an initial discussion of the Irish Government's application and decided to examine it further at its next session. In the meanwhile, the Council has asked the Commission to give the opinion referred to in the first paragraph of Article 237 of the Treaty.

## II. Extracts from an Address given by M. S. L. Mansholt, Vice-President of the EEC Commission

(Meeting organized by the European Movement on 8 September 1961 in Copenhagen)

Ladies and Gentlemen,

You will believe me when I say that I appreciate the privilege of addressing an illustrious audience of representatives from so many and varied organizations interested in matters of European integration. At the same time I realize that I am speaking at a very decisive moment in this integration process. On the one hand, this obliges me not to anticipate, let alone to prejudice, serious negotiations; on the other, this very situation compels me to make a number of fundamental statements which go far beyond the scope of "European Agricultural Policy", which is the theme of this talk.

I have no difficulty in finding a starting point. This is not the first time that I have been in your country, that I have contacted your politicians, or have considered your political and economic problems. As Netherlands Minister of Agriculture I for many years had close liaison with my successive Danish colleagues. In the political, cultural and economic fields there was sufficient reason for such close relations: two small countries determined to hold their own in a world full of political tensions; old cultural links which merit care and attention; a similar economic structure, especially in agriculture. All this made co-operation natural. What could be more desirable than close contact and good collaboration between these two countries, even if the similarity of their agricultural structure meant that they frequently faced each other as competitors in the markets of other countries?

I am speaking to you today as a Vice-President of the Commission of the European Economic Community in Brussels and it might therefore seem as if I had undergone a change of heart, abandoning exclusively national points of view for exclusively supranational ones. Let me therefore say straightaway that there can be no question of any such extreme trend of thought. It was my work as a national Minister that convinced me more and more that economic interlocking, the development of transport, and political necessity all force major groupings on us, especially if we wish to safeguard the legitimate national interests of our nations. National and European thinking are not mutually exclusive, any more than European thinking excludes world-wide links.

I will yield to no one on the point of appreciating national characteristics or achievements. I do not consider a standardized European wish-wash to be a desirable ideal. A great Frenchman, Jean Jaures, once said that the nations were the treasure-

chests of mankind. Gustav Stresemann, German statesman of the period between the wars, compared the nations to flowers which needed to be tied together if they were to make a bouquet that would please the eye.

In a less lyrical but more practical mood I will say that my experience as a minister has taught me that quite a number of national tasks are simply no longer feasible in the framework of a national state. In that limited context, we are left to find some temporary breathing space by means of one of those emergency solutions calculated to pass our own difficulties on to our neighbour and to let him manage as best he may. He can only manage by playing the ball back. And all this zeal and imagination is applied, not to solve problems but to shift them on to some other country, in a western world which knows very well, or ought to know very well, that we are all in one boat and can only survive together.

As recently as in the 19th century half a dozen European countries ruled the world, despite their frequent disputes and wars. After two world wars which at base were European civil wars, and a dramatic world economic crisis, little has remained of this European predominance. But it is not only because we have devastated one another that the importance of our continent has diminished; at the same time non-European world powers and former colonial territories have risen to their present significance and independence.

I know very well that what I have said is nothing new, but many of those who recognize the change in the position of Europe still refuse to draw any serious conclusion from it. Knowledge and understanding, however, are useless if we are not prepared to draw conclusions from them. It seems to me that the cardinal question is this : do we wish to remain a balkanized Europe and thus to accept the dwindling importance of our continent as an unalterable fact? Or do we, by gathering together the political and economic forces of Europe, wish to achieve a European renaissance whose purpose must now, however, be to regain our predominance of the 19th century or to establish ourselves in isolation as a so-called "third" force? Such a renaissance could, however, create the conditions in which our old continent could meet with renewed vigour its obligations in a free world and could prove itself suitable and capable of solving its own problems by its own exertions and according to its own lights.

I know that up to this point I am not likely to meet any contradictions. The issue becomes critical when we begin to consider the possible forms of such a European merger. This is the touchstone. From what I have said so far you will have realized that nothing is further from my mind than a doctrinaire attitude. In the dispute about "federal" or "confederate" solutions I have always remembered the very instructive title of the Swiss Constitution which covers both concepts. It is : "La Constitution fédérale de la Confédération helvétique". But to reject a doctrinaire attitude in matters of European integration must not mean to be content with superficial solutions which, whilst they provide high sounding phrases, do not alter a situation where the

settlement of problems is sought in a free-for-all rather than in co-operation, or in passing difficulties on to other countries rather than by the European nations accepting joint responsibility.

The six countries of the Coal and Steel Community which were the first to seek and to find a supranational solution — the six countries sometimes ironically called “little Europe”—have accumulated more than ten years of experience and they are quite familiar with the search for suitable ways of doing things in such a manner that national freedom of action is not curtailed more than necessary for the common good, whilst on the other hand the rights of the Community are safeguarded. Let me remind you of the first phase of the pre-history of the EEC when at the Messina Conference in June 1955 the then Netherlands Foreign Minister M. Beyen said that we would like to set up an economic community, but were afraid of supranational means. He felt that we should examine what institutions were needed to reach our goal; if it should turn out that supranational institutions were required, then we should approve the means for the sake of the end.

The institutions finally set up reflect an effort to balance national and common interest: in the Council of Ministers national views come face to face with proposals by the Commission, which represents the common interest in a community whose aim it is during a transition period of 12 to 15 years to merge six national economies into one within which there will be no restriction on the free movement of persons, goods, capital or services. There is a European Parliament, whose powers need to be extended, an Economic and Social Committee and a European Court of Justice to provide for the division of powers through which is created the balance that is a self-evident prerequisite of any democratic society. The EEC Treaty is no more perfect than any other product of the human mind. For that very reason it is so important that those who have to implement it should be imbued with a clearly democratic spirit and aware of the common needs of Europe.

Perhaps what I have said will lead you to believe that I am not aware of the applications for membership presented by your country and Great Britain, and that I am trying to persuade you where you have already made your decision. I am quite familiar with the letters from your and the British Government, and of course I have also studied the Danish memorandum of 10 August in detail. I place such emphasis on the aims of European integration because I fear that any unduly opportunist attitude will not facilitate but rather impede the coming negotiations.

When they started their work, the EEC partners fully realized that they were tackling an arduous task which would require many sacrifices, they were guided by the words of Paul-Henri Spaak who said that despite sacrifices this merger would be worthwhile because it would amount not merely to an addition but to a “creation”. We should like to rediscover something of this spirit in the extended community, lest its achievements to date be undone and a development which is full of promises for the future of Europe be stifled at the very outset.

This is not to say that we require a declaration of faith from those who for sober and pragmatic considerations have, after much hesitation, come to the conclusion that the concept of the EEC is after all not as unreasonable as they perhaps thought in the beginning. Nevertheless we wish to leave no room for doubt that we are convinced that the success which the EEC has attained so far would not have been possible without the impulse provided by a genuine new European concept, and that this success must be maintained, particularly if the new members are to have their full share in it.

I am not passing any judgment but only stating a fact when I say that nothing but the successes so far attained by the EEC have in the end induced Great Britain and other countries such as Denmark and Ireland to apply for negotiations with a view to joining the Community. Nor is it by any means new for British statesmen to be guided by facts rather than by an ideology. I will not deny that this step has given us a twofold satisfaction. Twofold, because we were never so arrogant as to believe that the Community of the Six was the whole of Europe, and because this step taken by those who have so far stood aloof now confirms the success of our labours.

I think back with pleasure to the letters in the London Times in which one reader asked "What would be the dowry if Britain married Europe?" and another replied that "before this question could be answered, Britain would first have to propose". This is what has now happened.

I have spoken of a twofold satisfaction. I should like to say a few words on both aspects of this. In the first place, then, the British step is a recognition of the success of the EEC. I know that this decision is of historic importance for Great Britain. Not because in any choice between Europe and the Commonwealth Britain has decided in favour of Europe; we certainly do not wish to place Britain before such a choice. We know full well that a rupture of the Commonwealth would be a loss not only to the United Kingdom but to the whole of Europe. Yet it is a decision of historic importance because for the first time Britain is showing the will to exert not only an indirect influence by a policy of keeping the balance of power in Europe, but to enter into a direct European engagement on an issue of decisive importance. This decision should not be dismissed lightly. It gives me pleasure to note that in the case of Mr. Macmillan, the Prime Minister of Her Majesty's Government, it means the rediscovery of Europe. This is of great importance because whilst he was one of the leading figures in the European movement during the first years of the Council of Europe, he showed an enthusiasm for Europe which cooled off when he took office as Prime Minister. This is now resurging. It is the decision of a statesman who has allowed practical experience to teach him a lesson.

This lesson, which amongst other things consists of the Community's record of success, can be illustrated with a few figures.

In a few months it will be four years that the EEC has been in operation. After a relatively short running-in period, the first measures began to make themselves felt

and many of these proposals must be decided by a certain date. They are by no means new to our partners in the negotiations. I am not giving away any secret when I say that—regardless of the closed-shop charge—the Community has always maintained close contact with the diplomatic missions of our present and future partners in the negotiations and that it has kept them informed of the Community's work, its proposals and its decisions to the extent that they needed to be informed. Our partners know what is up for discussion, and I assume that this knowledge has determined them to take up negotiations. Therefore, just as the Community must not surprise them with unexpected decisions, they must not demand that no decisions be taken during the negotiations. Apart from the fact that fruitful negotiations which are to lead to a European unification full of promise for the future must not begin with a breach of the Treaty, from the point of view of its due implementation, there is also a completely unpolitical and purely economic reason why there should not be a standstill. We realize that the creation of a vast economic unit cannot be accomplished painlessly or without difficulties of transition. Such obstacles are more easily overcome at a time of extraordinarily favourable economic trends. We must therefore try to make hay while the sun shines, particularly if we wish to gain stability, strength and soundness in order to meet the Treaty's requirements. These are to raise the standards of living, of employment and of economic expansion, but also to match up to our great obligations vis-à-vis the developing countries.

### III. The Commission's memorandum on the future system for the association of the overseas States with the Community

The Commission has transmitted to the Council a memorandum on the future system for the association of the overseas States with the Community. The guiding principles of this new system proposed by the EEC Commission for a seven-year agreement are the following :

- a) Voluntary adhesion and co-operation;
- b) Maintenance of acquired benefits;
- c) Raising of living standards by transforming, modernizing and industrializing the economies.

“ The Community must continue the association in the spirit in which it was first conceived, modifying its course of action in the light of political developments in Africa and Madagascar and of the lessons learnt during the early years of association. In the opinion of the Commission the guiding principles of the new system may be stated as follows :

1. The association must be founded on the free and unreserved adhesion of all its members and on effective co-operation between them;
2. No new concrete provision is acceptable for the associated States unless it falls in line with a series of benefits at least equivalent to those they enjoy under the Implementing Convention now in force;
3. The essential purpose of the association is to raise the living standards of the associated peoples...

“ Only a dynamic concept can enable the associated economies to make up their leeway without too much delay. It is in this direction that the EEC must work in close liaison with the African States and Madagascar. It is therefore not only a question of strengthening the existing economies by protective measures ; the Community must also play a special part in the transformation of these countries and support them in their efforts to achieve a satisfactory balance by modernizing and industrializing their economies.

In particular the EEC must take action to render less precarious the African or Malagasy producer's reward for his labours. The Community must co-operate with the overseas countries concerned in order to bring that reward up to a satisfactory level.

But in so doing it will allow the free play of the markets to continue so as to promote the adaptation of production to consumer demand.

Although established with the "associated States" which have expressed their intention of maintaining it, the association must remain flexible enough to be adaptable to future developments in intra-African economic relationships, which may conceivably embrace countries not a present associated with the Community.

With these considerations in mind the Commission is already sharing in the work of the Development Assistance Group composed of the States which are assisting the economic and social advancement of the underdeveloped countries. The EEC has also set up its own working parties or study groups to examine possible solutions to the problems confronting the developing countries as a whole.

When the conditions and practical details for continuing the association are being re-examined, it would be desirable that arrangements be made whereby the European Community can exert itself in this direction in co-operation with the organizations and the countries concerned.

If these objectives are to be attained the EEC must be able to pursue its activities over a long period; continuity is essential.

However, in view of the need to keep the machinery adaptable to the trend of economic and social conditions in the States concerned, it would appear advisable to fix the duration of the new implementing convention at seven years."

### Legal aspects of the Association

The Commission considers that the Association was concluded for an indefinite period. The commitments entered into between the Member States lose none of their force by reason of the accession of the overseas countries to independence.

- 1) "As long as the Member States have not stated that they are unanimously agreed to revise the Treaty, problems within the Community must be examined in the light of its provision and in particular of Part Four.
- 2) It is clear from the Treaty, and in particular from Article 131, that the association referred to in Part Four of the Treaty has been set up between the overseas countries and territories on the one hand and the Community on the other.
- 3) The legal aspects of the future association are studied here with sole reference to the overseas countries and territories referred to in Part Four of the Treaty...

"By common agreement the association with the Community of the overseas States now independent is being maintained until further order under the conditions stipulated in Part Four of the Treaty and in the Implementing Convention. The decision



of the Council of the European Economic Community on this point left open the question of the legal effects of accession to independence on the existing system of association.

“The association referred to in Part Four of the Treaty is among the undertakings subscribed to by the Member States among themselves for an indefinite period (Article 240). This reciprocal obligation between the Member States is not rendered null and void by the accession to independence of one or more of the countries and territories listed in Annex IV of the Treaty. This is clear from the following :

“The association covers non-European countries and territories which, at the time when the Treaty was concluded, had special relations with certain Member States. These relationships were not specified and some came to an end with the acquisition of independence, but those which continued are important enough to justify, and even to necessitate an economic link between these countries and the EEC in the form of an association.”

Under Article 136 of the Treaty of Rome, the Council of Ministers of EEC must determine, before 31 December 1962, the provisions to be made for a further period of association. But the position then adopted can commit only the EEC. It will provide the substance of an offer to the overseas States but will not suffice to determine the new association system.

In order to supplement the effect of Article 136 it will also be necessary to invoke Article 238 of the Treaty, which allows the Community to conclude association agreements with independent States.

Consequently the detailed implementation of Part Four of the Treaty for a further period will derive from agreements between the EEC and the associated States on the basis of a model association agreement which is being drafted jointly and is to be referred to all interested parties for their approval.

### **Economic and commercial aspects**

The aim of the trade system proposed by the Commission is to give the associated States a series of advantages at least equivalent to those they enjoyed at the time of their association with the EEC.

“The trade system to be fixed under the new convention is substantially the same as that established by Part Four of the Treaty. It may be summed up as follows :

1. Overseas products from an associated country or territory will enter the Member States and the other associated countries and territories duty-free; this exemption will be introduced according to the same timing as in trade between the Member States.
2. The products of the Member States will enter the associated countries and territories without discrimination as between the exporting States.

Should the countries and territories introduce customs duties as provided for in the Treaty these will have to be equal for all Member States.

3. The abolition of quantitative restrictions will be carried out at the same pace as in trade between the Member States. But this provision is only applicable for the duration of the Implementing Convention. Should this not be renewed quotas will remain at the level reached in the fifth year.

4. In this way products originating in the overseas countries and territories will be admitted duty-free to the territory of the Community, while the same products from non-member States will be subject to the common external tariff. Nevertheless there will be large duty-free quotas for imports of unroasted coffee into Italy and the Benelux countries and of bananas into the Federal Republic of Germany."

But the system laid down by the Treaty must take account of the special economic relations which existed between France and the associated countries of the franc area at the time of their association with EEC. These relations are based in the main on guaranteed prices and market priorities granted by France for certain staple products of the African States and Madagascar.

It is not legally impossible for France to maintain quantitative restrictions on agricultural products of tropical origin until the end of the transition period, but such a course would mean abandoning free movement of these products within the EEC and would run counter to the very concept of the Common Market. Furthermore, the maintenance of artificially higher prices in a Member State would seem to conflict with the harmonization of living conditions which is one of the aims of the Treaty.

Solutions must therefore be sought in other directions. Despite the granting of tariff quotas and the introduction of consumer taxes, the common external tariff constitutes for overseas producers an advantage which, although limited, is guaranteed by the Treaty. Furthermore, the resolutions adopted at Ouagadougou by the OAMCE (African and Malagasy Organization for Economic Co-operation) express the serious concern of the associated States at the disappearance of certain quantitative guarantees at present offered by the French system. Finally, although it would appear difficult to induce the Member States both to increase their customs duties up to the level of the common tariff and to share in the financial effort hitherto made by France alone, it should be pointed out that the general requirements of trade policy, particularly with regard to developing countries, lead to the reduction of certain duties provided for in the common tariff.

The Commission has borne these factors in mind in seeking solutions capable of ensuring for the associated States advantages at least equivalent to those they enjoyed at the time of their association with EEC.

*Trade system.* In principle the Member State apply to the associated States the system in force between themselves under the Treaty of Rome. However, the Commission proposes to quicken the pace of internal customs disarmament and of the introduction

of the common external tariff for a number of products : bananas, tea, coffee, pineapples, vanilla, cloves, nutmeg, cocoa and tropical woods.

These products should have free access to the markets of the Member countries not later than 1 January 1965. The basic duty should already have been scaled down by 50 % by 1 January 1963.

Similarly, the common external tariff should be in force for these products by 1 January 1965, the duties on coffee, cocoa and bananas being cut by 50% by that date.

“ The lifting of quantitative restrictions on the import into the Member States of the products affected by the special intervention measures provided for in Chapter II will take place *pari passu* with the introduction of these measures.

To this end the Community, in conformity with the Treaty and after consulting the associated States within the common institutions, will fix the pace at which quantitative restrictions are to be lifted for imports of these products from the Member States, from the associated States and territories and — in the framework of common commercial policy — from non-Member States.”

The timing for elimination of quantitative restriction on imports from associated States and territories or from non-member countries will thus be fixed by the Community after consultation with the associated States. Some of the products in question would benefit by special measures under which the elimination of quantitative restrictions will have to be carried out step by step with the introduction of the aids planned. Further measures will however be studied in consultation with the associated States if the ending of the quotas protection granted on the French market to certain overseas States is not offset by the measures designed to regularize and maintain the earnings of African and Malagasy producers.

