

COMMUNAUTÉ  
ÉCONOMIQUE EUROPÉENNE



EUROPÄISCHE  
WIRTSCHAFTSGEMEINSCHAFT

COMUNITÀ  
ECONOMICA EUROPEA

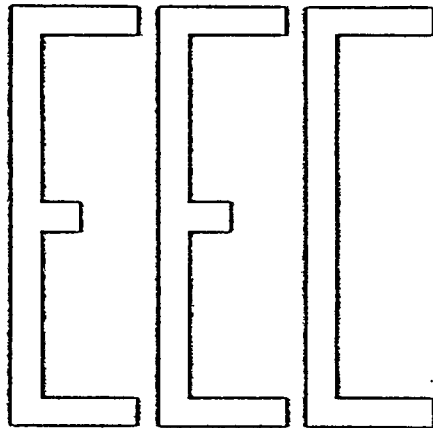


EUROPESE  
ECONOMISCHE GEMEENSCHAP

**BULLETIN**

of the

**EUROPEAN  
ECONOMIC  
COMMUNITY**



**BRUSSELS – MARCH 1962**

ISSUED MONTHLY

N° **3**  
FIFTH YEAR



3 / 1962

# BULLETIN

of the European Economic Community

SECRETARIAT OF THE COMMISSION OF  
THE EUROPEAN ECONOMIC COMMUNITY



## Contents

	Page
On the threshold of a common agricultural policy	5
I. The economic situation in the Community in 1961 and the outlook for 1962	8
II. Enquiry into industrial wages in the European Economic Community	27
III. The USA and the Common Market	31
IV. Accession of other countries to the EEC	36
V. Request for the opening of negotiations	38
VI. Activities of the Community	39
— External relations	39
— Economic and financial affairs	45
— Internal market	55
— Competition	58
— Social affairs	59
— Transport	61
— Overseas development	62
— Administrative affairs	68
VII. Institutions and organs	69
A. The Parliament	69
B. The Council	81
C. The Court of Justice	82
D. The Economic and Social Committee	82
E. The Monetary Committee	83

*ANNEX*

Resolution on certain questions concerning the market and competition in the European Economic Community

85

**Supplement to this Bulletin**

(to be distributed later)

Decision concerning the co-ordination of policies on agricultural structure

# On the threshold of a common agricultural policy

by M. S. L. Mansholt,

Vice-President of the Commission of the European Economic Community

On 14 January 1962 the Council of Ministers decided to make a start with a common agricultural policy for a number of very important products. That in the ensuing weeks the political importance of this decision has been interpreted in many ways is not surprising, as its political consequences are far-reaching. First, it is now possible to move on to the second stage of the EEC Treaty, and secondly agriculture can now be included in the negotiations on British and Danish membership of the Community. The decision to move on to the second stage may be considered as an expression of the Member States' will to continue along the road they have so far followed with success. The British request for membership definitely confirms that the process of European integration is right. The Europe of the Six can never be an aim in itself, it must be a catalyst inducing other countries to take the political path to the unity of Europe. One might say : the greater our unity, the happier we shall be; for the greater our unity, the greater will be the power of the free West, and the greater its ability to preserve freedom and world peace.

I do not believe that there can be any objection to setting the Council's decision against this background.

When the EEC Council of Ministers meets to consider agricultural problems, the meetings frequently last well into the night. This is not to be wondered at, if we consider the present agricultural situation in the EEC countries. They all pursue a somewhat protectionist agricultural policy; this has been necessary in order not to aggravate the disequilibrium between production and consumption, and to prevent farm incomes from falling more and more behind incomes in the other sectors. These are problems which have become almost insoluble within the frontiers of a single state. It is therefore very important that the EEC Treaty considers agriculture to be an essential part of the overall economy, that the common market is to include agricultural produce, and that it has been agreed to institute a common agricultural system over a period of years. It is only in a wider setting than that of national frontiers that a solution can be found for the problems of agriculture.

It must be the aim of the common agricultural policy to stabilize markets, to ensure a fair income to the farming population and to ensure reasonable prices

to the consumer. It is encouraging that the Council of Ministers has found sufficient political strength to begin with this common policy when the Community was only in its fifth year. It is even more encouraging that the Commission has been given so important a role to play in the implementation of this policy.

On 1 July 1962 there will be a marked change in the nature of our work. Instead of preparing a policy we shall have to implement it. We are moving from theory to action. In the coming months, the Commission will have to set up an effective machinery which can take daily decisions on — to quote only a few examples — the application or non-application of the safeguard clause, or the application of the levy system. It is clear that Brussels will become a centre of European agricultural market developments.

All this is not to say that we need not expect any difficulties in the implementation of the regulations. They are certain to arise. In the short preparatory period at our disposal there are many difficult problems to solve. However, one thing is certain : there is no going back. We have consciously burnt our national boats behind us in order jointly to steer a European course. The will is there, and the Commission intends during the coming months to take the necessary preparatory steps in close co-operation with the executive organs.

Meanwhile, the agricultural negotiations with the Governments of the United Kingdom and Denmark can move full steam ahead. Clearly, there is a great problem when we regard on the one hand the agricultural policy of our Community which is growing in a new direction, and on the other the British agricultural policy which has been practically unchanged for several decades. However, so far as agriculture is concerned, new countries can only join on the basis of the common agricultural policy as drawn up recently. Of course, some adaptations must be possible, but they must not modify the core or the character of what has been agreed amongst us. On the other hand we shall have to be ready when working out fresh proposals — and the Council of Ministers has put a vast programme before us — to take into account the possible accession of Great Britain and Denmark.

The accession of the United Kingdom will give the Community a unique chance of solving a number of very difficult problems concerning world trade and relations with non-member countries. A new Community of perhaps ten countries (including Norway and Ireland in addition to Great Britain and Denmark) will in future attract approximately 60 % of world trade in grain and 75 % of world trade in meat and dairy products. This places upon such a Community, which will be the largest importer of the principal agricultural



products, a responsibility for the legitimate interests of the exporting countries, whether they be members of the Commonwealth or "third" countries. In considering the "British" problem we shall certainly have to face the problems of international trade. It will be the task of the Community to prevent any commercial policy intended to discriminate against non-member countries. Further, we shall have to assume our responsibility for the less developed areas which depend to a great extent on the export of agricultural produce. It may well be that a solution to all these problems can be found in the conclusion of global commodity agreements. Such agreements will also promote a sound agricultural evolution in the Community. At present some countries reproach us with following a protectionist agricultural policy. But so long as the world market for agricultural products is in a state of chaos we shall be compelled to protect ourselves and entitled to do so. But wherever the world market can be made more stable, it will be possible for us to be less rigorous in the protection of our Community. Stabilization of the world market can therefore prove to be of great benefit to our own farming population. It is in this positive spirit that we shall pursue a common agricultural policy and the negotiations with the Governments of the United Kingdom and Denmark for their membership in our Community.

As we hope to have shown, there is no contradiction between the elaboration of a common agricultural policy and the possible accession of new countries; the two things are rather projections one of another. It is clear that the EEC has increasingly become a political and economic reality. But if this Community is to fulfil its new task properly, it must be strengthened politically. It will be more necessary than ever to give greater power to Community decisions and to action taken by the Council or the Commission; to prevent any impairment of democratic control, greater powers must at the same time be conferred on the European Parliament.

# I. The economic situation in the Community in 1961 and the outlook for 1962

Address to the European Parliament by M. R. MARJOLIN,  
Vice-President of the Commission  
(Strasbourg, 22 January 1962)

## I. Situation in 1961

A year ago at the beginning of a statement on the same topic as the one I am to discuss, today I was able to tell this House that "We have seen the European Economic Community expand rapidly in recent years; its industrial output in particular has been growing at a much higher rate than in any other part of the Western World".

What I said then also held good in 1961, despite a slowdown in expansion and despite the persistence of difficult situations in certain industries and certain areas of the Community.

### A. Economic developments

According to provisional estimates made by the Commission's staff, the real gross product of the Community increased by about 5 % in 1961, bringing the total increase since 1957 to about 21 %. Industrial production increased by 6 % in 1961, and the increase since 1957 is 31 %.

About a third of the growth of industrial production is attributable to the increase in persons employed; the rest is accounted for by higher productivity. This means that in one year the productivity of our economy has increased by about 4 %.

In contrast, agricultural production taken as a whole advanced less rapidly than in 1960, because of poor harvests, but live-stock products, particularly dairy produce, continued to soar. In Italy, harvests were appreciably better than in 1960; consequently there was a considerable increase in total agricultural production.