The following time-table will be observed for the liberalization of trade by the overseas States : by 1 January 1965 abolition of customs duties and charges with equivalent effect; by 1 January 1963 abolition of quantitative restrictions. However, the overseas States will have to be allowed to levy customs duties and apply quantitative restrictions justified by the exigencies of their economic development.

As regards consultations within the institutions of the association, the EEC and the associated overseas States will decide on their commercial policy and their respective external customs tariffs.

Without prejudice to consultations through the institutions of the association, they agree, in respect of products of essential interest to a partner State, to consult each other on the following matters :

- a) Projects for the amendment or introduction of customs duties or quantitative restrictions vis-à-vis non-member countries.
- b) Problems relating to the harmonization of trade policy.

c) Special problems concerning the supply and marketing of certain goods.

In trade with each other Member States and the associated States will benefit by safeguard clauses similar to those provided for in Articles 108, 109, 115 and 226 of the Treaty under conditions and following a procedure to be determined.

*Aid measures in favour of tropical products.* These will take the following form :

i) Introduction of anti-cyclical loans ;

ii) EEC participation in international price-stabilization agreements ;

iii) Direct aid : for products of essentially tropical character, a direct aid to production will be introduced. It could already be applied to coffee, bananas and cotton. Estimated cost : 30 to 35 million dollars annually. Financing : through a budget subsidy from the Member States or by a Community contribution on quantities exported. The size of the subsidies will be determined by the Association Committee<sup>(1)</sup> on the basis of a target price also fixed by the Committee. Any aid operation will form part of the special product-by-product accounts, which will be managed by the joint production fund.

“The sums thus levied will go to maintaining special accounts for the different products which will be managed by the joint production fund. The decision on how the special account is to be financed will be taken by 1 January 1963 so that it may be possible to grant the first direct aids for the 1963/64 season.

The distribution of aid and the way it is allotted between the States and territories benefiting could be decided on by the joint Council of Ministers on a proposal of the Association Committee according to a procedure to be determined. Each year the Committee would establish for each product in respect of which aid is granted and for each State a target price which would take into account the trend of the world market, progress in improving agricultural and commercial productivity and the development of the purchasing power of the agricultural population.

“The Association Committee will fix the amount of the subsidies on the basis of this target price and within the limits of the Fund's resources.”

“In accordance with these decisions aid between producers is allocated by stabilization funds or other local bodies designated by the associated States concerned.”

*The Joint Production Fund* : this Fund will dispose of 25 million dollars annually, the associated States being contributors in addition to the Member States. Its objective will be to permit the establishment of a diversified economy and, in particular, a viable agriculture. It will help to pay for the studies needed for this purpose and will control the financing of direct and indirect aids to production. A special sum of 50 million dollars will be at the disposal of the section dealing with anti-cyclical loans.

(<sup>1</sup>) See in this Bulletin Institutions and organs, p. 75.

*Measures intended to promote trade in and consumption of tropical products.* The Commission proposes the following measures: cut back the common external tariff rates for coffee to 4.5 %, for unroasted coffee to 8 %, and for bananas to 10 %; amend the protocol concerning tariff quotas; abolish consumer taxes on coffee and cocoa in two stages by 1 January 1965.

“In the light of the provisions of the preceding chapters in favour of agricultural production in the associated States and territories, customs protection for certain tropical products whose export is essential for many non-associated developing countries may be fixed at a lower level than in the present customs tariff.

“This level must be fixed in such a way as to enable the associated countries to channel their exports towards EEC without injury to the legitimate interests of non-member producing countries.

“Consequently, the level of the common external tariff for cocoa, coffee and bananas is fixed at the following rates:

Cocoa	4.5% ad valorem
Unroasted coffee	8 % ad valorem
Bananas	10 % ad valorem.

“The new rates will be introduced on 1 January 1965. At this date the aid measures for the production of coffee and cocoa provided for in Chapter XI will have come into force and the associated territories will enjoy free entry for these three products into EEC.

“The introduction of a lower customs tariff for coffee and bananas makes it possible to envisage a change in the protocols establishing tariff quotas for imports of bananas to Germany and of coffee to Italy and Benelux.”

*Consumer taxes on coffee and cocoa.* The Member States which charge special internal taxes on these two products will progressively abolish them as follows:

On 1 January 1963 the taxes in force will be reduced by 50 %.

On 1 January 1965 they will be abolished.

#### Right of establishment

The principle of non-discrimination laid down by the Treaty for the right of establishment in overseas countries and territories will be maintained. A similar principle should be established for services. Lastly, payments in connection with various liberalization measures should be automatically authorized.

#### Investment

“The Implementing Convention which expires on 31 December 1962 set up a Development Fund to help in the financing of public investments necessary for the economic and social progress of the associated countries.

Experience has shown that these arrangements were too limited. Advantage must be taken of the renewal of the association to widen the field of action of EEC and to make its intervention procedures more flexible, so that it may be more easily adapted to varying situations and problems.

“Whatever be the overriding importance and the need for public action in all the associated countries, balanced development is inconceivable at this stage without a simultaneous effort by private investment from home and external sources. But both will finally avail little in the absence of an orderly and coherent development plan.

Economic planning, private investment and public investment are therefore the three sectors in which the help of EEC to investment in the associated countries must be brought to bear...

“The experience of the European Development Fund in financing public investments has revealed the shortcomings of the present method which consists simply of outright gifts.

“It is true that the economic and financial situation of many associated countries does not allow of any other system, which in any case is the only one feasible for investments whose profitability is indirect or too remote. It is however necessary also to provide for loans, not only on normal capital market terms but also on special terms with regard to interest rates, redemption dates and even the currency in which repayment must be made. Finally, to facilitate access to the capital market and a reasonable spread of the financial load, the EEC must also be in a position to give its backing to loans contracted by the associated countries with existing credit institutions.

“Such arrangements would make it possible to reserve grants from the European Development Fund for instances where the associated countries are unable to obtain finance from any other source and would obviate their having to make repeated approaches in various quarters, as is the case at present.”

*Establishment of economic programmes:* the Fund must be authorized to finance the studies necessary for this work.

*Public investments:* the new development fund, disposing of 220 million dollars annually, should be able to grant loans on special terms as well as making gifts. The European Investment Bank will be responsible for the financial management of the loans.

“Doubtless such an amount would be higher than the average annual budget of the present Fund, which is only about 116 million units of account. But it must be remembered that in the new association system only a part of the Fund's resources can be used for gifts, while the remainder will supply loans. But as repayments come

in these loans will in time help to sustain the Fund. Consequently, the non-repayable financial contribution required of the Member States could in fact be held at much the same level as that to which they agreed for the initial period of the association."

"Furthermore, it would appear necessary to encourage small or medium size investments for private, local schemes. In several associated countries development banks or special credit institutes have been set up for this purpose. The new association system should include arrangements whereby the EEC can encourage the creation of such establishments and assist the development of their activities by granting them loans on special terms to meet the cases that arise."

*Private investment.* Aid could take the following forms: backing for loans contracted by the associated countries to carry out their development programmes; encouragement for the setting up of development banks and specialized credit institutions.

All the financial aid would be administered by the Association Committee under the supervision of the joint Council of Ministers.

#### Technical co-operation

In this field the Commission proposed that 25 million dollars be allotted annually for the training of specialists (scholarships and training periods); pre-investments (financed by the European Development Fund); "accompanying" action (making available to the overseas countries the necessary specialists to execute investment projects); establishment of a European Development Institute for the training of experts and supervisory staff for the overseas countries.

The Community's action in this field must be based on the spirit of co-operation which should reign in an association.

The new arrangements should provide that the present system of study periods organized by EEC (funds for which must be voted annually) should be transformed into an exchange programme designed to develop cultural and professional relationships between young people in the member and associated countries, and that the associated countries should make their own contribution to the technical aid measures connected with investments.

The task of the European Development Institute, whose establishment was suggested by the Commission and "welcomed" by the Council would be to train, on the one hand experts who would form all-round teams of economists and technicians, and on the other supervisory personnel for the overseas countries.

#### Institutions

The implementation of a new system of association consonant with the present political status of the associated countries calls for appropriate institutional structures. The need is for bodies which would make it possible: (1) to set up an executive, (2) to

solve any problems which might lead to disputes, (3) to ensure the necessary inter-parliamentary co-operation, (4) to provide for consultations with the trades or professions concerned.

The Commission proposes the establishment of a Joint Council of Ministers which would be the supreme body in the Association. It would be composed of representatives of EEC and of the associated States on a footing of equality and its decisions would be taken unanimously. Though the Treaty specifies the procedures to be followed in defining the position of the Community in this matter, it is still necessary to lay down those by which the position of the associated States is to be determined. Many solutions are possible in this field.

The Council would deal with all matters of direct concern to the Association. The Commission further proposes the establishment of an Association Committee which would also be on a footing of equality. It would be presided over by a representative of the Commission whose task, under the aegis of the Council, would be to see that the terms of the Association are carried out and to ensure permanent co-operation between all its members. This Committee would be entitled to make recommendations to the Joint Council of Ministers and would prepare business for its meetings, etc... It would be assisted by a Secretariat.

Any disputes would have to be referred to the Joint Council of Ministers, which would endeavour to bring about an amicable settlement and, failing this, would decide which authority should determine the dispute and by what procedure.

Lastly, an annual meeting of members of the European Parliament and parliamentarians of the associated overseas States should provide the occasion for a broad confrontation of political ideas at the same time as contacts between the European and African parliamentarians and the Joint Council of Ministers.



## IV. Tariff quotas 1961

The decision of 12 May 1960 to speed up the implementation of the Treaty, taken by the representatives of the Member States, has meant that the approximation of national tariffs to the common customs tariff was brought forward by one year (to 1 January 1961 instead of 1 January 1962). For this reason the Member States have asked for tariff quotas as from 1961. Before closing the dossiers submitted and examined during the current year it is worthwhile to look back and to outline the principles which guided the Commission in its decisions and proposals, to sketch the examination procedure adopted by agreement with the Member States, to draw up the balance of tariff quotas for the year under review, and to assess the incidence of these quotas on the economies of the Member States; the special case of tropical woods which raised the problem of customs preference for the overseas countries also merits further consideration.

The requests for a grant of tariff quotas are based on :

- a)* Either Article 25 (1 and 2) of the Treaty, the purpose of which is to eliminate or at least to mitigate certain adverse effects which could result from a strict application of Article 23 of the Treaty (the progressive implementation of the common customs tariff) ;
- b)* Or the protocols of 2 March 1960 to the Rome Agreement concerning certain products contained in List G (Article 20 of the Treaty) and designed to meet similar preoccupations.

Since the speed-up decision excludes agricultural products from approximation towards the common customs tariff, no request to open tariff quotas on the basis of Article 25 (3) was submitted in 1961.

Tariff quotas under Article 25 (1) can only be granted if the products concerned appear in lists B, C or D in Annex 1 to the Treaty and if the reasons submitted show :

- i)* That output in the Member States is insufficient to meet demand in the applicant Member State ;
- ii)* That the applicant Member State is traditionally dependent for a large part of its supplies on imports from non-member countries.

These quotas are granted by the Council acting by means of a qualified majority vote on a proposal of the Commission.

Before making its views known on the requests submitted under this article, the Commission has considered a number of questions concerning its interpretation. By the first condition laid down in Article 25 (1) it is inferred that supplies to the applicant Member State are to be viewed in relation to output in the Community as a whole. It has been agreed that in assessing supplies available to the applicant Member State its own production must be taken into account.

The second condition is that supplies to the Member State must to a considerable extent be represented by imports from non-member countries. The term "considerable extent" applied to the concept of supplies as defined above signifies that this must relate not only to imports from other Member States but also to the total supplies of the product concerned available to the applicant Member State including its own production.

This second condition laid down in Article 25 (1) also contains the requirement of traditional dependence on these supplies from non-member countries. This implies a certain duration and continuity of the imports concerned without however necessarily requiring the tradition to go back further than the date on which the Treaty entered into force, i.e. 1 January 1958.

Article 25 (2) of the Treaty reads :

"In respect of the products in List E and those in List G for which the duties shall have been fixed in accordance with the procedure provided for in Article 20, third paragraph, the Commission shall, at the request of any Member State concerned, grant to such State tariff quotas at a reduced rate of duty or duty free, where a change in sources of supply or a shortage of supplies within the Community is of such a nature as to entail harmful consequences for the processing industries of the Member State concerned.

Such quotas may not exceed the limits beyond which the transfer of activities to the detriment of other Member States is to be feared."

It must be remembered in the first place that the rates applicable to the products in List G were fixed by the Rome Agreement of 2 March 1960, that is to say without recourse to the procedure laid down in the third paragraph of Article 20 of the Treaty so that the provisions of Article 25 (2) concern only the products in List E (in Annex 1 to the Treaty).

The Commission (and not the Council) grants the tariff quotas under Article 25 (2) provided that the reasons submitted show :

i) A change in the sources of supply

or

a shortage of supplies available in the Community ;

ii) A situation likely to entail harmful consequences for the processing industries of the Member State concerned.

A shortage of supplies within the Community is subject to the same criteria as those which apply in the case of Article 26 (1). Purchase in the countries of the Community of products previously imported from non-member countries counts as a change in the sources of supply.

Nevertheless it is not enough to plead a shortage of supplies in the Community; the need must also be shown for imports subject to increased customs duties (following upon the first approximation towards the common customs tariff) which calls for the proof of harmful consequences for the processing industries concerned, such as the danger of reducing their outlets. It goes without saying that, to the extent that sales of processing industries in non-member countries play a role, the conditions for the application of Article 25 (2) are not fulfilled when raw materials used for the manufacture of exported products benefit by exemption from duty by virtue of the provisions on processing traffic or by virtue of any analogous tariff provisions.

Also, when Article 25 (2) is invoked, it must be shown that the change in the sources of supply increases the costs of the processing industries because the products affected by the increase of customs duties cannot be purchased in the Community except at a higher cost price, this increase in costs involving a reduction of outlets for the processing industries.

Furthermore — and this is yet another condition for the grant of a quota — the tariff quota is only allocated to the extent that such an increase of costs cannot be borne by the processing industries referred to. Therefore any quota granted will be limited, both as to rate and volume, so as to eliminate harmful consequences only.

The protocols annexed to the Rome Agreement of 2 March 1960 on the products in List G further provide that the Commission shall grant most of the tariff quotas by provisions analogous to or derived from those of Article 25 (2) of the Treaty. Therefore, what has been said in the preceding paragraph is applicable *mutatis mutandis* to the protocols in question, since for the purposes thereof the final act of the Rome Agreement contains a "Declaration by the Commission" setting out what it understands by the term "harmful consequences for the processing industries".

Some of these protocols nevertheless contain special provisions the scope of which depends on the special features of the economic sector concerned. This is so in the case of the protocols on the granting of tariff quotas for certain ferro-alloys, unwrought aluminium, lead and zinc.

These protocols refer either to "the needs of the processing industries" themselves or to the "import requirements" of these industries.

The protocol on paper pulp presents the special feature that under its provisions the Member States themselves are authorized to open tariff quotas free of duty or at a reduced rate of duty for certain types of pulp to cover the whole of their requirements provided that they so inform the Commission.

It must further be remembered that both paragraphs 1 and 2 of Article 25 of the Treaty lay down limits for the tariff quotas, specifying that these "may not exceed the limits beyond which the transfer of activities to the detriment of other Member States is to be feared". Most of the protocols annexed to the Agreement on List G contain a similar clause, which means that a careful examination must be made at

Community level of the economic data relating to the sector under review, and especially those relating to trade amongst the Member States. Moreover the clause in paragraph 4 of Article 25 according to which "the Commission shall periodically examine any tariff quotas granted in application of this article" (the protocols annexed to the Agreement on List G contain a similar provision) makes it possible to adjust the volume of the quotas in the light of these economic data but within the limits of the conditions determined for their being granted.

From June 1960, the staff of the Commission have been in contact with the national administrations concerned, and have held meetings with experts from the Member States; they have stressed that requests for tariff quotas must be submitted in good time and that the procedure for their examination must be laid down. It was therefore agreed that the other Member States would be consulted in writing on each product concerned; they would be able to lodge, within a given period, any objection they wished to make. Also, in those cases where it proved necessary the Member States have had an opportunity to exchange views at informatory meetings called by the staff of the Commission.

Apart from the fact that the requests were submitted belatedly and that non-applicant Member States had to be consulted — a procedure which required a certain amount of time — the staff of the Commission have met with several technical and practical difficulties. Statistical data were generally supplied in an overall manner whilst the products concerned mostly constituted no more than parts of a tariff line. Moreover the supporting arguments originally advanced were not always in conformity with the provisions invoked so that the Member States concerned had to be asked to supplement or modify them.

The Council of Ministers, to whom the first proposals of the Commission for a grant of tariff quotas under Article 25 (1) were submitted, has studied the principle of tariff quotas itself in view of the relatively high number of requests submitted, although the first approximation to the common customs tariff involved only small duty increases. So as not to jeopardize the customs union the Council has suggested that a solution be sought by reducing or abolishing the duties of the common customs tariff at the same time as the quota demands for the products concerned are withdrawn. Therefore the experts of the Member States have met several times under the auspices of the Commission and have reconsidered the requests submitted with a view to reducing their number.

For 1961 the overall situation is as follows :

Number of requests submitted	150
Number of requests granted	
Under Article 25 (1)	26
Under Article 25 (2)	11
Under the protocols annexed to the Agreement on List G	32
Total number of requests granted	69

The Council has also decided to modify one tariff sub-heading and to suspend for 1961 the duties of the common customs tariff for 23 products or tariff lines, thereby making it possible for 31 requests for tariff quotas to be withdrawn. In view of the objections raised, several Member States have withdrawn their requests to a total of 29. Again in view of the objections raised, though still unwilling to withdraw their requests, some Member States have agreed that a certain number of these be held in abeyance pending the outcome of talks between producers and consumers in the Community (7 requests).

The Commission has rejected 14 requests on the grounds that they did not satisfy the conditions of Article 25 of the Treaty or of the protocols annexed to the Agreement on List G.

Most of these requests were rejected on the ground that they referred to products for which the duties of the national customs tariff concerned were higher before 1 January 1961 than those which as from that date applied in consequence of the first approximation towards the common customs tariff [Article 25 (1 and 2)] or because no proof had been established that there was a shortage of supplies in the Community, or no sufficient proof had been given of the harmful consequences for the processing industries of the Member States concerned (Article 25/2).