I have been giving overall figures and I should now like to fill out the picture with more detailed statistics showing the individual development of each country relative to these general results.

First, industrial production. In the space of a single year it was 8.5 % up in Italy, 6 % up in Germany and in France, 4.5 % up in Belgium and Luxembourg, but, for reasons we shall go into later, it increased by only 1.5 % in the Netherlands.

The gross national product, which includes industrial production, agricultural production and services, rose by 7 % in Italy, 6 % in Germany, 5 % in France, 3.5 % in Luxembourg, 3 % in Belgium and 2.5 % in the Netherlands.

Recalling the forecasts I made just a year ago, I find on looking at the real economic development of the Community as a whole that they were not far out: growth expected in the gross product of the Community was 4-5 %; it turned out in fact to be about 5 %, as against an increase of 7 % for 1960.

As was thought, expansion slowed down, a trend which had already been foreshadowed towards the end of 1960.

### *Reasons for the slowdown in expansion*

In most member countries, manpower shortages of varying degrees of severity according to sector, but fairly widespread on the whole, combined with shortages of production capacity in certain branches of industry to curb the growth of production.

The exhaustion of growth reserves, as a factor working against expansion, played an even more significant part in certain countries than we had expected. Two points are worth mentioning in this connection. First, the continual shortening of the working week which is to be observed in several countries, justified though it may be a desire for greater leisure, has nevertheless curtailed for the time being the scope for increasing production. Secondly, there has been a definite slowdown in the improvement of productivity. There is in fact nothing surprising about this development, which has affected all forms of production in the Community but particularly industrial production. It reflects the difficulties met with when, after a long period of vigorous expansion, there is less and less slack to be taken up in production capacity, progress in organizing production becomes more difficult and skilled labour becomes harder to find.

Those countries in which full employment had not yet been attained moved nearer to that objective. Italy, despite the persistence of large-scale unemployment or under-employment in the south, is a case in point: in the north difficulty was often experienced in finding even unskilled workers.

### *The motors of expansion*

Moreover, on the demand side, exports, having already ceased to be a major factor in expansion in the second half of 1960, gained little ground in the first six months of 1961. Despite a recovery in the second half, the total value of exports of merchandise did not, according to our latest estimates, increase by more than 3 % for the full year.

In contrast, internal demand increased rapidly. As a result of wage increases which were heavier than in 1960, private consumption at constant prices rose in the Community by about 6 %.

Investment by industry, spurred on by dwindling manpower reserves, again grew vigorously, particularly in France and Belgium, which had suffered a relatively poor rate of expansion in 1960 in contrast with rates in the other Community countries. Public outlay on investment was up in all the member countries and there was also a fairly substantial increase of activity in the building and construction sector, particularly in housing.

All in gross fixed asset formation at constant prices grew by nearly 10 %, or almost at the same rate as in 1960 and, once again at a rate appreciably higher than that of overall production. This steady expansion of investment, bringing the total growth in volume over the figure for 1957 to about 32 %, is one of the most significant signs of the dynamism which characterizes the economies of the Community countries.

Intra-Community trade grew rather less than it had done in 1960 — the figure was about 16 %. The increase was accounted for mainly by finished industrial goods, and the reason for this is to be found in the almost complete abolition of the remaining quota restrictions in the industrial field and also in the successive cuts in customs duties. All this has helped to harmonize the levels of business activity in the member countries: output has been raised where there was still scope for expansion and there has been an easing of the strain on markets where supply was not commensurate with potential demand.

The fact that intra-Community trade once again grew much more rapidly than output is a token of the progress made along the road to integration of the six economies.

## B. The financial situation

If I may turn now to financial developments, which are the other aspect of the Community's economic situation, the most noteworthy feature is once again this year the maintenance of a favourable surplus on the overall balance of payments, although this surplus declined appreciably from 1960 to 1961. Gold and foreign exchange reserves of the official monetary institutions swelled by about \$1 000 million in 1961, as against the figure of \$3 000 million in 1960: the total reached was about \$ 16 000 million.

The smaller surplus on the overall balance of payments was not accounted for by the trade balance, the surplus on which was even slightly higher than that recorded in 1960, but by private and public capital movements.