Of the demands submitted under the protocols annexed to the Agreement on List G, only those submitted by the Benelux countries and referring to Protocol XII on unwrought aluminium were rejected. This protocol provides for the granting of tariff quotas, especially to the Benelux countries, but lays down the rate of 5 %. This rate is higher than that resulting for these countries from the first approximation towards the common customs tariff, and furthermore the fact that the protocol in question envisages the granting of tariff quotas with effect from the first approximation is no justification for the granting of these quotas at a rate of less than 5 %, as requested by the Benelux countries. Nevertheless, whilst rejecting these requests the Commission, considering that the Benelux states have to face special difficulties in this sector, has authorized them to delay the approximation of duties for unwrought aluminium to 31 December 1961, so that a duty of 1.5% may be applied to this product.

The assessment of the economic impact of these tariff quotas involves considerable difficulties. The greatest of these arises in calculating the percentages, both as to volume and value, of these quotas as compared with overall imports of the products concerned from any source.

For one thing the relevant information has to be derived from statistics which more often than not are of a global character and of which these products constitute only a part; secondly the use of a common measuring unit does not in every case allow a wholly satisfactory approximation.

Nevertheless, the following percentages may be considered as indicative :

*Tariff quotas in million tons and percentages by volume*

(Reference : imports 1960)

	World	Non-	Request		Grant	
	volume	member				
	1	countries	% of 1	% of 2	% of 1	% of 2
		volume				
	2					
Total	397 232	262 427	0.38	0.58	0.28	0.43
Germany	127 623	94 261	6.55	8.87	5.83	7.89
France	76 946	53 327	0.216	0.312	0.098	0.0142
B.L.E.U.	63 227	21 870	4.23	12.24	3.25	9.38
Netherlands	62 253	36 550	2.07	3.53	1.21	2.07
Italy	67 182	56 418	1.84	2.19	0.31	0.37

N.B. Requests : 1 523 212 525 t Grants : 1 121 192 580 t = 73 % of requests.

*(Tariff quotas in million dollars and percentages by value*

(Reference : imports 1960)

	World	Non-member countries		Request		Grant	
	1	2	% of 1	% of 2	% of 2	% of 1	% of 2
Total	29 573.5	17 723.8	59.9	1.34	2.23	0.76	1.27
Germany	10 090.9	6 917.6	68.6	3.07	4.48	1.91	2.78
France	6 279.5	3 293.0	52.4	0.007	0.01	0.003	0.007
B.L.E.U.	3 957.1	1 782.9	45.0	0.47	1.04	0.25	0.54
Netherlands	4 530.7	2 407.9	53.1	0.95	1.78	0.34	0.63
Italy	4 715.3	3 322.4	70.5	0.49	0.69	0.19	0.21

N.B. Grants : ± 57 % of requests.

When the requests submitted by the Member States were examined, it appeared that the solutions for certain problems expressed in customs terms implied in fact a weighty political choice. This was the case for duty free tariff quotas for tropical timber provisionally granted in 1961 to all Member States, except France, under Protocol V annexed to the Rome Agreement of 2 March 1960 on products in List G. The associated African states have protested against these quotas. They stressed the very great importance which trade in tropical timber has for them since this is the only product of interest to them amongst those to which the speed-up decision applies. They felt entitled to expect the speed-up decision to be applied in practice, that is to say, they wished to see the beginnings of an effectively preferential market and refused to admit that the corresponding tariff measure was nullified by the granting of tariff quotas. As for the Member States benefiting from temporary quotas, their requests were founded on strictly economic considerations, especially on the existence of commercial problems or of supply difficulties.

All these points of view were considered at meetings between the Permanent Representatives of the Member States and the associated overseas States and between representatives of the associated States producing tropical timber and of the Member States, with the participation or at the request of the appropriate departments of the Commission. These discussions led to an agreement which was approved by the Council at its session of 24 and 25 July 1961. Acting on a proposal from the Federal Republic of Germany, the Council decided to suspend until 31 December 1961 the duties of the common customs tariff for obéché, one kind of tropical wood. Together with this decision the Council decided to embody in the minutes of its session a declaration to the effect that the benefiting Member States will set aside the duty free quotas for tropical timber granted by the Commission for 1961. However, in the case of Italy this waiver led to the application of a 4.3% import duty on tropical timber (other than obéché) from non-member countries whereas the other Member States apply a duty of no more than 1.5% to the same imports. In view of the adverse consequences for Italy, the Member States, bearing in mind the provisions of Protocol V to the Rome Agreement of 2 March 1960, did not object to the granting of a tariff quota at 1.5 % to Italy for 1961, this quota to cover unworked tropical timber other than obéché. In this way the associated overseas states and territories benefited from a uniform 1.5 % preference on the part of all Member States whilst at the same time all tariff differences between the Member States were eliminated.

Because the Commission did not wish to find itself obliged on 1 January 1962 to authorize the Member States to open temporary quotas it has laid down with experts of the Governments a programme which will enable it to work out its decisions and proposals in good time. The Commission will examine the requests submitted under the provisions referred to and those submitted under Article 25 (3).

On 1 January 1962 the first approximation of the national customs tariffs towards the common customs tariff will be made for agricultural products.

The Commission will also carry out its periodical revision of tariff quotas and in particular of those granted during this year.

## V. Activities of the Community

### *EXTERNAL RELATIONS*

#### Implementation of the common commercial policy

1. At its meeting on 24 and 25 July, the Council adopted, on the basis of proposals presented by the Commission under Article 111 of the Treaty two important decisions concerning the procedures to be applied for the execution of a common policy in the field of external trade. <sup>(1)</sup>

The first decision concerns a consultation procedure in connection with negotiation of agreements on the trade relations of Member States with non-member countries, and on changes in the liberalization system for trade with these countries.

This decision also provides for the establishment of a procedure by which the Member States will keep each other informed on any negotiations into which they enter with a view to concluding commercial agreements and on certain changes to be made in their import systems for trade with non-member countries. Moreover, consultations have been provided for as to the arrangements contained in these agreements, on the alterations to one Member State's liberalization system, and on trade developments.

These consultations will take place at the request of a Member State or of the Commission within the select committee, convened by the Commission, of responsible officials from the Member States. In those exceptional cases in which consultations could not take place, it has been laid down that an official of the Commission can be invited as an observer to the negotiations conducted by a Member State with a non-member state.

The second decision, concerning the standardization of the period of validity of commercial agreements with non-member countries, confines the validity of these agreements within the transitional period of the Treaty. It fixes this limit at one year for those agreements including neither the EEC clause <sup>(2)</sup> nor a yearly denunciation clause. On a proposal of the Commission, the Council will have the power to allow exceptions; in these cases the quota lists annexed to the agreements will be subject to an annual revision clause. It has also been agreed to synchronise the expiry dates of these agreements.

These two texts represent an important step towards the implementation, by stages, of a commercial policy for the Member States vis-à-vis the non-member countries.

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(1) See "Institutions and Organs — The Council".

(2) See Official Gazette of the European Communities, No. 84, of 31 December 1960, p. 1965 and the decision of the Council of Ministers of 20 July 1960.



Thus, by the end of the transitional period, it will be possible to establish the necessary pre-requisites for the execution of a common policy in the field of external trade. As soon as possible and in any case by 1 January 1966, the Commission will, in accordance with one of these decisions, examine with the Member States all the trade agreements in force together with the trade and shipping treaties concluded by them. The purpose of this examination will be to check that these agreements and treaties do not hinder the introduction of the common commercial policy provided for in the Treaty.

Certain procedures laid down in these decisions, and in particular the consultation procedure, have already been regularly used by select groups of officials from the Member States, convened by the Commission, who have for some time been at work on systematic preparations for the change-over to the future common commercial policy.

With the approach of the end of the first stage in the transitional period, the Member States have in fact taken more and more to the practice of consulting the Commission on problems of commercial policy, and of presenting their cases through a single spokesman as an expression of a uniform Community policy.

The two decisions which have just been adopted establish, therefore, new procedures and give an institutional character to some already in use. They demonstrate a political resolve which confirms once more, in a delicate field — that of trade relations with the non-member countries — the determination of the Member State's governments to use all the means necessary for the realization of the objectives marked out by the Treaty. These decisions will constitute particularly effective instruments with which to tackle problems such as trade relations with the countries of Eastern Europe.

## The Community and GATT

### Problems concerning imports of cotton textiles

2. As had been decided by the GATT Council, on the proposal of the United States Government <sup>(1)</sup>, at a special session at Geneva on 16 June, a meeting on international trade in cotton textiles was held there from 17 to 21 July <sup>(2)</sup>.

The purpose of this meeting was to study the possibilities of opening up more widely the markets of certain industrialized countries to imports of cotton products at abnormally low cost prices, whilst avoiding disruption of the markets of the importing countries.

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<sup>(1)</sup> See Bulletin No. 7-8, 1961, Chapter V, Sec. 6.

<sup>(2)</sup> The following countries were invited to take part in the meeting: Australia, Austria, Canada, India, Japan, Pakistan, Portugal, Spain, Sweden, United Kingdom, United States, and the six EEC countries. The EEC Commission and the Secretary-General of OEEC/OECD were also invited.

The meeting produced a draft international agreement which has been submitted to the governments of the sixteen participating countries. It provides for a short-term international arrangement to improve the organization of international trade in cotton textile products and, on the basis of the fundamental principles stated in the Preamble, for a search for long-term solutions to the problems arising in this field. As for the short-term measures, the participating countries have agreed to settle the problems concerning textiles through international action having the simultaneous effect of increasing access to markets where imports are at present subject to restriction, of maintaining orderly access to markets where restrictions are not at present maintained, and of securing from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets. They have therefore agreed to adopt a short-term arrangement for the twelve-month period beginning 1 October 1961. This arrangement includes the provision that if unrestricted imports of cotton textiles are threatening disruption of its domestic market, a participating country may request any other participating country to restrain, at a specified level not lower than the level prevailing for the twelve-month period ending 30 June 1961, its total exports of any category of cotton textiles.

This quantity may be exceeded by 5% provided that the total exports of the country concerned to the requesting country do not exceed the aggregate for all the categories.

The arrangement also provides for restriction of exports where a shift in the pattern of imports within any category of cotton textiles is causing or threatening disruption.

Again, it has been laid down that the participating countries presently maintaining quantitative restrictions on cotton textile imports shall, as from 1 January 1962, substantially widen access to their markets for countries from which imports are now restricted.

The long-term arrangement in the draft agreement includes the setting up of a Provisional Cotton Textile Committee to undertake work looking toward long-term solutions. This Provisional Committee is to present recommendations not later than 30 April 1962 and will report back to the Market Disruption Committee (set up in 1960 within GATT) and to Committee III of the Expansion of Trade Programme.

The Provisional Committee's first meeting has been fixed for 9 October 1961.

The objective of the Geneva arrangement is to provide for the orderly development of the international cotton textile trade whilst at the same time aiding the economies of the developing countries by opening up more widely the markets of the industrialized countries to imports of these products from countries with low cost prices.

The Member States, which worked in complete harmony during the negotiations, made a large contribution to the success of the meeting by their decision to widen very appreciably (60 %) their import quotas where these are maintained.

This arrangement, limited to cotton textiles, sets a precedent which will almost certainly be cited when the subject of trade in other products with low-cost countries comes up for discussion. It heralds perhaps a new departure in the trade policies of the industrialized countries.

## The Tariff Conferences

3. The multilateral tariff negotiations with a view to fresh tariff concessions, known as the "Dillon negotiations", have made satisfactory progress.

Since the beginning of June, the Commission, which is conducting these negotiations on behalf of the Community, has opened discussions with the following countries : Canada, Denmark, Finland, Israel, Pakistan, Sweden, Switzerland, United Kingdom and United States.

In these discussions the Commission, in negotiating the Community's offers, has taken as a basis the speed-up decision, which provides for a global offer of an across-the-board reduction in the common tariff subject to reciprocal concessions.

In actual fact, the Conference's work was shelved during the summer holiday period, and the delegations took advantage of this hiatus to make an appraisal, in terms of quality and quantity, of the value of the offers made so far by the various parties.

The discussions will be resumed in September with other contracting parties, including several developing countries which have announced their intention of taking part in the negotiations. Since negotiations with these countries are of a special nature, they will not be begun until the negotiations between industrialized countries have yielded some substantial result.

## The association of Finland with EFTA discussed in GATT

4. Representatives from the Commission took part in the meeting of the GATT working party instructed to examine the agreement of 27 March 1961 establishing an association between the Member of EFTA and the Republic of Finland. In studying this agreement, the working party noted that the rights and obligations resulting from it are essentially the same as those of the Stockholm Convention, and it therefore came to conclusions similar to those approved in November 1960 after the study of that Convention.

According to these conclusions, a number of legal and practical matters remain outstanding which cannot usefully be further discussed at this stage.

## The association of Greece with the Community

5. After the signing of the Agreement on 9 July, <sup>(1)</sup> the Commission and the Committee of Permanent Representatives together set to work on preparing the first measures to put it into effect. At its session of 24 and 25 July, the Council approved the setting up of an interim committee as a medium for the necessary contacts between Greece and the Community until the Council of Association can meet, which will not be before the necessary constitutional formalities have been completed.

The text of the Agreement and the declarations concerning interpretation have been transmitted to the European Parliament whose special temporary committee is to study the Agreement on the association of Greece with the Community, held its first session on 26 and 27 July. Four draft reports were presented, concerning respectively the procedure adopted for the conclusion of the Agreement, institutional problems, economic and financial arrangements, and arrangements concerning agriculture. They were adopted unanimously with the reservation that final texts should be tabled at the second session of this committee which is to be held in September.

At its session of 18 and 19 September, the European Parliament adopted a general resolution <sup>(2)</sup> concerning the Agreement on the association of Greece with the EEC

## The association of Turkey with the Community

6. A special committee for this association of Turkey with the Community, set up by the Permanent Representatives, prepared the ground, in co-operation with the Commission, for the Council meeting that took place on 24 and 25 July. The Council once more announced its intention to reach an agreement with Turkey and to pursue negotiations for this purpose. It instructed the Committee of Permanent Representatives to present a report for its next session on the various possible arrangements for association.

On 25 August the Turkish Government submitted a fresh memorandum to the Ambassadors of the six countries in Ankara.

## Appointment by the associated countries of representatives to the Community

7. On 18 June, the President of the EEC Commission, M. Walter Hallstein, received Ambassador Adoum Aganaye in his capacity as Representative of the Republic of Chad to the EEC.

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<sup>(1)</sup> See Bulletin No. 7-8, 1961, Chapter II.

<sup>(2)</sup> The next Bulletin will contain a summary of this resolution and of the Parliament's debates.

The competent Institutions of the EEC have taken note of the appointment of Ambassador Amadou Seydou as Representative of the Republic of Niger, of Ambassador Joseph Mbeka as Representative of the Republic of Congo (Leopoldville), and of Ambassador Albert Rakoto-Ratsimamanga as Representative of the Malagasy Republic. They will be received in the near future by the President of the Commission.

#### Establishment by non-member countries of missions to the Community

8. The competent Institutions of the European Economic Community have given their *agrément* to the appointment of Ambassador Rubens Ferreira de Mello, as the new Head of the Brazilian Mission to the EEC. M. Ferreira de Mello will shortly present his letters of credence to the President of the Commission. On 6 July, M. Walter Hallstein received Ambassador Gabriel Giraldo Jaramillo, Head of the Colombian Mission to the EEC, on 18 July Ambassador Albertus B. F. Burger, Head of the South African Mission to the EEC, and on 27 July Ambassador T. L. Macdonald, Head of the New Zealand Mission to the EEC. The ambassadors presented their letters of credence and the letters recalling their predecessors.

9. The competent Institutions of the EEC have given their assent to the request of the Government of the Republic of Costa Rica to establish diplomatic relations with the Community. The head of Mission has not yet been appointed.

#### Relations with international organizations

##### The United Nations Economic and Social Council (E C O S O C)

10. Representatives from the Commission attended by special invitation the 32nd session of the United Nations Economic and Social Council, held in Geneva from 4 July to 4 August 1961.

The agenda included a review of the world economic and social situation and an examination, in the light of two reports drawn up by the UN Secretariat, of means of pressing forward economic development.

The discussions brought out the role played by international capital in speeding up economic development. But they also pointed to the great importance for the economic development of the less industrialized countries of the long-term growth of their export possibilities not only of basic products, but also of manufactures.

Some criticism was levelled at the EEC by representatives of Eastern European countries, who condemned the Community as "a tight circle" or an "exclusive bloc". However, the main argument at present against the Community is not so much that it is hampering the development of international trade as that it is a drag on the

economic expansion of the developing countries. Criticism has in particular been directed at the unfavourable effects that excessive protectionism by the Six in the sphere of agriculture might have on the developing countries, whose economies are based essentially on the export of agricultural produce.

Replies to these different points were made on behalf of the Six by the delegations from France and Italy, which were taking part in this session as full members.

#### Inter-American Economic and Social Council (Conference at Punta del Este)

11. At the invitation of the Organization of American States, observers from the Community attended the extraordinary meeting of the Inter-American Economic and Social Council which was held at ministerial level from 5 to 17 August at Punta del Este, Uruguay.

The aim of this meeting was to define the objectives and working machinery of the Alliance for Progress, offered to the peoples of Latin America by President Kennedy in his speech of 13 March 1961. Through this Alliance, the United States commit themselves to placing at the disposal of the Latin American countries a sum of \$ 20 000 million in the next ten years for their development : these countries must, for their part, vigorously mobilize their own resources, carry out a certain number of structural reforms, for example in matters of land tenure and taxation, and prepare rational development plans. The Conference ended with the signing of the "Punta del Este Charter", which is a collective treaty for mutual aid and a programme of reforms.

The main theme of the Conference's work was economic development, as well as planning and external aid. The basis of the Punta del Este Charter is that the granting of external aid is tied to the establishment of sound programmes and the mobilization of national resources. The United States have promised to provide \$ 1 000 million for immediate aid, for emergency plans under specified conditions. They have also promised long-term aid, but for this the Latin American countries are also counting on other capital-exporting countries from any one of the continents. There is reason to think that foreign capital will be readily forthcoming to help the Latin American countries to quicken the pace of their development, if they make the effort to which they are pledged in the Charter : tax and agrarian reform, maximum employment, maximum exploitation of national resources, fair rewards for work, the improvement of public health and of education, and, in general, the creation of conditions which will encourage foreign investment.

With respect to Europe, the Latin American countries, apart from the financial aid they expect, will also be able to find the most highly skilled experts to help them, among other things, to prepare their development programmes in accordance with the opportunities the Charter offers them on this point, but also to help them to achieve integration.

Having established a group "for the co-ordination of policy on credit insurance, guarantees and financial credits" and another on "technical assistance", the EEC is fully prepared to respond here and now to requests for help from non-member countries.

Tackling the problem of the main export products of the Latin American countries, a subject in connection with which Europe and the Common Market were mentioned, the representatives of the states meeting in Punta del Este recommended that restrictions on trade in basic products should be abolished as far as possible, and also urged that production and export policies should take account of the situation on the world market.

They also pointed to the need for measures of international co-operation, calling for the abolition of internal taxes, preferential agreements, etc. The products which give cause for concern to the Latin American countries and which are mentioned in the final resolution attached to the Charter are coffee, wool and meat.

During the Conference the economic integration of Latin America was studied by a special committee. The two main subjects considered by this committee were commercial and financial in nature : first, the co-ordination of action to meet unfavourable condition for Latin-American trade in world markets, arising from the restrictive and discriminatory policies of certain groups in other continents; and secondly, intra-regional balance of payments problems and the execution of infrastructure projects of common interest to the Punta del Este countries.

#### Memorandum from the Latin-American banana producing countries

12. The EEC Commission, Italy and the Federal Republic of Germany have received a memorandum from a delegation of the Latin-American banana producing countries expressing concern that the banana trade between Latin America and Europe might be adversely affected by the implementation of the Treaty of Rome; this problem was discussed by the working party on trade questions.

In its reply to the Latin-American countries' memorandum, the Commission, while giving an assurance that it is watching closely any developments in the situation, states that it has failed as yet to note any diversion of commercial traffic, and that the trend would on the contrary seem to be towards an increase in volume.

As the memorandum is concerned rather with future prospects, the Commission does not see any pressing need to convene a general conference on this problem.

## ECONOMIC AND FINANCIAL AFFAIRS

### 13. Note on economic trends at the end of June 1961

#### COMMUNITY

		Feb.	March	April	May	June
Industrial production (1)	1960	117	118	118	119	120
1958 = 100	1961	126	127	127	127	127
Imports from non-member countries, cif (2)	1960	1 610	1 701	1 575	1 643	1 603
in millions of \$	1961	1 546	1 825	1 710	1 755	1 741
Export to non-member countries, fob (2)	1960	1 626	1 784	1 562	1 633	1 569
in millions of \$	1961	1 574	1 830	1 653	1 662	1 727
Trade balance	1960	+ 16	+ 83	— 13	— 10	— 34
in millions of \$	1961	+ 28	+ 5	— 57	— 93	— 14
Trade between member countries (3) (2)	1960	795	885	828	858	827
in millions of \$	1961	881	1 063	938	984	1 017
Gold and foreign exchange reserves (2) (4)	1960	11 584	11 860	12 246	12 516	12 954
in millions of \$	1961	14 507	15 119	14 559	14 807	15 258

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) The German Mark and the guilder were revalued by 5 % at the beginning of March 1961.

(3) Calculated on the basis of imports.

(4) Amount held by the monetary authorities at end of month.

In May and June the expansion of industrial output was again very slight. This is attributable in the main to shortage of manpower and the reduction of the working week, which, despite very strong demand, are acting as a brake on economic expansion in the Federal Republic of Germany and the Netherlands. In the other member countries, however, the increase in demand gave rise to a corresponding expansion of production.

Trade with non-member countries was marked by a further increase in imports, which was mainly due to production difficulties in the Federal Republic of Germany. However, exports also expanded vigorously, especially in July, so that the Community's deficit on trade was again of very modest proportions. Trade between the member countries continued to expand appreciably.

As a result of the inflow of capital and a continuing surplus on current transactions, the Community's reserves of gold and foreign exchange again increased strongly in May and June.



## FEDERAL REPUBLIC OF GERMANY

		March	April	May	June	July
Industrial production <sup>(1)</sup>	1960	119	119	120	121	121
	1958 = 100	1961	130	130	130	130
Orders received	1960	147	137	147	135	143
	1958 = 100	1961	152	137	142	144
Number of unemployed	1960	256.6	188.8	153.2	134.4	119.4
in thousands	1961	163.2	131.2	111.5	99.2	93.3
Turnover in retail trade	1960	107	116	111	104	112
	1958 = 100	1961	126	116	122	119
Prices to consumers	1960	101.9	102.1	102.8	102.6	102.8
	1958 = 100	1961	104.1	104.1	104.8	105.6
Imports cif <sup>(2)</sup>	1960	873	817	854	862	867
in millions of \$	1961	916	913	936	934	929
Exports fob <sup>(2)</sup>	1960	1 041	893	948	902	971
in millions of \$	1961	1 082	1 099	1 012	1 108	1 054
Gold and foreign exchange reserves (net) <sup>(3)</sup> <sup>(2)</sup>	1960	4 539	4 800	4 988	5 536	5 623
in millions of \$	1961	6 983	6 405	6 478	6 605	6 523

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) On 6 March 1961 the German Mark was revalued by 5 % (1 \$ = 4 DM).

(3) Held by the Deutsche Bundesbank at end of month.

Economic expansion slowed down somewhat during the summer months but it was still fairly lively. The orders received show some signs of an easing of strain.

Exports again increased a little if the average for June/July is taken. Calculated in DM, they were 10% greater than in the corresponding months of the previous year.

Investments continued to advance at the same pace. In May/June production of machines and electro-technical investment goods was up 12% and 17% respectively on the same months of 1960. In the construction field demand was stronger. The sharp increase in the incomes of wage-earners has favoured the expansion of private consumption. Retail sales in June/July were up by 8% on the same months of last year.

The advance of industrial output slowed down in June/July, when the national index was 5.5% above that of the corresponding months in 1960. In the same months the volume of imports was 7.5% greater than in June/July 1960.

While producer prices for consumer goods again fell off slightly, those for investment goods went up by 0.5% between May and July. Consumer prices rose 0.9% in this period and were 2.9% higher in July than a year earlier. The surplus on trade — \$ 299 million in June/July — was more than double that of the same period last year. Particularly because of capital exports by the banks, the increase in the freely convertible gold and foreign exchange reserves of the Bundesbank was no more than

\$ 45 million during these two months. The Bundesbank continued its policy of reducing minimum reserve requirements, a policy which is inspired in the main by balance-of-payments considerations.

#### FRANCE

		March	April	May	June	July
Industrial production (1)	1960	110	110	111	112	114
	1958 = 100	1961	118	118	119	120
Number of persons seeking employment (2)	1960	132	130	126	123	127
	in thousands	1961	113	108	105	106
Turnover of large retail stores	1960	124	120	117	119	107
	1958 = 100	1961	148	123	133	140
Prices to consumers (Paris)	1960	109.7	109.9	109.6	109.5	110.0
	1958 = 100	1961	112.0	111.9	111.6	111.4
Imports cif	1960	568	540	539	499	515
	in millions of \$	1961	652	576	575	607
Exports fob	1960	609	556	575	553	564
	in millions of \$	1961	678	562	619	640
Trade balance (with foreign exchange areas)	1960	-12.6	-16.2	+ 6.5	+ 17.4	+ 2.6
	in millions of \$	1961	- 5.5	-20.9	+ 23.1	- 2.0
Gold and foreign exchange reserves (3)	1960	1 854	1 932	2 026	1 987	1 988
	in millions of \$	1961	2 398	2 472	2 606	2 777

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) End of month figures, seasonally adjusted.

(3) Amount held by the monetary authorities at end of month.

If allowance is made for seasonal factors, the general economic expansion continued in the summer months and even appears to have speeded up a little.

Demands from abroad gave a greater impetus to business. In June/July exports were up 12% in value on the corresponding level of the previous year, whereas in April/May their year-to-year growth had scarcely reached 5%. In particular, sales of industrial goods and motor cars showed a notable advance. Domestic demand continued to be very strong. As may be seen from the latest INSEE inquiry, private industry has made a considerable upward revision of its investment plans for 1961; the rate of growth over the previous year — so far estimated at 8 to 9% — might now reach 12 to 13%. Private consumption has continued to be favoured to a considerable extent by the rise in incomes. In May/June, turnover in the large Paris retail stores was up 16% on the corresponding months of 1960.

With demand expanding in this way, industrial output continued to advance in June, and at the same time greater call was made on foreign supply, particularly of finished products. In June/July, imports were up 11% on June/July 1960 (April/May + 8%).

Consumer prices, which despite higher prices for industrial products, had fallen slightly in the second quarter again rose appreciably in July as a result of higher prices for certain foodstuffs (bread, meat) and services (rent, radio licence fees).

Growing surpluses in the balance of current payments and an increased inflow of capital have led to a considerable rise in the gold and foreign exchange reserves in recent months. In August the French Government was therefore able to bring forward the repayment of the \$ 303 million still owed to the EPU countries.

### ITALY

		Feb.	March	April	May	June
Industrial production (1)	1960	124	126	127	128	131
	1958 = 100	1961	134	135	137	139
Number of unemployed	1960	1 805	1 710	1 580	1 481	1 406
in thousands	1961	1 604	1 506	1 412	1 347	
Internal trade turnover (2)	1960	116	120	120	129	118
	1958 = 100	1961	125	139	129	137
Cost of living	1960	102	101	102	102	102
	1958 = 100	1961	104	104	105	105
Imports cif	1960	396	405	387	416	371
in millions of \$	1961	410	471	426	467	426
Exports fob	1960	307	335	304	330	285
in millions of \$	1961	318	365	323	335	329
Official gold and foreign exchange reserves (3)	1960	2 869	2 835	2 863	2 876	2 898
in millions of \$	1961	2 928	2 936	2 948	3 003	3 108
Yield on fixed-interest-bearing securities in %	1960	5.29	5.29	5.27	5.20	5.20(4)
	1961	5.00	5.02	5.92	4.97	4.98(4)

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) Calculated on the basis of revenue from turnover tax.

(3) Amount held by the monetary authorities at end of month.

(4) July 1960 and 1961 : 5.16 and 4.99 respectively.

Economic expansion continued in May and June.

The growth of demand from abroad, in particular from the other member countries, continued to gather momentum. In June exports were up 15% in value on the corresponding level of 1960. Investments also continued their upward trend. Private consumption received a fillip from the rapid increase of wage-earners' incomes. The collective bargaining agreements concluded in recent months in some branches of industry have in any case meant particularly appreciable improvements in incomes.

According to figures which are partly provisional, the seasonally adjusted index of industrial production was nearly 3% higher in May and June than in the two preceding months. This is all the more remarkable since in iron and steel and mechanical engineering the limits of productive capacity have in many cases been reached,

and since the expansion of production in the building industry has been hampered by some manpower shortages. The wheat harvest turned out better than generally expected: it was up 16% on the 1960 level, which, however, had been very low. Imports were also definitely higher than in 1960 — May + 12.4%, June + 14.9% — particularly those from non-European countries, where this year it proved necessary, to purchase considerable quantities of grain.

While wholesale prices remained practically unchanged, the cost of living continued to rise, in the main because foodstuffs became dearer. In June it was 3% higher than a year earlier. The strong business demand for credit and the cash surpluses held by the State may have resulted in a further shrinkage of bank liquidities in June, although the sharp rise in income from the export of services and the inflow of foreign capital accounted, in that month, for an increase of \$ 105 million in the official gold and foreign exchange reserves.

#### NETHERLANDS

		March	April	May	June	July
Industrial production <sup>(1)</sup>	1960	126	127	129	129	129
	1958 = 100	1961	132	132	.	.
Number of unemployed	1960	61	51	38	35	39
	in thousands	1961	38	32	26	29
Retail sales	1960	104	115	112	110	124
	1958 = 100	1961	119	119	120	116
Prices to consumers	1960	103	104	103	103	103
	1958 = 100	1961	103	103	104	104
Imports, cif <sup>(2)</sup>	1960	409	351	372	384	388
	in millions of \$	1961	483	400	418	448
Exports, fob <sup>(2)</sup>	1960	359	312	330	322	326
	in millions of \$	1961	402	330	347	342
Trade balance <sup>(2)</sup>	1960	— 50	— 39	— 42	— 62	— 62
	in millions of \$	1961	— 81	— 70	— 71	— 106
Gold and foreign exchange reserves <sup>(3)</sup> <sup>(2)</sup>	1960	1 376	1 374	1 364	1 446	1 458
	in millions of \$	1961	1 644	1 645	1 641	1 693

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) On 6 March 1961 the guilder was revalued by 5 % (1 \$ = 3.62 guilders).

(3) Held by the "Nederlandsche Bank N. V." at end of month.

Shortages of manpower and of production capacity probably grew more acute and hampered economic expansion further. The value of exports (expressed in guilders) in June/July only just reached the corresponding level of 1960. On the other hand, investments continued at a high level, particularly in construction: the number of dwellings in hand at the end of June was 15% higher than in the same month of 1960. For this reason, practically no building permits have been issued since mid-July, at least for non-subsidized dwellings. Restrictive measures have also been taken to curb private consumption: hire purchase regulations have been tightened up.

Trade union demands for a reduction of the working week have at last been successful in the majority of industrial branches. Since, at the same time, unemployment has fallen to an exceptionally low level, these developments probably explain why there has been no further advance in industrial production. If the same exchange rate is used for the two years, the value of imports in July was barely 3% higher than in July 1960 — when, however, they were running at a particularly high level. In May and June, the year-to-year growth rate had still been 15%.

Official gold and foreign currency reserves went up about \$ 50 million in June and by the same amount in July.

### BELGIUM

		March	April	May	June	July
Industrial production <sup>(1)</sup>	1960	112	112	112	112	111
	1958 = 100	1961	116	116	.	.
Number of unemployed in thousands	1960	126	115	104	97	95
	1961	106	93	84	78	72
Number of non-residential buildings put in hand	1960	492	492	530	540	559
	1961	546	585	570	620	.
Turnover of large retail stores 1958 = 100	1960	108	115	109	106	116
	1961	121	110	111	.	.
Prices to consumers 1958 = 100	1960	102	101	101	102	101
	1961	102	102	102	103	103
Imports cif in millions of \$	1960	340	313	323	317	307
	1961	375	337	349	351	.
Exports fob in millions of \$	1960	343	325	309	317	301
	1961	364	336	331	340	314
Gold and foreign exchange reserves <sup>(2)</sup> in millions of \$	1960	1 256	1 277	1 261	1 267	1 189
	1961	1 158	1 089	1 079	1 075	1 101

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

(2) Held by the Banque Nationale de Belgique at end of month.

The slight advance in economic activity continued in June and July; relatively speaking the strongest spur was provided by investment. Demand from abroad was also a factor making for expansion, although to a lesser extent.

In value exports in these two months were about 7% and 4% respectively above the level of June and July 1960. The expansion of investments seems to have continued. This trend is also reflected in the fact that the number of starts for buildings other than dwellings continued to be appreciably higher than in the corresponding months of 1960. According to the IRES national index, industrial production in May was again clearly up on the previous year (+ 4%). It would seem that an

increase of the same order may have been achieved in June; the impression that if allowance is made for seasonal variations industrial output is again expanding and has therefore become more marked.

The most considerable advances have been registered in the mechanical engineering and building materials industries. In June, imports, particularly of investment goods, were again very high. There was a further fall in unemployment in June and July.

Following rises in the prices of certain foodstuffs in these two months, the retail price index moved up slightly. Gold and foreign exchange reserves, which had been falling off for several months, again increased in July.

### GRAND DUCHY OF LUXEMBOURG

		March	April	May	June	July
Industrial production (1)	1960	114	114	114	115	115
	1958 = 100	1961	117	118		
Output of pig iron	1960	322	308	305	300	318
in thousands of tons	1961	335	322	327	326	335
Output of crude steel	1960	359	338	331	334	350
in thousands of tons	1961	367	341	349	361	359
Prices to consumers	1960	100	100	100	101	101
	1958 = 100	1961	101	101	101	101

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and fortuitous variations.

Economic expansion continued in June and July.

Exports may again have been appreciably higher than in June and July 1960. The volume of orders from abroad for iron and steel products, however, fell off slightly. On the other hand, receipts from tourism increased. Investments continued to expand, and the conversion to other manufactures of industrial plant recently freed by the stopping of production in the leather industry was certainly a contributing factor in this trend.

Output in the iron and steel, extractive and construction industries showed important advances.

The slight rise in the cost of living observed up to the end of July may be set down in the main to seasonal factors, but an increase in the prices of electricity and certain services in the city of Luxembourg, introduced for financial reasons, also played a part.

#### The two meetings of the Ministers of Finance

14. The Finance Ministers of the EEC countries met on 17 and 18 July in Ostend and on 5 September in Bad Godesberg, under the chairmanship of M. Dequae, Minister of Finance of Belgium. M. Marjolin, Vice-President of the Commission, and M. von der Groeben, a Member of the Commission, also attended the meetings.

The Ministers invited the governors of the six countries' central banks to take part in their work.

On 17 and 18 July, the Ministers studied international monetary problem; they took note of a report by the Common Market Monetary Committee on a number of points of topical interest in connection with international liquidity. They examined the technical means by which the Community countries can in their own behalf contribute to improving the working of the international monetary system and thus promote monetary stability.

The Ministers reviewed the economic situation in the member countries and examined appropriate courses of financial policy having regard to current economic developments.

They took note of a first report on the comparison of the budgets of the six countries, and were informed of the progress of work on tax problems in the Common Market.

15. On 5 September, the Ministers studied certain proposals to strengthen the stability of the international monetary system. A broad measure of agreement was reached on the attitude the Member States will adopt towards this problem at the next assembly of the Governors of the International Monetary Fund, which will be held in Vienna towards the end of September.