The policy of moderate interest rates in the Community countries has made it possible to stem the inflow of short-term capital, although it has not always been possible to do this because of speculation on exchange rates, mainly during the first half of the year. On the other hand, there were also outflows of capital as a result of political events in the summer of 1961. Again, the member countries have taken more vigorous steps to maintain international monetary equilibrium by increasing aid to the developing countries and by making advance repayments of their debts to other countries of the Western world. Their participation in the loan granted to Great Britain by the International Monetary Fund was a move in the same direction.

I must also mention here the agreement just concluded between the ten IMF member countries which is aimed at increasing the Fund's resources in case heavy movements of short-term capital between the countries should make this necessary.

### C. The less encouraging aspects

If I am to present a faithful report on the economic development of the EEC in 1961, I must now deal with certain less encouraging aspects of the situation. Though overall expansion was once again very substantial, a number of branches of activity suffered setbacks, chiefly those which are suffering from structural difficulties — shipbuilding and coalmining.

As coal is being supplanted more and more by oil, and as economies are being effected in the use of fuels, general activity must increase at a high rate if coalmining is not to decline. Although the progress of industrial production in the Community was about 6 % in 1961, the output of coal again dwindled by about 1 %. It is true, however, that pithead stocks fell slightly.

In shipbuilding, tonnage under construction was consistently down in all four quarters of 1961 on the figures for the corresponding periods of 1960. However, activity seems to have levelled out since the middle of the year, mainly owing to the fact that a greater number of new freighters have been put on the stocks. It would seem then that the situation in this sector is no longer deteriorating, though it is too soon to say as yet whether the trough of recession is behind us.

There was a decline — due to short-term trends in demand — in the activities of other sectors during part of the second half of 1961. Iron and steel and certain textiles were the worst affected. In iron and steel, in particular, the feeling that there had been an excessive increase in production capacity prompted steel users to slow down the replacement of their stocks, and even to cut them, mainly in the hope of a fall in prices. This change in stockbuilding policy led to a decline in the output of iron and steel in most of the member countries.

Lastly, some branches in certain countries have been faced with special difficulties. For example, the French motor car industry slashed production of private cars by about 12 % in 1961 after a heavy decline in exports to non-member countries, particularly to the United States. However, the situation in this industry improved appreciably towards the end of the year mainly under the stimulus of heavy domestic demand.

## **II. Outlook for 1962**

### **A. Outlook for general development**

Though it is never easy to foresee the future developments of a free economy, I should now like to consider our prospects for 1962.

The extreme complexity of the situation this year within the Community, as in the rest of the world, makes such forecasting particularly hazardous. In the Common Market itself expansion is losing momentum, a trend which has been with us for more than a year and the basic cause of which is the shortage of production capacity and of manpower as compared with the pressure of demand, which is still very heavy. However, in a number of countries and industries the slowdown in expansion, in some cases a drop in output, stems from an actual weakening of demand. This is attributable either to structural factors (I am thinking of coalmining), or to short-term trends (for example, the running down of stocks of iron and steel), or to longer-term economic factors (such as the decline in the rate of growth of fixed investment), or lastly to keener competition on outside markets or in the Community itself.

#### *Development of the American economy*

Turning now to the outside world, we note that the major economic event in the summer of 1961 was the new surge in the American economy. A year ago when I referred to the current recession and to the firm resolve of the new President's administration to make every effort to put an end to it, I told you: "We can expect that within a few months American production will begin moving forward once more".

And this, indeed, is what has happened. The latest information shows that the American GNP increased in real terms by 7 % between the first and the last quarter of 1961, and that industrial production was up by 13 %.

It is quite certain that this expansion will continue in coming months. Certain elements of internal demand — purchases of consumer durables, particularly

motor cars, the construction of dwellings and the expenditure of public authorities — are growing rapidly. It is true that the investment plans of private firms are advancing only slowly, but experience shows that in periods of expansion these programmes are usually reviewed in the course of the year, in an upward direction.

But the scale of the recovery is uncertain. Barring major accidents, it may reasonably be expected that the American GNP in real terms will expand vigorously from 1961 to 1962, perhaps by 6 to 7 %. But such a development, favourable though it may be, will still not bring full employment: on an optimistic view there is little likelihood that the unemployment figure will fall much below 5 % by the end of 1962.