## Regional policy

### Second meeting of national officials

16. Under the chairmanship of M. Marjolin, Vice-President of the Commission, the second meeting of national officials responsible for the regional policies of the six countries took place in Brussels on 13 July.

The main purpose of this meeting was to settle arrangements for the conference on the regional economies, planned for the end of the year<sup>(1)</sup>. It was also the occasion for an exchange of views on the programme of work to be considered at the regional level by the Commission's staff in close co-operation with the senior officials responsible for regional policy in the member countries.

### Comparative study of budgets

17. On 24 and 25 July the Working Party for the comparative study of the budgets of the Member States met in sub-committee in Brussels. It took note of the comments made by the Finance Ministers of the six Community countries on its first report concerning the economic accounts for 1957 supplied by the administrations. It also noted that the Ministers would like to see a more detailed breakdown of tax revenues and this question was therefore placed on the agenda.

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(1) See Bulletin 7-8/61, Chapter V, sec. 12.

The meeting also gave its attention to preparing the Working Party's second report, which will concern the conclusions to be drawn from the functional comparison of public expenditure in the EEC countries in 1957 and in 1959.

### Implementation of Article 221

18. Article 221 of the Treaty lays down that "within a period of three years after the date of the entry into force of this Treaty, Member States shall treat nationals of other Member States in the same manner, as regards financial participation by such nationals in the capital of companies within the meaning of Article 58, as they treat their own nationals, without prejudice to the application of the other provisions of this Treaty".

The obligation laid upon the Member States by Article 221 has now taken effect, and the Commission, using the powers conferred upon it by Article 155, has carried out an initial examination of the problems arising from the implementation of Article 221.

However, in view of their complexity these problems call for more thorough study, and this will be done by the Commission in co-operation with the national experts. A meeting has been convened for 8 November 1961.

## THE INTERNAL MARKET

### Tariff quotas

#### Customs system applied to tropical timber

19. The Member States have ceased to apply the duty-free tariff quotas granted by the Commission for 1961 for tropical timber<sup>(1)</sup>.

### Rules to be followed in the event of withdrawal or suspension of trade liberalization measures

20. Since certain Member States have in the past withdrawn or suspended liberalization measures in force on 1 January 1958 for the import of some products, the Commission has considered it advisable to remind the Governments of the obligations in this matter laid down in the Treaty and of the procedures which should be followed where the introduction of fresh restrictions proves unavoidable.

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(1) See the decision of the Council below, in "Institutions and Organs, the Council" and the summary of the Commissions's proposals, p. 22, Chapter IV: Tariff quotas 1961.



As for products whose liberalization has been bound under Article 31 of the Treaty, the application of new quantitative restrictions or measures with equivalent effect requires prior recourse to one of the safeguard clauses, and can only take under the conditions laid down by these clauses. As for products the liberalization of which has not been bound prior notification and consultation of the Commission has been agreed on and it has also been agreed that the withdrawal or the suspension of the liberalization measures shall involve the opening of a global quota, such as would have been the result of the application of Article 33, if this product had not been liberalized, unless a minimum price system has been established under the conditions laid down in Article 44.

### Right of establishment and free movement of services

21. The group of experts set up by the Council to prepare its decisions on the right of establishment have concluded their work and the Permanent Representatives have studied their report.

Again, since the question of the right of establishment in the associated overseas countries is bound up with the negotiations to be conducted with these countries on a new association convention, the Council will also have to consider this problem.

The Working Party on "services" will shortly complete its assignment.

### P u b l i c c o n t r a c t s

22. For public contracts, the experts' work since the transmission to the Council of the general programmes for the freeing of establishment and the supply of services has had a successful outcome: the right to tender for the public contracts of a Member State, both for establishment and for the supply of services, will be progressively broadened in favour of the nationals of other Member States under various conditions and arrangements.

## COMPETITION

### Rules applying to enterprises

#### Draft regulation on "understandings" (Article 87)

23. On 11 July the Internal Market Committee of the European Parliament approved M. Deringer's report on the draft regulation on understandings. This report and the draft regulation appended to it will be discussed at the plenary session of the European Parliament in October.

The Internal Market Committee has expressed itself in favour of a system of prior authorization for understandings. The system could however be applied retroactively from the date when the application is lodged by the enterprises concerned.

The Committee approved the system proposed by the Commission embodying a provision that understandings in respect of which applications had been lodged would be considered provisionally as permissible if the Commission does not object in writing within six months.

As regards existing agreements, the Committee proposes that the transitional system envisaged by the Commission be discontinued. The prohibition under Article 85 (1) would thus not come into effect until six months after the promulgation of the regulation. The same would apply to Article 86.

The Parliamentary Committee advocates the publication of draft decisions favourable to understandings or dominating positions, so that third parties may put forward their comments.

The Parliamentary Committee proposes that the fines which the executive may impose should range from 1 000 to 250 000 units of account for enterprises which persist in a practice condemned under Article 85 or Article 86.

### D u m p i n g

24. The Commission has received two new applications based on Article 91 (1). This brought the total number of applications made to the Commission under this provision with the aim of ending dumping practices to fourteen on 31 August 1961. <sup>(1)</sup>

### Approximation of legislation

#### P u b l i c c o n t r a c t s

25. The Commission has drawn up an introductory memorandum on the approximation of the system of public contracts in force in the member countries. This memorandum, which had been asked for by the third meeting of the Working Party on Public Contracts on 15 and 16 June 1961, will be studied at the next meeting.

On the basis of a questionnaire drawn up by the Commission the national delegations will supply statistical data concerning public contracts concluded by the Member States both in their own territory and abroad.

At the meeting of 15 and 16 June it was recognized that the best legal basis was Article 100 of the Treaty. Several delegations considered that the work of approximation should be undertaken without delay. Others will make known their attitude on this point at the next meeting.

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(1) See Bulletin 3/61, sec. 23, and 5/61, sec. 22.

## P a t e n t s

26. At its second session from 3 to 14 July, the Working Party on Patents continued their preparation of a draft convention for the introduction of a European patent law and agreed to the text of the part concerning procedure for the issue of a European patent.

The results of this work will be submitted for approval to the Co-ordination Committee and the meeting of Under-Secretaries of State competent in matters of industrial property at the same time as those of the first session and of the session held from 26 September to 6 October.

The Working Party's proposals include a European Patent office as the joint administrative body responsible for the issue of patents. This Office would in the first instance issue temporary European patents after a summary examination covering, in particular, submission in due form. These patents would be published together with a report on novelty from the International Patents Institute at the Hague. It is planned to arrange the procedure in such a way that the provisional European patent would normally be published 18 months at the latest after the date of the application. The invention will only be examined for novelty and merit after the holder of the provisional European patent or a third party, who may be a competitor, has submitted an application for the patent to be examined. If this application is not submitted within five years from the granting of the provisional patent, the latter will expire. Should the examination show that the invention is patentable, the European Patents Office will confirm the definitive patent. Third parties interested will be able to participate in the examination procedure and submit their objections.

### Meetings of specialist working parties

27. The special group to deal with motor vehicle parts and equipment drawn from the Working Party on "technical obstacles to trade — various products" has held its first meeting.

Questions concerning number plates and flashing light direction indicators were placed on the agenda.

On 18 and 19 July the Working Party on the mechanization of agriculture set up a special Group to deal with "technical obstacles to trade-agricultural tractors".

### Fiscal problems

28. The Commission has invited the representatives of the Governments to discuss on 5 October next disparities between direct taxes or between taxes on capital transactions likely to provoke distortions which could influence trade and the movement of capital and investments in the Community.

The representatives of the Governments will be invited to give their opinion on the advisability of setting up working parties to determine the distortions which these disparities may cause and suitable measures to remedy them. These working parties would have the further task of studying how far and by what criteria the basis for the assessment of direct taxes and the level of taxes on capital transactions could later be approximated and whether it might not be desirable to adopt a common policy concerning certain special fiscal systems applying to holding companies.

29. A third meeting of Working Party No. III, which is responsible for studying the application of Articles 95 to 97 to indirect taxes other than turnover tax, was held in Brussels on 4 July. With one exception the Government experts accepted in principle the Commission's argument that Article 97 is applicable only to multi-stage turnover taxes, since it mentions no others.

This Article, which in this case makes the provisions of Articles 95 and 96 more flexible, must therefore be strictly applied for other indirect taxes. The ceiling will thus have to be precisely fixed and any calculation of averages forbidden.

The Working Party then examined the way in which Article 95 should be applied. There was also a general discussion of the problem of harmonization of taxes on tobacco.

Lastly, as regards the implementation of Article 95 (3) under which the Member States are to abolish or amend, not later than the beginning of the second stage, fiscal measures imposing on the products of other Member States taxes in excess of those on domestic products, the experts agreed to supply an inventory of the measures which might be considered as falling under this paragraph.

### State aids

30. A meeting of experts on aids and of tax experts was arranged by the Commission for 5 July to discuss problems involved in a possible inventory of aids granted by States in the form of exemptions from indirect taxation. On this point some delegations disputed whether the Treaty rules on aids applied to such exemptions and considered that the Treaty provisions on taxation constituted a "lex specialis" implying that all fiscal problems must be dealt with under Article 95 to 99 alone.

Subject to a fuller study of these legal objections, it was agreed that the Commission would examine the possibility of making, in the course of the first stage, an inventory which would be limited to the exemptions granted by the Member States to certain categories of producers or consumers as regards turnover tax and excise duties.

31. As part of the study of export aids undertaken by the Commission, Working Party "B" (other means in favour of exports) met on 4 July and continued its examination of the systems of export promotion existing in the various Member States.

32. The Italian Law No. 454 of 2 June 1961, amending Law No. 949 of 25 July 1962, eliminated discrimination in the case of agricultural machinery imported from other Member States for purposes of granting advances to users. This puts an end to a situation which the Commission had condemned as conflicting with Treaty provisions.

#### Italian Bill on Sardinia

33. The Commission has informed the Italian Government that since the special programme to further the economic and social development of Sardinia is essentially a practical scheme to palliate the effects of the special geographical and economic situation of the island, it has no objection at the present stage to the implementation of this draft law.

The Commission has also informed the Italian Government of the conditions under which the application of the various forms of aid envisaged will be examined in accordance with Article 93 of the Treaty.

#### Draft French decree introducing an equipment bonus in the overseas Departments

34. The Commission has also decided not to oppose the promulgation of a draft French decree introducing an equipment bonus in the overseas Departments. Although under Article 227 (2) the rules of competition are applicable to these territories, these Departments may be considered as regions where the standard of living is abnormally low and where there exists serious under-employment. On this score they are entitled to benefit by the provisions for exceptions made in Article 92 (3a). The Commission has given its consent subject to the French Government later informing it of the practical implementing details of the system in question, in keeping with Article 93 (1) of the Treaty.

#### Draft amendment to the French regulations on the special equipment bonus

35. The Commission examined a draft decree of the French Government concerning an increase of the special equipment bonus provided for by Decree 60-370 of 15 April 1960. It noted the higher ceilings proposed for the special equipment bonus and asked that the reasons justifying this measure should be communicated to it.

The Commission found that the new provisions fall within the scope of the procedures instituted by Article 93 of the Treaty and on these grounds asked to be informed in good time of any proposals for the granting of aid in excess of the ceilings so far applied.

## Italian Bill for aid to shipping (breaking-up bonus)

36. The Commission has examined a Bill communicated by the Italian Government proposing certain charges in the bonus payable on breaking up ships. Without prejudice to a review of the question from angle of aid to shipping firms, the Commission has confined itself for the time being to studying the possible indirect advantages to Italian shipbuilding and has requested the Italian Government, by letter dated 28 July, to state formally that the bonus will be paid without discrimination when ships are broken up and orders for new tonnage are placed with shipyards in other EEC countries.

## The Belgian "loi unique"

37. By letter dated 7 August the Commission informed the Belgian Government that it approved their efforts to improve the industrial structure by establishing new enterprises to create employment in economically unfavoured areas.

On the other hand the Commission expressed reservations regarding the non-repayable subsidies which might be granted without any ceiling being imposed. It asked to be allowed to examine specific cases so that it may appreciate how far the aid measures provided for by the *loi unique* will be consonant with Article 92 of the Treaty.

## SOCIAL AFFAIRS

### Work and employment problems

#### Collective wage agreement systems

38. In the framework of Articles 117 and 118 of the Treaty, the working Party on "labour relations", comprising representatives of both sides of industry in the six countries, held its first meeting on 18 July in Brussels, under the chairmanship of M. Levi Sandri, a member of the Commission.

The working party agreed unanimously to set up a small committee with the task of collating the documentary material already compiled on the collective wage agreement systems in force in the six countries and of reporting by the end of October.

### Trends in employment

39. The European Commission addressed to the Council of Ministers a statement dated 25 July, on manpower problems in connection with the current economic situation in the Community in 1961. This statement, which follows upon that made at about the same time in 1960, is a summary of recent developments on the labour

market in the six countries, and sketches out foreseeable developments as far as the end of 1961; it also points to the difficulties experienced by most of the six in arriving at a satisfactory balance between the supply and demand for labour. It concludes with certain recommendations on the use of facilities — in particular those available to the Community — for narrowing the gap.

The Commission's statement notes that continuing economic expansion has involved an aggravation of the labour shortages recorded at the beginning of 1960 in the Federal Republic of Germany, Luxembourg and the Netherlands, a fairly sharp increase in demand for foreign labour in France in the areas and trades suffering from regular shortages, and even the beginning of certain shortages of skilled labour in the areas of Italy which are developing rapidly.

Concluding, the Commission's statement recommends the Member States "to pursue and strengthen the application of the internal measures" that they have taken. The Commission considers it necessary to introduce immediately, by agreement with the countries concerned — the Federal Republic of Germany and the Netherlands on the one hand, and Italy on the other — a new programme of rapid vocational training for Italian workers who proposed to move to the two countries most in need of manpower. The Commission will help, as it did in similar circumstances in 1960 to draw up such a programme for which the need is even greater than last year and for which it might again be considered appropriate to bring the Social Fund into play. The first programme is under way. It concerns more than 10 000 workers, of whom about 9 000 are to be employed in the Federal Republic of Germany and 700 in the Netherlands, mainly in building, in the metal-working and in the catering trades. The Commission is even of the opinion that in view of the economic outlook for the coming years and of the general tendency for skilled manpower shortages to become more severe, there are strong grounds for drawing up a training programme phased over several years. Again, the Commission expresses its readiness to continue studying with the Member States the practical details of possible financial co-operation in the housing of migrant workers. Lastly, it feels obliged to draw the attention of the Member States to "the fact that it would be in their own individual interest, and in the interest of the Community as a whole" if they were to co-ordinate their employment policies and make use for this purpose of the possibilities offered by the implementing instruments of the Article in the Treaty on the free movement of labour and on the Social Fund, and by the introduction in the near future of a common policy on vocational training.

#### Directive on administrative procedures and practices

40. On 16 August the Council adopted, using the written procedure, a Directive on administrative procedures and practices governing the admission, employment and residence of the workers of one Member State and their families in other Member

States of the Community.<sup>(1)</sup> This Directive, addressed to the Member States, was notified to them in accordance with the second paragraph of Article 191 of the Treaty, by letter dated 21 August 1961. It will be published in the Official Gazette of the European Communities.

## Second enquiry on wages

41. The Commission submitted to the Council on 10 July a draft regulation which was approved at the session of 24 and 25 July. This draft regulation is based on Article 213 of the Treaty and establishes the conditions in which the Commission may carry out a second enquiry on workers' wages in the Community in eight new industrial sectors. It will be published in the Official Gazette of the European Communities.

It will be recalled that the Commission taking as a basis Regulation No. 10 of 25 August 1960, made at the end of 1960 and at the beginning of 1961 a first inquiry into labour costs and the incomes of workers in fourteen branches of industry, using the accounting data for the whole of 1959.

The statistics collected by the statistics offices of the member countries reached the Statistical Office of the European Communities a short time ago and they are now being analysed.<sup>(2)</sup>

The Commission now proposes to conduct a second inquiry into labour costs and workers' incomes in the six EEC countries in eight new branches of manufacturing industry: chocolate, biscuits and confectionery; tinned fruit and vegetables; macaroni, spaghetti and similar products; footwear; plywood; wooden furniture; glassware and flat glass; precision engineering and topical instruments.

The enquiry is to cover all firms employing a minimum of 50 workers (in Luxembourg, 20 workers). The questionnaire to be used is much the same as the one used for the first enquiry. The accounting data for the whole of the year 1960 will serve as a basis for this second inquiry. The need for it has been recognized by the Government experts, the representatives of the statistics offices in the Member States, and the employers' and trade union groupings.

## European Social Fund

42. The Committee of the European Social Fund held its second annual session at Brussels on 3 July under the chairmanship of M. Levi Sandri.

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(1) See Bulletin No. 6/61, sec. 34.

(2) See this Bulletin, Chapter V, sec. 81.



It began the examination of the report from the Director of the Social Fund on retroactive applications for reimbursement of expenditure incurred by Member States or public boards and presented by the Member States within a period up to 20 March 1961 in accordance with the transitional provision laid down in Article 33 of Regulation No. 9. These applications are for a total of 1 115 877 989 Belgian francs.

The Committee also examined the draft list of public boards, submitted by the Commission in accordance with the provisions of Article 18 of Regulation No. 9. The Committee's working party on applications concerning retraining met on 4 July and 3 August to scrutinize the retroactive applications more closely.

### Social security

#### Administrative Committee for the Social Security of Migrant Workers

43. The EEC Administrative Committee for the Social Security of Migrant Workers held its 26th meeting on 7 July 1961.

Its discussions bore on question concerning the application of Regulation No. 3. Among the problems examined was that of legislation applicable to commercial travellers operating in several Community countries. On this matter the Administrative Committee has considered the conclusion of a multi-lateral agreement between the competent authorities of the Member States on the basis of Article 15 of Regulation No. 3.

#### The Auditing Committee

44. The Auditing Committee attached to the EEC Administrative Committee for the Social Security of Migrant Workers held its 4th meeting on 12 July.

It continued the examination of the financial problems raised by the application of Regulations Nos. 3 and 4, and also its study of the detailed arrangements for establishing records of expenditure on medical attention.

#### Frontier and seasonal workers

45. The Commission continued its consultations with the government experts, on 6 July, and with both sides of industry on 17 July, on the question of drawing up two complementary draft regulations concerning the social security of frontier workers and that of seasonal workers.