At this point, it would be as well to consider the American balance of payments position, since it constitutes one of the most important factors in world economic developments. After a marked improvement during the first half of the year, it again lost ground in the second. The deficit — calculated as for a full year — had been only \$ 1 400 million and \$ 1 900 million in the first two quarters of the year; by the third quarter it had jumped to \$ 3 000 million. The figure must have been about the same in the fourth. The deficit for the full year will probably slightly exceed \$ 2 000 million, as against deficits of around \$ 3 500 million in 1958, 1959 and 1960.

Movements in the United States balance of payments in 1961 were accounted for mainly by the following three factors:

1. Cessation of abnormally high capital outflows of a speculative nature which had been a feature of 1960. The flow was even reversed in the first half of 1961;
2. Decline through the year of the surplus on goods and services following a heavy increase in imports, itself a result of the recovery in economic activity, whilst exports remained stable;
3. Relative stability of expenditure in the shape of long-term public and private capital loans and of governmental grants.

If we leave out of account short-term capital movements, which are unpredictable, the 1962 deficit will probably be of the same order as for 1961. It is therefore too early to say that the United States' balance of payments problems have been finally solved.

With the reservations, we may reasonably expect that American prosperity will enable our exports to continue expanding at a satisfactory rate. This holds good despite the fact that there is no reason to expect an appreciable increase in our sales to the United Kingdom, where the authorities will probably have to maintain,

for some time at least, the "squeeze" on domestic demand, nor to the developing countries, which are producers of raw materials and foodstuffs. These countries are still suffering from the low levels of prices for their products, although they are benefiting from the American recovery and from increased financial aid from the industrial countries. A tendency to run down raw material stocks has emerged recently, in the Community particularly, and this had added to their difficulties.

### *Internal demand*

The fears I expressed last year that the expansion of internal demand might slacken during the second half of 1961 have proved to some extent well-founded. Though there has been a definite growth in deliveries of capital goods and in fixed investment in general, the rate of growth of new orders for these goods has fallen off, while stocks of raw materials and semi-finished goods remained static. On the other hand, private consumption has bounded ahead in most of the member countries.

These trends may be expected to continue in the first half of 1962. In all member countries the rate of growth of fixed investment in the private sector is expected to fall. The main reason is that in certain industries there is a feeling that the present expansion of productive capacity is more than is warranted by foreseeable demand in the next few years. Another factor which tends to discourage investment in some countries and in some industries is that narrower profit margins limit the possibilities of ploughing back. On the other hand, investment is still being spurred on by the shortage of manpower.

By and large, investment will continue to grow, but more slowly than in the first half of 1961.

The other components of demand in general will continue to expand. A certain growth of activity may be expected in the building and construction sector. There will be a further appreciable advance in private consumption.

Lastly, government outlay on investment and consumption will increase considerably in all the member countries, mainly on account of heavier defence expenditure.

### *Outlook for the first half of 1962*

If we try now to draw up an overall forecast, our conclusion is that the industrial output of the Community will go on growing in the first half of 1962 but at a lower rate than in 1961. If I were asked for a figure, I would say that by the middle of 1962 the level of industrial activity in the Community will probably be 1.5 to 2 % higher than at the end of 1961.



The improvement in the trade balance should continue. As for the overall balance of payments, its development will depend mainly on short-term capital movements, which are an uncertain factor. I do not think it would be a rash forecast to say that the external financial situation of the Community will continue to be very strong. In my closing remarks I shall endeavour to draw from this fact a number of conclusions as to the right economic policy for the Community to pursue.

### *Outlook for the second half of 1962*

For the second half-year, it is particularly difficult to make sufficiently reliable forecasts in view of recent shifts in trends. In any case, the subjective factor in forecasting of this kind necessarily plays a dominant part.

On the one hand, the growth in the working population, the expansion of productive capacity and the impact of rationalization measures, taken or contemplated, will by then make a considerable increase in output possible. On the other hand, those factors encouraging greater demand which we have just mentioned for the first six months, such as the upturn in the American economy and the progress of private consumption and public spending in the Community, will continue to exert an influence in the second half of the year. They will shield us against a heavy recession, but not necessarily against a further loss of momentum in the progress of economic activity. If there is to be a fresh acceleration after this slowdown, the propensity of industry in the Community to invest would have to increase, or, at any rate, stop losing ground.

The factors stimulating greater demand which I have just mentioned might have this effect, and so might the prospects of a wider Community and a general lowering of customs barriers in the world.

On this assumption, a growth in the industrial production of the Community of 5 to 6 % and in gross overall production of 4 to 5 % would seem possible. But this optimistic forecast is based on suppositions as to the intentions of industrialists involving a wide margin of error. We shall have to wait a few weeks to have a clearer picture.

## **B. Outlook in individual member countries**

### *Federal Republic of Germany*

As I said a year ago, the Federal Republic of Germany was then grappling with a growth of demand which looked likely to move well ahead of the probable

growth of supply, and at the same time the balance of payments was showing heavy — and growing — surpluses.

In 1961, the Government and the German monetary authorities took a number of bold decisions. The revaluation of the German mark by 5 % and the policy of moderate interest rates put an end to the influx of private capital, and, after a certain time, reduced the surpluses on current account. Various measures designed to increase exports of public capital halted the increase of the Bundesbank's reserves and even slightly reduced them.

In 1962, a slight decline in the surplus on trade may be expected as a result of a relatively rapid increase in imports. The balance of services should continue to move in the same direction. The surplus on the balance of current payments is therefore likely to fall in comparison with 1961, though it will still remain at a high level.

The balance of capital movements, leaving out of account unpredictable movements of "hot money", will in all probability again show a deficit, which might, however, be smaller than that for 1961: payments under the head of aid to developing countries will probably increase, but exports of public capital in other forms, such as advance debt repayments, will be appreciably smaller than in 1961.

In this way, Germany may well make further progress towards a normal situation for a highly developed country, a situation marked by the maintenance of heavy surpluses on current account offset by exports of capital to under-developed countries.

We may expect that in 1962 economic expansion will continue in the Federal Republic but at a lower rate than in 1961. The excess of demand over supply will tend to disappear, despite a probable reduction during the year in the length of the working week. We should not rule out the possibility that a loss of momentum in the increase of output may no longer be due entirely to inelasticity of supply, but may also, in certain sectors, be due to a shrinking of demand.

The outlook for exports is on the whole less favourable, whilst shrinking order-books in the equipment industries also suggest that investment by industry will expand less vigorously. On the other hand, expenditure on private consumption will surge forward once more buoyed up by substantial wage increases.

There is every likelihood that prices will tend to rise; I shall come back to this point a little later before concluding.

It will be important to see that a slowdown of domestic demand does not lead to a fresh growth in the surpluses on current account; the financial policy of the public authorities should be guided by this consideration. It should, of course, be supplemented by stronger measures to boost imports and stimulate competition.

## *France*

In France economic expansion will continue and it may even be expected that, at least during the first half of the year, the rate of progress will be much the same as it was in 1961.

Though exports will be a major factor in the expansion of economic activity, the most powerful driving force will be the growth of domestic demand. The volume of private investment will again expand fairly vigorously, and the investment expenditure of public undertakings will be very appreciably higher. The increase in expenditure on private consumption will probably be on much the same scale as for 1961. Finally, action by public authorities will give the economy a greater fillip than has been seen in recent years.

Broadly speaking, domestic supply will have greater difficulty in adapting itself to this expected expansion of demand. The growth of industrial production will be limited, not so much by a shortage of capacity as by more severe labour shortages, which suggest that there will be fairly steep wage increases.

The main problem of French economic policy in 1962 will be to avoid or restrain price increases, which were already particularly marked during the second half of 1961.

Drastic monetary measures are certainly not desirable. However, in the present economic situation it would seem advisable to keep a careful watch on credit movements. The "Conseil National du Cr dit" has already thought it wise to recommend to the banks a policy of moderation. The recent raising of the liquidity ratio seems a timely measure.

Efforts should also be made to establish a better internal equilibrium through attempts to increase supply by all means available. In this connection, further cuts in customs duties, leading to an increase in imports, would be particularly useful. The size of reserves and the favourable prospects for exports mean that such a policy would be practicable without compromising the external stability of the economy.

Moreover, the Government has recently made certain arrangements to encourage immigration and to speed up the occupational training of unemployed or under-employed workers. This work should be continued and, where necessary, intensified, in order to ease manpower shortages.

Lastly, the modernization of the whole of the distribution sector should be vigorously pressed forward in order to combat recent tendencies towards higher prices.