## Industrial medicine

46. Two meetings were called in Brussels on 19 and 20 July on the initiative of the Commission. The first meeting was attended by government experts from the six countries, representatives of both sides of industry, independent experts and representatives of the ECSC and the ILO. Government experts, one ECSC representative and one independent representative took part in the second meeting.

At these meetings it was agreed to prepare a preliminary draft recommendation from the Commission on the establishment of a uniform list of occupational diseases.

## Study conference with both sides of industry

47. As one of a series of informatory meetings on the social policy of the EEC, the Commission organized on 13 July in Brussels at the Community's headquarters a one-day study conference with the General Federation of Labour of Belgium (FGTB) and the Confederation of Labour of Luxembourg (CGTL).

M. Levi Sandri, Chairman of the Social Affairs Group in the Commission, gave an introductory survey of social problems seen from the European angle, and this was followed by statements made by officials responsible for the different sectors. Each statement was fully discussed.

## AGRICULTURE

### Common agricultural policy

48. At the end of July, the Commission submitted to the Council the following proposals:

- a)* Regulation providing for the institution of a system of levies and for the gradual establishment of a common market organization in the egg sector;
- b)* Regulation providing for the institution of a system of levies and for the gradual establishment of a common market organization in the poultry meat sector;
- c)* Regulation for the gradual establishment of a common market organization in the fruit and vegetables sector;
- d)* Regulation for the gradual establishment of a common market organization in the wine sector and Decision on the opening by France and Italy of quotas for 150 000 hectolitres of wine of specified origin presented in casks.

These proposals follow the draft regulations on grain and pigmeat which were submitted to the Council at the end of May.<sup>(1)</sup> Since the texts have been published as Bulletin annexes, only a short summary is given here.

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<sup>(1)</sup> See Bulletin No. 6/61.

## Eggs and poultry meat

49. For eggs and poultry meat, the draft regulations provide for the introduction of a levy system for trade between the Member States and for trade with non-member countries, replacing the present protective measures. The levies are to cover the incidence on feeding costs of the difference between the prices of coarse grains in the importing Member States and in the exporting Member States or on the world market, whichever is the case. The levies also include a sum intended to ensure protection for the processing industry. Moreover, in order to avoid market disruption within the EEC due to offers of supplies from non-member countries made at abnormal prices, a "sluice-gate price" will be fixed. The levies between the Member States will be tapered down to zero and this progressive reduction will be determined mainly by the approximation of coarse grain prices: the levies on trade with non-member countries will, however, be brought together at a common level. For exports, it has been provided that the levy covering the incidence of the difference between coarse grain prices will be refunded. A Guidance and Guarantee Fund will receive contributions which will increase from year to year, and the Fund will gradually take over a growing part, and in the end the whole, of the liability for export refunds.

## Wine, fruit and vegetables

50. For fruit and vegetables, the draft regulation includes the provisions necessary to ensure compliance with the common rules governing competition and the progressive application of the common standards of quality fixed for the various products. Minimum prices and quantitative restrictions on imports will be gradually abolished for classified products.

For the wine sector, the draft regulation provides for the establishment of a register of vineyards, for the declaration of stocks and quantities harvested, and for an annual forecast to determine the Community's availabilities and needs. A draft decision has also been referred to the Council concerning the application of the provisions needed to enable France and Italy to open global quotas for wine of specified origin presented in casks. The decision has been submitted pending, among other things, the definition of a set of Community regulations for wines of specified origin, for which the Commission has already fixed the points which must be taken into consideration.

The Council decided at its meeting of 24 and 25 July to consult the European Parliament on the four new draft regulations. The Special Committee for Agriculture has been assigned the task of preparing the Council's decisions on these regulations. The Commission has also submitted the drafts to the Chairman of the Economic and Social Committee so that he may transmit them for information to the Committee's Section for agriculture. The latter will thus have the opportunity to let the Commission have its views without any formal request for an opinion being made.

## First proposals for the common policy on rice and on fats and oils

51. The Commission has just submitted to the Council its first proposals for the common policy on rice and fats and oils. These proposals are in line with those on grain, sugar, milk, beef, pigmeat, eggs and poultry, fruit and vegetables, and wine submitted by the Commission in June 1960.

The proposals have been sent to the Economic and Social Committee for its opinion, as required by Article 43 (2) of the Treaty.

### THE FATS AND OILS SECTOR

52. The first part of the proposals deals with the situation of the market in the EEC countries, the situation in the associated overseas States and territories, and trends on the world market for fats and oils.

It is stated in the conclusion to this part that the countries of the European Economic Community at present import about 50% of all the fats and oils they consume. Furthermore, their imports of oil-cake are considerable and rapidly increasing. It is probable that in the coming years net imports of fats and oils will remain roughly at the same level, at least 2 million tons, but the share of oil-cake will increase.

For a long time now, per caput consumption of edible fats and oils of domestic origin has hardly increased but simply maintained a steady level.

As a result of the quantities of margarine and vegetable oils consumed, it is particularly imported fats which have benefited from the increased consumption per head.

#### *Aims of the common policy in the fats and oils sector*

In the fats and oils sector the Community must face the same problems as those which already existed in the Member States. It will have to endeavour to solve these problems in a way consonant with the objectives aimed at when the Common Market was established.

The aims of the common policy in the fats and oils sector will be:

- a) To establish a market with the characteristics of an internal market;
- b) To ensure that the production of fats and oils is at the level considered necessary by the Community, and to stabilize markets;
- c) To supply consumers with good quality fats and oils at reasonable prices;
- a) To contribute to the stabilization of the markets for oleaginous fats and oils in the associated overseas States and territories and to their marketing in the Community;

e) To take into consideration the activities of the processing industry and of trade, including the export of processed products ;

f) To allow for the part played by the by-products of the extraction of oils as basic materials in animal breeding.

The Commission's proposal is that a single market be established in the fats and oils sector at the latest by 1 July 1968.

#### *Measures to be taken to assist the associated overseas States and territories*

The measures to be taken by the Community in its contacts with these States must on the whole afford them advantages comparable with those they have enjoyed up to the present. (1) However they must not hinder freedom of trade in oils and oil-seeds. They may not, therefore, consist essentially of tariff preferences, quotas or guaranteed outlets, although tariff preferences have a part to play in connection with vegetable oils to which the common external tariff ensures some preference and so some assurance that there will be a market. The overseas States and territories have rather to be helped in the following two ways : first, by the establishment of stabilization funds which will eliminate the sharp fluctuations in prices which affect the market for oil and oil-seeds, and secondly, by granting producers in certain States where economic conditions are particularly unfavourable direct subsidies enabling them to adapt their conditions of production and marketing to the conditions of the world market. This aid must be granted for specific periods and to cover quantities which will be fixed when the renewal of the Association Convention is being negotiated.

#### *Measures to be taken to assist Greece*

After the entry into force of the association agreement, the Member States and Greece will gradually eliminate obstacles to trade in olive oil in advance of the harmonization of agricultural policies. The Commission has, however, given the Italian Government an assurance that it is already prepared to authorize Italy to invoke, in respect of olive oil from Greece, the provisions of Article 226 of the Treaty. The harmonization of agricultural policies will be put in hand as soon as the Community has declared that the essential provisions for the implementation of the common agricultural policy have been defined.

#### *Measures to be taken in the Member States*

A. *Common market stage* : in view of the fact that it cannot be in the interest of the Community to raise the level of prices for fats in such a way that all its fat production becomes profitable, only direct intervention will enable a certain output of some

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(1) See also sec. 65.

products to be maintained in the Community countries. It will be necessary in particular to fix producer prices for oil-seeds and olives or olive oil and to see that these are maintained. Because of the particular social problems relating to olive growing in Southern Italy, the proposals concerning market policy will need to be completed immediately by measures to improve the structure of agriculture in these regions.

At the single market stage the common policy provides for the following measures in the fats and oils sector :

a) On the internal market : fixing of producer prices (guaranteed prices) for oil-seeds, olives and olive oil ; measures to further the stabilization of markets for oil-seeds and oils in the associated overseas States and territories, and in certain cases, to assist in making adaptation to world market conditions possible ; a contribution levied on oil-seeds and oils produced in the Community or imported ; a programme for reducing the costs of producing and marketing olives and olive oil and for improving the economic structure of regions where olive-growing predominates.

b) At the common external frontier : levying of the duties provided for in the external tariff on imports of oil-seeds, oils and fats.

To carry out these tasks the following organs will be set up : a common office for fats and oils under the responsibility of the Commission and entrusted with the implementation of measures decided on by the Council or the Commission ; a stabilization fund for the fats and oils market ; a consultative committee through which the Commission will be able to consult the trade circles concerned on problems arising in connection with the organization of the market for fats.

Should prices on the market for oil-seeds and olive oil fall below those fixed for producers, the deficit will be compensated by direct financial aid to the producers. The technical handling of these measures will be a matter for the Office for Fats and Oils.

B. *Preparatory stage* : before the end of 1963 the Commission will propose to the Council the criteria according to which common producer prices shall be fixed for oil-seeds, olives and olive oil. It will subsequently submit each year, beginning on 1 July 1967, proposals for common producer prices for oil-seeds of the following year's harvest. (In the case of olives the first proposals will be submitted on 1 July 1968). These proposals will be considered to have been adopted by the Council unless it fixes the prices at another level by qualified majority vote within a specified period.

In co-operation with the Commission the Italian Government will establish a plan for the implementation of the measures required to incorporate Italian olive-growing and, consequently, the whole of the Italian sector into the common market for oils and fats. In the main this will involve measures aimed at : the introduction of a

system of direct aids to the production of olives ; improved production and marketing of olives and olive oil ; a better economic structure in the regions where olive-growing predominates.

To implement these measures it will be necessary to call on the European Fund for the Improvement of Agricultural Structures, the Investment Bank and the Social Fund.

The first calls on the common organization of the fats and oils market and on the Fund for Fats and Oils will be in connection with the measures taken to assist the associated States and territories. The Office for Fats and Oils, will, therefore, need to have available adequate financial resources in 1963. In order to help forward preparations for this work, the Commission will in 1962 undertake the establishment of a committee of responsible heads of the offices in the several countries which take any action needed in the market for fats and oils.

In 1962 and 1963 the Commission will lay before the Council proposals for the statute of the Office for Fats and Oils and of the Fund for Fats and Oils, together with a first budget for this Fund.

The introduction of producer prices for oil-seeds, olives and olive oil within the Community and their stabilization by means of direct aids will also serve to eliminate the chief obstacles to freedom of trade in the fats and oils sector. Consequently, as soon as this principle is applied in a country, it will be possible to abolish quantitative restrictions on intra-Community trade in these commodities, in the products made from them and in all industrial fats.

At the same time as they abolish quantitative restrictions, the Member States will adapt their statutory and administrative provisions so as to ensure free movement of oil-seeds and oils within the Community. These provisions are to be implemented at the latest by 1 January 1965. Until this date the general provisions of the Treaty applicable to agricultural products will govern trade between the Member States.

In principle, edible pork and beef fats will be subject to the same regulations as trade in pigmeat, beef and veal.

In order to simplify the application of taxes and charges in external trade in oils and fats and to make it more uniform, the Member States will, before the end of 1964, group in a single tax all the special fiscal charges on oil-seeds, oils and fats (with the exception of customs duties). This tax will have to be levied in a non-discriminatory manner on imported and on domestic products. The Commission will submit to the Council proposals for the co-ordination of Member States' action in this field and for the gradual reduction of the taxes.

On the other hand, the countries are free to levy taxes on the consumption of fats and oils during a transition period. This would have to be done with the agreement of the Commission without any distinction being drawn between home-produced and imported fats.

The system of trading based on the above principles implies the immediate abolition of all forms of subsidies and export drawbacks which hamper the effectiveness of the system and the waiving of all rights to apply the minimum price system.

In trade with non-member countries, the customs duties provided for in the Treaty will have to be charged on imports of oil-seeds, oils and fats. Quantitative restrictions on imports still existing will have to be abolished at the latest by 1 January 1965. Pork and beef fat for human consumption will be subject, in principle, to the rules applied to the import of pigmeat, beef and veal.

## RICE

53. The proposal on rice opens with a statement of resources and needs which shows that production in the Community is practically sufficient to cover human consumption in the six Member States and that the only deficit which still exists is in broken rice for industry and animal feeding. Preference for certain qualities and also trade policy (in particular vis-à-vis the associated overseas States and territories, especially Madagascar) will ensure that a certain flow of trade is maintained with countries outside.

An analysis of the data on external trade in the six member countries shows that, although production is quantitatively sufficient to cover human consumption, supply policy has developed in recent years in such a way that the Member States which are not themselves producers draw their rice from non-member countries (in particular Thailand, Burma, Egypt and the United States) while the producing Member States have to export some of their output to non-member countries.

The price policy followed by the two producing member countries — Italy and France — is largely based on the principle of ensuring a satisfactory income to the farmers through a national market organization, whereas the non-producing Member States obtain their supplies at world market prices. There is, however, no great difference in consumer prices within the six Member States.

### *Objectives of the common policy*

In view of the objectives laid down in Articles 40 and 43 of the Treaty and of the position of the rice market in the Community, it must be the aim of the common policy to establish a market with the characteristics of a domestic market, to guide production in accordance with the requirements of the market, to ensure profitability of production, to stabilize markets, and to safeguard the legitimate interests of the processing industry, of commerce and of the consumers. Producers who reach the level of productivity which is normal in the rice-growing areas must be assured a fair return.



### *Measures to be taken*

The second part of the proposals refers to the measures which must be taken if these objectives are to be reached. As there are certain similarities between the rice market and that for other kinds of grain, and since substitution is possible between these and rice, the measures recommended are in part based on those suggested on 30 June 1960 for wheat and coarse grain.

A. The following are the main measures to be taken at the common market stage :

- a) A single intervention price must be fixed for a given quality of round grain rice at the paddy stage ; the criteria for the determination of the intervention price must be such as to keep production of rice in the Community within certain limits ;
- b) A scale of monthly intervention prices must be laid down to take into account storage costs and interest ;
- c) The domestic market organization must be in a position to purchase at the intervention price in order to restore the balance of the market ;
- d) There must be an extension of loans on crops in order to assist the small and medium-sized farms ;
- e) Forecasts must be drawn up each year ;
- f) A compensatory levy must be fixed, based on the single intervention price for a given standard of quality and the most favourable purchase facilities for rice of comparable quality outside the Community. This levy, the aim of which is to ensure that the intervention price is observed, must be uniform throughout the Community ; if world market prices are above those of rice produced in the Community, the price of imported rice must be reduced to the level of the European price by means of a direct subsidy to users ;
- g) There must be a system of import certificates and safeguards to ensure the efficacy of the levy system. If the Community producers suffer or are likely to suffer serious injury from imports, the Commission must be in a position to suspend temporarily the issue of import certificates ;
- h) A system of temporary entry must be introduced for processing traffic ;
- i) Refunds on exports must be made possible to enable any surplus to be sold on the world market ;
- j) Measures relating to the conditions governing the import of rice from the associated overseas States and territories must be based on the principle of free entry into the Community, the details to be fixed when the renewal of the association convention is negotiated ;
- k) A rice section of the European Grain Office must be established, acting in accordance with directives from and under the control of the Commission ; its task should be

executive and it could possibly make use of the market organizations in the various countries ;

*l)* A rice section must be established under the European Guidance and Guarantee Fund and should draw its main income from the proceeds of the levy on imports of rice and, if necessary, from sums transferred from the Guidance and Guarantee Fund and possibly also from contributions by producers.

B. The following are the main measures to be taken during the preparatory stage :

*a)* Prices must be approximated for those Member States which produce rice as well as for those which do not ; for the rice-producing states the first approximation of prices must be made by the 1963/64 harvest year. This action must be completed by the 1968/69 harvest year. For the Member States which do not produce rice the approximation of prices must take the form of bringing the amounts of the levy into line ;

*b)* The activities of the existing domestic market organizations must be co-ordinated so that by the 1962/63 harvest year it will be possible to adopt common measures for the organization of the rice market ;

*c)* Before the 1962/63 harvest year the rice section of the European Grain Office and a consultative committee must be established ;

*d)* An expert committee must be established, composed of the responsible heads of the offices in the several countries which deal with rice ;

*e)* From 1 July 1962 a system of import levies and export refunds for intra-Community trade must be introduced. For this purpose the Member States must fix a threshold price before this date. Levies and refunds must diminish progressively and must be abolished by the end of the preparatory stage ;

*f)* From the entry into effect of the levy and refunds system all import restrictions and export aids must be abolished in intra-Community trade ;

*g)* Legislation must be harmonized ;

*h)* From 1 July 1962 a levy system must be introduced for imports from non-member countries ; these levies must be calculated on the basis of the threshold price fixed in each Member States, and on the world market price ;

*i)* Commercial policies of the Member States must be co-ordinated.

#### Development of the Council's work

54. Discussing the speedier implementation of the Treaty at its session of 24 and 25 July, the Council took note of a programme of work drawn up by the Permanent Representatives in co-operation with the Special Committee for Agriculture. This programme makes provision for the Special Committee to report back on the draft

regulations concerning grain and pigmeat in the second half of October 1961, and on the draft regulations or decisions concerning eggs, poultry meat, fruit and vegetables and wine at the end of November 1961, thus enabling the Council to discuss these matters in the sessions which will take place in October, November and December 1961.

In addition, the Commission will refer to the Council by 31 October 1961 a draft regulation on sugar, a draft regulation on beef in November 1961, drafts concerning the establishment of a general annual food balance-sheet and the co-ordination of agricultural structure policies by 31 December 1961; the presentation of a draft regulation on dairy produce is planned for February 1962.

55. The Special Committee for Agriculture, which held its 13th meeting on 18th July, made certain arrangements to allow of the execution of the programme of work it has presented to the Council. For this reason the working parties for the different products will meet more frequently as from the beginning of September. The working parties for grain and pigmeat will examine, in the light of figures and estimates based on the assumption that the levy systems will be applied from 1 July 1961, the practical effects of the Commission's proposals. In addition to the working parties for the various products, there will be established a working party to deal with the legal and institutional problems raised by the draft regulations presented by the Commission.

The Committee has also continued its discussions on the proposals for the grain sector and has examined in particular methods of calculating target prices and possibilities of discontinuing compulsory mixing regulations and also import quotas.

### Structural policy

56. In order to prepare the concrete proposals on the co-ordination of national policies on agricultural structure, the Commission held a meeting with the Government experts from the Member States on 25 and 26 July. At this meeting an agreement was reached between the point of view of the Commission's representatives and that of the national experts concerning the definition of the notions of "agricultural structure" and "policy on agricultural structure", the need to co-ordinate national policies on structure, the distribution of work between the Member States and the organs of the Community in the field of policy on structure. Those taking part also agreed unanimously that a schedule of conditions in the field of agricultural structures and a definition of the policy to be followed for their improvement constitute a fundamental basis for the co-ordination of the national policies: this involves systematic co-operation between the Government representatives who are responsible for putting into effect the policy on structure, including an appraisal of the Member States' policies in this field in the light of the objectives of the common agricultural policy. It is on this basis that the proposed recommendations, directives and regulations may be presented by the Commission to the Council.

## Minimum prices

57. In July the Commission referred to the Council a revised proposal on objective criteria for the establishment of minimum prices. <sup>(1)</sup> This proposal was drawn up in the light of suggestions made by the Member States following the Council's discussion and the opinion expressed by the European Parliament in its resolution of 20 February 1961. The main alterations to the first draft decisions, presented by the Commission to the Council in October 1960 <sup>(2)</sup>, concern the basis of reference to be adopted when there is no price guarantee, and also the revision of the objective criteria. For products for which there is no intervention system, the Commission has proposed that it should take as a principle that the minimum price should not exceed 90% of the average of the market prices over three years. Having regard to the opinion expressed by most of the Member States and following the Council's discussion on this subject, the Commission has introduced a modification to this principle by allowing the possibility of recourse to the cost price in certain circumstances. Moreover, the Commission has made it clear that it is permissible to divide each year or crop-year into different seasons, and to fix the minimum prices in accordance with this division. Lastly, it has suggested that it should itself submit proposals concerning the revision of the present criteria to the Council within three years from the date of the present decision. Successive revisions will take place at intervals of not more than three years.

## Trade between the Member States

58. The discussions with the experts from the Member States concerning certain problems connected with the conclusion of long-term agreements or contracts under Article 45 of the Treaty and the opening of import possibilities under Article 7 (1) of the speed-up decision of 12 May 1960 [20% increase in global quotas opened under Article 33 (1)<sup>3</sup>] were continued at the two meetings held in July 1961. The list of products which will be subject to these arrangements has been definitively completed and was transmitted by the Commission to the Member States on 17 August 1961. On this occasion, the Commission once again asked the Member States to make suitable arrangements for the conclusion of the long-term agreements or contracts provided for in the Treaty before 31 December 1961, in so far as the need exists of importing the products in question. For those products for which there is no such need, the Member States are obliged, under the speed-up decision, to grant import possibilities.

Lastly, the Commission has made known to the Member States the guiding lines which it feels should be followed in the matter of prices: the Treaty provides that the

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<sup>(1)</sup> The text of this proposal will be published in Annex of Bulletin No. 9-10/61.

<sup>(2)</sup> See Bulletin No. 8-9/60, sec. 32.

<sup>(3)</sup> See Bulletin No. 4/60, Chapter II, sec. 1.

long-term agreements or contracts shall enable producers to dispose of the agreed quantities at prices progressively aligned on those paid to national producers in the home market of the purchasing country.

### Matters referred to the Court of Justice

59. The Commission has decided to lay before the Court of Justice its disagreement with the Federal Republic of Germany concerning the failure of this Member State to open global quotas under Article 33 for calves, veal, sausages and preserved meat. According to the Federal Government these products are covered in Germany by a "national market organization" and so are not subject to the provisions of Article 33 of the Treaty. It is claimed that the expansion of trade in these items should be pursued by the conclusion of long-term agreements between Germany and the EEC partners as provided for in Article 45. The Commission contests the existence of such a national market organization.

The products in question are covered by the German law of 25 April 1951 on the cattle and meat trade, which authorizes a competent public body to regularize imports and to intervene on the internal market to support prices. However, contrary to what has been done for other products in this sector, no action has been taken under the said Law to organize the market for the four products at issue. These are imported under the quota system, that is to say, the system applied to many industrial and agricultural products not subject to national market organizations. Moreover, there has been no intervention on the home market so far.

The Commission referred the matter to the Court of Justice on 10 August 1961 for a ruling on the scope of the obligations which the Treaty lays upon the Federal Republic in the case at issue. In accordance with the procedure laid down in Article 169 of the Treaty, the Commission had already given a reasoned opinion, on which the Federal Government has not acted.

### Approximation of laws

60. The Commission has submitted to the Council two draft directives, one concerning the approximation of Member States' regulations on colouring matters which may be used in food products intended for human consumption, the other concerning the campaign against bluemould in tobacco.<sup>(1)</sup>

The first directive constitutes the first stage in the work of approximating provisions concerning the use of food additives. It includes a European list of the colouring matters the use of which is authorized in foodstuffs. The use of certain colouring matters may be continued for a maximum period of three years. The conditions

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(1) The texts of these two drafts will be published in the Annex to Bulletin No. 9-10/61.

under which these colouring matters may be used in certain foodstuffs still have to be defined. The directive contains, in Annex 1, a list of the substances authorized in the Member States for colouring foodstuffs on the surface or throughout. In drawing up this list, the experts have been guided by considerations of public health and by technical requirements.

The directive concerning the campaign against bluemould in tobacco is aimed at co-ordinating control of this virulent tobacco disease and at preventing it from damaging more seriously the European tobacco market. The directive lays down that the Member States shall provide for certain methods of cultivation in their territories and shall also rule on the disposal of unmanufactured tobacco waste. The directive also includes an obligation to notify any outbreak of bluemould.

## TRANSPORT

### Consultative Committee on Transport (Article 83)

61. The two working parties of the Consultative Committee on Transport, set up at the meeting of 27 and 28 June 1961, met in Luxembourg on 13 July. The first, entrusted with problems concerning international road transport for hire or reward, has been assigned the task of studying existing bilateral agreements and quota systems, with a view to rendering the latter progressively more flexible. The aim is to abolish them as far as this is possible, to standardize and simplify the administrative rules of the Member States and to prepare and put into effect measures to ensure freedom of transit.

Taking as a basis a working document of 8 June 1961, prepared by the Commission, on the establishment of common rules to be applied to the international transport of goods by road [Article 75 (1 a)]<sup>(1)</sup> the experts examined various aspects of the problems at issue and decided, in the first place, to assemble the basic facts and figures on the development of trade between the Member States and on the quota and licencing systems in force in international road transport, and also on the volume of traffic in the different countries.

The working party agreed that each expert should supply the facts and figures in his possession to the Secretariat of the Consultative Committee.

The second working party was charged to study problems concerning road transport on own account.

Again, the experts have taken as a basis the same working documents, and have carried out an initial examination of the proposals formulated with a view to the progressive liberalization of this category of transport. The examination will be resumed at the next meeting. Some material will be supplied in the meantime by

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<sup>(1)</sup> See Bulletins No. 6, Chapter 1, sec. 48, and No. 7-8, Chapter V, sec. 54.

each member of the working party to the Secretariat of the Committee relative to the actual situation and the national provisions in force in this field, in particular on the definition of the concept of transport on own account.

The next meeting will take place in Brussels : for the first working party on 20 and 21 September, and for the second on 19 September.

As was agreed, the Commission has begun to make additions to the document of 8 June 1961 on the basis of material supplied by the experts.

At the request of the Consultative Committee, the Commission has undertaken a statistical review of the development of intra-Community goods traffic carried by the three forms of transport. This study will facilitate current discussions within the Consultative Committee on the implementation of Article 75 (1a).

#### Uniform nomenclature of goods for use in transport statistics (NST) <sup>(1)</sup>

62. For the purposes of its general statistics programme, the Commission and the Statistical Office of the European Communities have established a uniform nomenclature of goods for use in the transport statistics of the European Communities (NST) in co-operation with the member countries' experts and the international organizations concerned.

This nomenclature will do much to provide a solid basis for implementing the common transport policy, since the existing nomenclature no longer meets the requirements of the expanding economy and current technical developments: they do not make clear enough distinctions between goods in trade and they vary appreciably from country to country and even within a country, depending on the form of transport involved.

On 26 July 1961, the Commission adopted a recommendation addressed to the Member States proposing that they adopt the new nomenclature and send to the Commission as from 1 January 1962 statistics for the three modes of transport on the basis of the headings in this nomenclature (NST).

#### Infrastructure

63. At meetings of national experts organized by the Commission for the three modes on transport, certain additions were made to the recommendations addressed to the Governments by the Commission in 1960. In accordance with the wishes expressed by the Council of Ministers and by the European Parliament, these recommendations were supplemented by proposals for the improvement of the services linking seaports

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(1) Nomenclature Statistiques des Transports.

with their hinterland and designed to take into account the interests of Berlin in projects for linking networks, and to develop communication routes linking the Community with non-member countries.

The projects include :

*a)* Railways : link-up between electrified networks of Germany and the Netherlands ; electrification of the lines Hamm-Hanover-Brunswick, Marseilles-Ventimiglia and Le Mans-Rennes ;

*b)* Roads : a number of projects for improving roads and inland waterways, including the deepening of the Rhine between Mannheim and St. Goar ; linking up Hamburg with the West European inland waterways network ; modernization of the "Mittellandkanal" to provide a wide and deep waterway linking the Rhine, through the Dortmund-Ems Canal, with the Weser and the Elbe ; a Meuse-Rhine link which will also serve the Aachen area ; improvement of the Dunkirk-Scheldt link.

The Commission is also studying the problem of improving regional transport infrastructure, with particular reference to Community regions in which the economy is on the decline or where economic development is lagging behind.

#### Implementation of Article 80 of the Treaty (supporting rates and conditions)

64. On 6 July a meeting with the Government representatives was devoted to an examination of problems of the legal interpretation of Article 80. This Article forbids rates and conditions involving any element of support as from the beginning of the second stage, unless they are authorized by the Commission. The meeting also considered the procedure to be followed for giving effect to this Article. The Government representatives have agreed to make available to the Commission all the relevant facts and figures concerning rates and conditions of support, including measures not made public. In order to comply with the time-limits fixed in Article 80, they have undertaken to furnish this information more promptly.

#### Committee of Government experts set up to study transport costs

65. The Committee of Government experts set up by decision of the Council of Ministers of 6 December 1960 to study transport costs held its second meeting on 11 and 12 July 1961 in Brussels. It discussed in detail a report on the problem of determining infrastructure costs, submitted by the relevant sub-committee. Matters connected with the calculation of amortization and interest will be re-examined at a later meeting.

The Committee has decided that the work on determining infrastructure costs will be continued in the meantime by three specialized working parties, one for each form of transport.



The Committee also went into the question making a comparative study, on proposals from the national delegations, and on the basis of an introductory note presented by the Commission, of the burden borne by various enterprises and forms of transport in relation to infrastructure costs.

It fixed provisionally the order in which the different competitive situations should be examined. A sub-committee, whose first meeting will take place in December, will study methods for attaining the objectives aimed at.

## DEVELOPMENT AID

### The fifth meeting of the Development Assistance Group (DAG)

66. The fifth meeting of DAG was held in Tokyo from 11 to 13 July. Mr. Riddelberger, the American ambassador, was in the chair. This was the last meeting held by the Group as an ad hoc body, since its status will be henceforth that of an OECD Committee, and it will meet at the OECD's permanent headquarters in Paris.

The Member States of the Community (save Luxembourg, which is not a member of DAG) and the EEC Commission took part in the meeting. The Commission's delegation was led by M. Lemaigen. The Secretary-General of OEEC, M. Kristensen, and observers from the Inter-American Development Bank and the International Bank for Reconstruction and Development also attended.

The Prime Minister of Japan, M. Hayato Ikeda, opened the discussion and stressed the importance of commercial aid for the developing countries. He voiced the hope that DAG would consider the problems of markets for basic products and manufactured articles produced by the developing countries.

When the Chairman called for approval of the agenda, it was explained that the recommendations made at the fourth meeting of DAG in London were now approved by the Members. It will be recalled that the Group had, among other things, recommended to the Members that they should take it as their common objective to increase the total aid offered to the developing countries, and to make it more effective.<sup>(1)</sup> It was agreed that from now on the OECD Secretariat should prepare a statement for each meeting summing up the operations carried out by each of the Member States since the last meeting.

The United States memorandum, suggesting the creation of consortiums to co-ordinate an aid programme for a specific country or project, was discussed at some length. The decision taken was that the possibility of DAG forming such consortiums under its own auspices or at least playing a part in their formation should not be ruled out, but that this problem should be approached on practical lines, according to specific cases, and should be given further study.

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<sup>(1)</sup> See Bulletin 4/61, Chapter IV, sec. 37.

On the subject of the distribution of aid, the group discussed a memorandum submitted by the United States, in which it was suggested that each country might make a contribution representing 1% of the national income. It was decided to set up a working party, whose chairman should be Ambassador Riddelberger, with the assignment of preparing recommendations on this problem in the light of the resolution on the common objective of increasing total aid adopted by DAG at its fourth session, of the ideas contained in the American memorandum and of the views expressed by other members in the course of the discussion.

The idea of setting up a development centre within OECD, put forward in the American memorandum, was, by and large, well received. The Commission's representative described the project for setting up a development institute of the European Communities within the EEC and the EAEC.<sup>(1)</sup> This statement aroused great interest. Any administrative objections to the American proposal will be studied in Paris, and the scheme will be finalized later in the light of the Community's experience in this field.

The problem of contacts between DAG and the developing countries once again engaged the attention of the members. Several felt misgivings as to the establishment of direct official contacts. No rigid rule has, however, been laid down. The question will be discussed again later.

The next meeting of the Group, as a Committee of the OECD, will be held in Paris on 14 November 1961.

## OVERSEAS DEVELOPMENT

The Commission's memorandum on the association of the overseas States with the Community

67. On 13 July the Commission submitted to the Council and on 28 July addressed to the Governments of the associated countries a memorandum containing the Commission's proposals for the new system of association.<sup>(2)</sup>

### Trade

68. Various services of the Commission have together completed the final version of the chapter covering trade with the associated overseas States and other trade measures in the Commission's memorandum on the future system of association.

The principles for Community action in favour of the associated overseas States in the oil-seed and rice sectors have been fixed by the Commission in the framework of the proposals for putting into effect the common agricultural policy.

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(1) See Bulletin 8-9/60, Chapter II, sec. 42.

(2) This document is discussed in Chapter III of this Bulletin.

The Commission's staff have continued their study of the merging of the South Cameroons (the southern part of Cameroun, formerly under British mandate, which has opted to join the Republic of Cameroun) and its effects on the banana trade.

Other subjects studied were EEC imports of fats in recent years and trends in trade between the EEC and the associated overseas countries in 1960 as compared with 1959.

### The European Development Fund

69. On 4 July the Commission submitted to the Council a proposal on the distribution of the European Development Fund's resources, a draft decision for the Council, and a proposal on the financing of EDF research with a draft regulation on this subject.

In submitting these documents to the Council, the Commission recalled that the representatives of the Member States' Governments had, on the occasion of the speed-up decision of 12 May 1960, expressed their intention of taking the necessary measures to enable the associated States to enjoy to the full the benefits of association. The Commission added that with this object in view it had seemed advisable to improve the European Fund's procedures so as to make its operations more effective.

The Commission also recalled that the representatives of the associated States had voiced the same concern that their countries should derive the maximum benefit from the association at their preparatory meeting with the Permanent Representatives of the Member States, which took place on 1, 2 and 3 June 1961.

The Council will examine the Commission's proposals at a forthcoming session.

70. As for the distribution of the Fund's resources, the Commission recalled in its note to the Council that this body had, at a session of 25 July 1959, laid down in a directive a distribution of the European Development Fund's resources by which 25 to 30% would go to social investment, leaving some 70 to 75% for economic investment, and that for social projects the Council had also authorized the Commission to commit half of the funds earmarked for 1961 and 1962 in addition to the allocations laid down for the first three years of the Fund's activity.

The Commission next pointed out that the Fund's increased pace of operations, called for by all parties concerned, means that the Commission's services must be able to propose as rapidly as possible the maximum number of financing decisions. Consequently, the Commission proposed that the Council take decisions: first, authorizing the commitment, for social projects, of all the resources available under the 1961 and 1962 budgets; and secondly, confirming the percentage of allocation funds between economic projects and social projects fixed in the above mentioned decision of 25 July 1959 viz; 25 to 30% for social institutions and 70 to 75% for economic investments. This distribution seems to be a fair reflection of the proposals presented, taking the associated countries as a whole. Certain countries, however, for

quite legitimate reasons, have not been able to comply with it. Therefore the distribution should be applied neither by regions nor by countries, but for the associated countries considered as a whole.

71. As for the financing of studies by the European Development Fund, the Commission's proposal stems from the need to help the authorities in the associated countries to prepare their social and economic projects without delay; the necessary finance must therefore be readily available.

To meet this need, the Commission has submitted to the Council a draft regulation authorizing the Commission to devote, without prejudice to the application of the normal procedure to the financing of study projects, not more than three million units of account out of the European Development Fund's resources, to pay for preparatory surveys for schemes to be presented to the Commission by the authorities of the associated countries and territories. After examining any scheme the Commission will inform the country concerned of its agreement in principle and will invite that country to approach the body or organization which is to carry out the survey.

The draft provides that participation in such surveys will be open without discrimination to nationals or corporate bodies of all Member States or associated countries and territories.

## Financing of projects

### *SOCIAL INVESTMENTS*

72. In July and August the Commission approved the financing by the European Development Fund of the following ten social projects:

#### *I n t h e R e p u b l i c o f C h a d*

a) The construction of a technical and vocational training centre at Fort Lamy, with a provisional commitment of 133 million Frs. CFA (approximately 539 000 units of account). This project is for the construction and equipment of a new centre to accommodate 200 pupils, of whom 120 will be boarders.

b) The construction and equipment of buildings for public health purposes, with a provisional commitment of 177 000 Frs. CFA (approximately 719 000 units of account). The project is for the construction of 25 bush dispensaries, the rebuilding of 6 others, the construction of 6 quarters for medical staff, and the provision of the required equipment and material.