### *Italy*

In Italy expansion will continue in 1962, though at a slightly lower rate than in 1961.

Italian goods are highly competitive on world markets and exports will again expand very substantially, though probably to a slightly lesser extent than in 1961. Fixed investment by industry may well follow the same trend. On the other hand, a rapid growth in fixed investment by the public sector may be expected: many programmes for structural improvement of the economy, drawn up in 1961, will now be put in hand. If the general economic situation proved a little less satisfactory than in 1961, the public authorities could speed up the execution of the public works which have been decided on. Finally, there will also be a sizeable growth in private consumption, since there is every likelihood that there will be a sharp rise in the total wages paid.

In any event, output will remain sufficiently elastic to cope with a further expansion of demand.

The surplus on current account is likely to be larger than in 1961.

There should be sufficient flexibility in monetary and financial policy to prevent the Government's needs, all the heavier by reason of the probably spurt in public investment outlay, from causing a strain on the capital and money markets such as might discourage investment by industry.

A last point is that in view of the dearth of skilled labour, which has been evident for some time, the Government's occupational training schemes should be energetically pursued.

### *Netherlands*

The figures I have just been giving you on the growth of production showed that, relatively speaking, the Netherlands fared poorly in 1961.

This is due to the fact that for the time being industry is stretched to the limits of its capacity, particularly since the reduction in working hours which took place in many trades about the middle of the year.

A more rapid rate of expansion will probably follow, in the first half of 1962, the relatively low rate of progress of 1961. Further progress in productivity may reasonably be expected. In addition, an unusually large batch of school-leavers arriving on the labour market about the middle of the year will increase appreciably the scope for stepping up output.

Demand will continue strong. On the one hand, exports will be boosted by the upturn in American business and by the high level of activity in most other

European countries. Secondly, further growth will be recorded in domestic demand, stemming mainly from increased outlay on private consumption: substantial wage rises are expected, mostly during the first half of 1962, when most wage agreements are due for review, whilst in the middle of the year tax rates on wages and other incomes will be scaled down. Fixed investment will be curbed by the shortage of manpower, which is the bane of the building sector in particular.

The main problem, therefore, in the Netherlands in 1962, or at least during the first half of the year, will be to ward off the danger of prices being forced up by demand outstripping supply. It may be noted that the national budget for 1962 includes certain anticyclical measures. Moreover, employers' and workers' representatives have reached agreement with the Government to apply in wage negotiations a new formula for gearing wages to the development of productivity, so that the growth of the wage burden may have as light an impact as possible on prices.

### *Belgium*

In Belgium, the situation in 1961 turned out better than we expected. The phase in which output had been marking time was followed by a definite upturn, although this was followed by a certain slackening towards the end of the year.

There were several reasons for the resumption of economic expansion. The growth of exports of merchandise gathered a little pace during the year. Moreover, the formation of fixed capital by firms increased substantially, partly owing to the fact that the regulations made under the Acts of July 1959, whose purpose was to channel more investment into expanding sectors, were maintained in effect and made more stringent.

Furthermore, the moderating effect which the plan to strengthen the position of public finance might have had on Belgian business activity was offset by the fact that it was applied in part only and not from the beginning of the year. Nonetheless, the Treasury deficit was reduced from 27 000 million Bfrs. in 1960 to about 20 000 million Bfrs. in 1961, partly thanks to an increase in the "transmission" tax, but mainly as a result of a growth in incomes and an increased number of transactions.

Finally, the disturbance in economic relations with the Congo, which was expected to affect exports of services in particular, had much lighter repercussions than had been feared.

Expansion may be expected to continue in 1962, though it may be less assured in the coming months: the growth rate of exports might decline, mainly owing to the relatively low demand for iron and steel products, which form a large part

of Belgium's total sales abroad. The growth in household consumption will probably be a little more rapid than in 1961, since wage increases will be bigger. The volume of private investment should once more reach a high level, with perhaps a falling off in certain sectors such as iron and steel.

The development of investment should remain an essential objective of Belgium's economic policy, which is aimed at steady expansion. The Government's plans, following on the measures taken in recent years to stimulate activity, are again directed towards that aim. For example, the public investment plan now being drawn up provides for co-ordination with private investment programmes; it is intended to establish machinery for co-operation between the public authorities and the private sector through which the Government will share in the setting up of new firms. The Government has also reorganized the capital and money markets and adjusted credit policy in order to improve means of channelling savings into productive investment and to cut the cost of borrowing. Income tax reform is being studied. Its purpose will be to streamline the present system and combat evasion. This reform might make an indirect contribution to the policy of encouraging investment.