#### *I n t h e R e p u b l i c o f G a b o o n*

a) Construction of two centres for rapid vocational training, with a provisional commitment of 150 million Frs. CFA (approximately 608 000 units of account) at Libreville and at Port-Gentil.

b) Construction of three annexes for boarders in continuation classes at schools at Franceville, Tchibanga and Kouala-Moutou, with a provisional commitment of 83 million Frs. CFA (approximately 336 000 units of account).

c) Extension of the technical school at Libreville, with a provisional commitment of 380 million Frs. CFA (approximately 1 539 000 units of account).

d) Building of a training college for nurses at Libreville; construction of a maternity hospital and the technical equipment of public health centres, with a provisional commitment of 124 500 000 Frs. CFA (approximately 505 000 units of account).

#### *I n t h e R e p u b l i c o f D a h o m e y*

Establishment of watering points (150 wells and 13 bore-holes) with a provisional commitment of 505 million Frs. CFA (approximately 2 046 000 units of account).

#### *I n t h e R e p u b l i c o f S e n e g a l*

Improvements to the Blood Transfusion Centre of Dakar, with a provisional commitment of 50 million Frs. CFA (approximately 203 000 units of account).

#### *I n t h e R e p u b l i c o f U p p e r V o l t a*

Establishment of the infrastructure and of health facilities in Upper Volta: construction of 10 health centres, two subsidiary hospitals at Koudougou and Gaoua and 24 service units for major endemic diseases, with a provisional commitment of 897 million Frs. CFA (approximately 3 634 000 units of account).

#### *I n t h e S o m a l i R e p u b l i c*

Preparatory survey for a general development plan in the Somali Republic, with a provisional commitment of 145 000 somalos (approximately 20 000 units of account).

#### *E C O N O M I C I N V E S T M E N T S*

73. In July and August the Council, on a proposal of the Commission, also approved the financing by the European Development Fund of the following nine economic projects:

#### *I n t h e I s l a m i c R e p u b l i c o f M a u r i t a n i a*

Improvement of water supplies for agriculture in the Brakna, in order to create favourable conditions for the expansion and intensification of sorghum millet cultivation in an area covering some 2 400 hectares, with a provisional commitment of 130 million Frs. CFA (approximately 527 000 units of account).

### In the Republic of Cameroun

- a)* Construction of a road from Tignere to Kontcha, to remedy the isolation of an area well suited for the production of tobacco, cotton, sorghum mullet, groundnuts, rice and other food crops: a provisional commitment of 122 million Frs CFA, approximately 494 000 units of account).
- b)* Soil conservation and anti-erosion operations in the Department of Margui-Wandala, with a provisional commitment of 177 million Frs. CFA (approximately 717 000 units of account).
- c)* Asphaltting of the road from Yaoundè to M'Balmayo, with a provisional commitment of 490 million Frs. CFA (approximately 1 986 000 units of account). This improvement will facilitate the transport of agricultural products from the area.
- d)* The construction of a road and railway bridge at Edea; some 250 metres in length, it will cross a backwater of the Sanaga river: a provisional commitment of 180 million Frs CFA (approximately 729 000 units of account).
- e)* The improvement of the so-called "Terres Noires" track, with a provisional commitment of 85 million Frs. CFA (approximately 344 000 units of account).

### In the Malagasy Republic

Reconstruction and strengthening of the harbour wall at Tamatave, with a provisional commitment of 600 million Frs. CFA (approximately 2 431 000 units of account).

### In the Republic of Chad

Asphaltting of the Farcha road, which links the centre of Fort Lamy with the town's largest industrial area and of the Chagoua-Oléa road, which begins at Fort Lamy and serves residential areas and an industrial area: a provisional commitment of 160 million Frs CFA (approximately 648 000 units of account).

### In the Department of Guadeloupe

Modernization of a section of National Road No. 5 (the road Pointe-à-Pitre to the western coast of the Grande-Terre), with a provisional commitment of 110 million old French Frs CFA (approximately 223 000 units of account).

### Training periods and symposia for nationals of associated overseas States

74. The first training period organized by the EEC Commission for nationals of associated overseas States came to an end on 30 June. <sup>(1)</sup>

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<sup>(1)</sup> See Bulletin 7-8/61, Chapter V, sec. 62.

**OPERATIONS  
OF THE EUROPEAN DEVELOPMENT FUND**

Financing approved - situation on 31 August 1961

*(in thousands of units of account)*

Countries or territories	Number of projects	Total amount
Congo (Leopoldville)	8	9 384
Ruanda-Urundi	9	2 583
Total	17	11 967
Cameroun	16	15 322
Central African Republic	11	4 398
Comores	5	2 069
Congo (Brazzaville)	5	6 009
Ivory Coast	10	17 495
French Somali Coast	1	742
Dahomey	10	7 692
Gaboon	9	8 058
Upper Volta	10	15 317
Madagascar	22	25 563
Mali (former Sudan)	15	7 732
Mauritania	5	4 879
Niger	2	7 290
New Caledonia	4	273
Polynesia	2	2 769
Senegal	6	13 656
Chad	10	11 851
Togo	11	8 056
Réunion	3	1 682
Martinique	1	2 542
Groups of States	1	2 010
Guadeloupe	2	970
Algeria	7	17 680
Total	168	183 883
Somali Republic	2	2 170
Netherlands New Guinea	6	12 487
Grand Total	193	210 507

The twelve trainees had had the opportunity to make interesting contacts, both on the spot and during tours in Germany, France, Italy and the Netherlands, but particularly at the Euro-African Conference in Strasbourg which they attended.

In the light of this first year's experience the Commission has made certain changes in the programme. So that more trainees can be accommodated each year, it has been decided to reduce the length of the training periods from 9 to 4 months and to organize two training periods a year, each for a dozen trainees. The first period will last from 1 October to 31 January and the second from 1 March to 30 June.

The Commission hopes that most of the candidates will not be young people who have just finished their studies or who are at the beginning of their administrative or professional careers; it would prefer people who have already gained some experience in their chosen field and who will be assuming, on their return, positions of some standing in specific fields of activity.

75. Two symposia and a fact-finding meeting were organized in July.

On 4 and 5 July the first symposium brought together in Brussels 18 African trainees from the Institute of Advanced Training in Journalism of the University of Strasbourg. After two days' work at the headquarters of the EEC, the trainees went to the Netherlands, where, after a civic reception in Rotterdam, they visited works being carried out under the Delta Plan.

The second symposium, for African trainees from the Collège coopératif <sup>(1)</sup>, took place on 12 and 13 July at the headquarters of the EEC. This group included North Africans and nationals of various associated countries in Africa south of the Sahara.

Both days were devoted to problems of economic development in the developing countries. At the end of the symposium, the group moved to Southern Italy to study experiments in community development on the spot. Lastly, a fact-finding meeting was organized on 18 July for the six statisticians who hold EEC scholarship. They were given information on the association of the African States with the EEC and on the range of activities carried out by the Directorate-General for Overseas Development.

## ADMINISTRATIVE AFFAIRS

### Statute of service

76. Following a speech by M. Hallstein, President of the EEC Commission, at a meeting on 3 and 4 July 1961, the EEC and EAEC Councils expressed their desire that the Statute of service for officials of the Communities should be brought into force on 1 January 1962.

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(1) A college for pupils of the Faculty of Applied Social Science in the Sorbonne.



## Budget affairs

### Draft supplementary budget 1961

77. In July the Commission submitted to the EEC Council a preliminary draft supplementary budget for the financial year 1961. This comprises supplementary estimates for an expansion of the scholarship scheme for nationals of associated countries and larger appropriations for the preparation of investment projects of the Development Fund for overseas countries and territories.

### Provisional estimate of expenditure for 1962

78. The Commission adopted at the end of July its provisional estimates for 1962. These will be included in the EEC preliminary draft budget for the financial year 1962, which was submitted to the Council on 20 September.

### The Committee of Control's report and the management accounts and balance sheet for the financial year 1959

79. The Commission submitted to the Council in July the report from the Committee of Control on the financial year 1959 together with the management accounts and balance sheet for the same year.

### Appointments and changes in the administrative staff of the Commission

80. In July the Commission appointed M. D. Behn as Head of the section in charge of information for non-member countries in the Official Spokesman's Group, and M. R. Dumont du Voitel as Head of the Radio-television-cinema section of the Joint Information Service of the European Communities.

The Commission has also made some changes in the organization of the Directorate-General for Administration <sup>(1)</sup>: in the Directorate for Domestic Affairs there has been set up a Division for Translation, Reproduction and Distribution of Documents with M. Goffredo Raponi as its Head; the Conference and Linguistic Division and the Health Service Division have been disbanded; M. Mario Rossi has been transferred from the Health Service Division to the Reference Material and Library Division.

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(1) For the organization of Directorate-General IX, see Bulletin 5/61, pages 72 and 73.

## THE STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES

### Inquiries on wages in the industries of the Community

81. A meeting of the working party on wages in Community industries was held on 6 July. M. Wagenführ, Director-General of the Statistical Office of the European Communities, was in the chair.

The purpose of the meeting was to obtain the opinions of the Government experts on methods of collating and presenting the findings of an inquiry into fourteen branches of industry.

The results of the 1959 inquiry had been calculated by the Office on the basis of general data supplied by the national statistics institutes.

At the meeting the experts approved the lay-out of the tables of figures for workers' wages per hour, the method for a fresh calculation of the monthly wage bill, and the lay-out of the results with a view to publication in final form. It was also agreed that a meeting be held in October at which the publication to be prepared by the Statistical Office would be submitted to the Government experts, and that certain changes would be made in the questionnaire for the inquiry into wages.<sup>(1)</sup>

### Statistics on agriculture

82. The Directorate-General for Agriculture and the Statistical Office of the European Communities arranged jointly for 13 July a meeting of the panel on agricultural accounts set up by the working party on national accounts.

The experts from the Ministries of Agriculture and from the national statistics institutes of the EEC countries approved the plan presented to them for a comparative survey of methods of calculation at present used in the EEC member countries for agricultural accounts.

The work will proceed through contacts between the responsible national bodies on the one hand and the Commission staff and the appointed expert on the other.

### Growth and utilization of the gross national product

83. A statistical note on the gross national product and the national income of the Community countries from 1958 to 1960 appeared in No. 8/1961 of the "Bulletin général de statistiques" which the Statistical Office of the European Communities has just published.

It shows that the increase in the gross national product was larger in 1960 than in 1959 in all the EEC countries except Italy, where agricultural production declined in 1960. The rates of increase at constant prices were, in descending order, 8.2% in the Netherlands, 8% in Germany, 6.9% in Italy, 6.2% in France and 4.2% in Belgium.

The break-down of utilization was as follows in the five countries (no 1960 figures are given for Luxembourg) :

a) Expenditure on private consumption :

57.3% in Germany, 65% in France, 61.3% in Italy, 56.4% in the Netherlands and 68.7% in Belgium.

b) Expenditure in the public sector :

13.6% in Germany, 14.6% in France, 14.5% in Italy, 23.9% in the Netherlands and 11.9% in Belgium.

c) Gross fixed capital formation :

24.1% in Germany, 17.4% in France, 14.5% in Italy, 13.5% in the Netherlands, and 17.5% in Belgium.

Foreign trade in goods and services showed a surplus in all the member countries ; expressed as a proportion of the gross national product, the figures were as follow : Germany : exports, 25.6% of the national product ; imports, 22.9% ; France : 16% against 14.9% ; Italy : 17.3% against 16.9% ; Netherlands : 53.7% against 51% ; Belgium : 36.5% against 35.2%.

## VISITS

84. On 7 September Mr. Orville L. Freeman, United States Secretary for Agriculture had conversations with M. Mansholt, a Vice-President of the EEC Commission and Chairman of the Agriculture Group. He also held discussions with the Commission at a meeting at Val Duchesse.

These talks, which may be considered as a follow-up of Mr. Freeman's meetings in Washington with various members of the Commission, took place in a very cordial atmosphere. Among the topics of discussion were developments in the common agricultural policy and its impact on United States agriculture.

## VI. Institutions and organs

### A. THE COUNCIL

51st session (24 and 25 July 1961)

The Council of the EEC held its 51st session on 25 July in Brussels under the chairmanship of M. Müller Armack, Under-Secretary of State in the Ministry for Economic Affairs in the Federal Republic of Germany. It dealt with the following points:

*Common commercial policy*: on proposals from the Commission the Council took certain decisions concerning consultation procedure for the negotiation of trade agreements between Member and non-member states, and for amendments to the system of liberalization vis-à-vis non-member states and the standardization of trade agreements with these states. <sup>(1)</sup>

*Relations with the associated overseas States*: on the basis of the Commission's memorandum <sup>(2)</sup> the Council held an initial discussion on the future of the association with the overseas States.

This discussion revealed that the Governments of the Member States were unanimously agreed:

- i) To recognize once again the importance of relations between the Community and the associated overseas States;
- ii) To continue the association relationship with the African States and Madagascar;
- iii) To recognize the need to develop their action vis-à-vis these States;
- iv) To emphasize that this action must tend to reinforce the sovereignty of the associated African States and Madagascar, particularly by contributing to developing and diversifying their economies.

*Speedier implementation of the Treaty*: further to its decisions relating to the speedier implementation of the Treaty taken at the meeting of 3 and 4 July last, the Council examined a programme of work for the coming months drawn up by the Permanent Representatives in collaboration with the Special Committee on Agriculture.

The Chairman of the Council expressed the hope that it would be possible to keep to the time-limits indicated.

*Social questions*: the Council agreed to draw up by written procedure the definitive text in the four Community languages of Regulation No. 14 which is to come into

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<sup>(1)</sup> See Chapter V, sec. 1.

<sup>(2)</sup> See Chapter III.

force on 1 September 1961, and of the Directive on the free movement of workers within the Community. (This text was approved by the Council, subject to finalizing of the translations, at its meeting of 12 June last.)

The Council further approved the text in the four official languages of the regulation concerning a second inquiry into wages. This inquiry which will cover eight further industrial branches in the six countries is complementary to the one carried out in 14 industrial sectors under the regulation adopted on 31 August 1960.

*Transport* : the Council transmitted to the Parliament and to the Economic and Social Committee for their opinion a draft decision of the Commission dated 12 July 1961 concerning preliminary examination of the laws and regulations of the Member States in the transport field and the consultation procedure on this subject.

*Agriculture* : the Council heard a verbal report from the Chairman of the Special Committee on Agriculture on progress with regard to the common agricultural policy.

The Council further decided to transmit to the Parliament and to the Economic and Social Committee for their opinion the Commission's proposed regulations for the introduction of a system of levies and the gradual establishment of a common market organization in the eggs and poultry meat sector <sup>(1)</sup>, and for the establishment of a common market organization in the fruit and vegetables and wine sectors. The draft decision for the opening by France and Italy of a quota for 150 000 hectolitres of wines of specified origin presented in casks is also to be transmitted for opinion.<sup>(2)</sup>

*Customs systems applicable to tropical woods* : the Member States benefiting have decided to waive the duty-free quotas for 1961 granted by the EEC Commission. These quotas had been granted following the first alignment of national tariffs towards the common tariff.

At the same time the Council decided, in pursuance of Article 28 of the Treaty, to suspend until the end of 1961 the duties in the common customs tariff for tropical woods of the Obéché variety. The production of this variety is at present inadequate in the overseas associated States and territories.<sup>(3)</sup>

*Relations between the Community and Turkey* : the Council held a discussion on relations between the Community and Turkey and again expressed its intention of reaching an agreement with that country and of pursuing the negotiations to this end. The Council intructed the Permanent Representatives to submit for its next meeting a report on possible arrangements for association.

*Merging of the Executives* : the Council of EEC and Euratom together discussed the Netherlands Government proposal for the revision of the Treaties of Rome by the adoption of a Convention establishing a Council of the European Community and

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(1) See Bulletin 7-8/61, Annex III.

(2) See Bulletin 7-8/61, Annex III.

(3) See Chapter III.

a European High Commission.<sup>(1)</sup> At the close of the discussions they agreed, in conformity with the provisions of the Treaties of Rome, to transmit the draft in question to the Parliament and to the EEC and Euratom Commissions for their opinion.

*Organization of the next symposium between the Institutions of the Community:* for the next symposium between the Institutions of the Community the Council agreed on the following subjects :

- i) Transition from the first to the second stage in the establishment of the Common Market ;
- ii) Problems of the association of the overseas States associated with the Community particularly in the light of the recommendations adopted at the Euro-African Conference in Strasbourg.

As regards the date the Council agreed to propose to the Assembly 20 and 21 November next.

## B. THE ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee held its sixteenth plenary session on 6 and 7 July under the chairmanship of M. Rosenberg. The meetings were devoted to discussions of energy policy and of social policy.

The Committee first heard statements on co-ordinated energy policy in the framework of the Community from M. Marjolin, Vice-President of EEC, M. von der Groeben, a Member of the EEC Commission, and from M. de Groot, a Member of the Euratom Commission.

The ensuing discussions turned in the main on the two following questions :

- i) The work of the inter-Executive Working Party on Energy on the co-ordination of national energy policies ;
- ii) The activities of the EEC and Euratom Commissions in their respective fields.

The Economic and Social Committee noted with satisfaction the work accomplished by the Inter- Executive Working Party on Energy and invited the Commissions to expedite their work in order to bring about effective co-ordination of national energy policies as soon as possible.

The Committee then heard M. Levi Sandri, a Member of the EEC Commission, who reviewed the Community's social policy and commented on the various measures

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(1) See Bulletin 7-8/61, Annex V.

taken in the social field and on certain initiatives of the Commission. M. Levi Sandri's statement was followed by a discussion on all aspects of Community social policy.

In the course of his closing remarks the Chairman, M. Rosenberg, said that after studying the organization of the Committee's work the Bureau had decided that from now on ordinary plenary sessions would in principle be held in the last week of January, March, May, October and November. The next meeting should therefore take place in the last week of October 1961.

### C. THE MONETARY COMMITTEE

The Monetary Committee met on 7 July, when it studied the report of the group of experts which it had instructed to examine whether a problem of international liquidity was likely to arise in the future and, if so, to study appropriate measures to deal with it.