It is perhaps not too optimistic to say that Belgium is on the way out of the difficulties that have beset that country in recent years. The trend in investment towards a structural improvement of Belgian industry is the most promising of straws in the wind, for the main problem in Belgium was that there was too little investment, and that it was badly distributed.

### *Luxembourg*

In the Grand Duchy of Luxembourg, the development outlook is somewhat less favourable, at least for the first half of 1962; there is even some possibility that overall economic activity may not expand at all over this period. The exports of the iron and steel industry will obviously be the major factor in this connection. In view of the recent falling off in orders and the tendency for steel users to run down stocks, sales of iron and steel products may well contract for a certain time.

The excellent situation of Government finance, and the fact that many public investment schemes are ready, should enable the Government to take effective measures against depressive trends if business were to slow down to any substantial extent in the private sector.

### **III. Economic policy in 1962**

The time has come for me to say a few words about the economic policy which Member States should follow in the present situation having regard to the objectives they have set themselves.

We know that the situation presents certain inconsistencies. I have already said so. There is in general a certain inflationary pressure, whilst in a few major sectors a decline in the growth of demand is discernible.

#### A. The Community's objectives

As to the Community's objectives, they cannot be other than a rapid economic expansion coupled with relatively stable prices. The two dangers to be avoided are, therefore, an excessive decline in the growth rate of output and a steeper trend in prices. It is not too much to say that in one or two countries the upward price trend gives cause for alarm.

##### *Co-ordinated growth policy*

I shall deal, first of all, with preventive measures designed to forestall a turndown in the business situation or at least to temper its ill-effects. In this connection, what is particularly important is that we should be able to make a rapid and reliable diagnosis of the economic situation throughout the Community. The Commission has been working for a long time, in association with the officials and economic survey institutes of the Member States, to establish a harmonized system of business surveys, using as a basis uniform definitions for all the countries. I am glad to be able to tell you that our negotiations have reached the final stage and that the first survey will take place in the near future. We shall then have achieved a twofold objective. First, we can find out quickly the opinions of business circles on expectations, in the very short-term, for a set of important economic variables, and secondly, we shall have at our ready disposal essential economic facts and figures which are often outside our ken at present — such as the movement of stocks and orders.

Moreover, the Commission considers it very important that the economic policies pursued in each of the member countries should be regularly discussed and compared by the Member States and the Commission, using objective documentary material drawn up along the most up-to-date lines. In this connection, the Economic Policy Committee has, at the Commission's request, studied at its last meeting how advance national accounts could be used to strengthen the co-ordination of Member States' economic policy. The Committee felt unanimously that it would be a good thing if advance economic forecasts, which are already made by most member countries, were to become the general practice. They should be drawn up as far as possible by similar methods and would be treated as confidential if the Member States so desired.

The Economic Policy Committee and the Commission will be informed of these economic forecasts every year early in the fourth quarter. This will enable

those taking part in discussions to form opinions on development prospects for the following year and on the economic policy to be followed. The forecasts would be subject to regular review in the light of current developments. A panel of experts will meet in the near future to study the establishment of economic forecasts on lines allowing of maximum comparability for all the Member States, so that at the end of 1962 estimated figures for 1963 will be available.

I am glad to announce these two important items of news concerning the improvement of our methods of work and the progressive co-ordination of the Member States' economic policies.

Further, we have asked the Monetary Committee and the Economic Policy Committee, each as far as lies within its competence, to assist in studying the measures to be taken if a recession were to threaten us from outside. We have done this so that we shall be able not only to predict a reversal of trends in the European economy but also to be able to act quickly if such a prospect were to materialize. The instructions we gave the Committee were determined by the circumstances prevailing at the time, but clearly the results of such a study could be applied without much difficulty, by transposition, to a recession of internal origin.

Although the two Committees have not finally reported and although there are certain differences of opinion as to the conclusions to be drawn, the Commission now has to hand, as a result of the work done, a valuable collection of documentary material. In any event we intend to put forward our views at a suitable moment, using, if need be, the information already in our possession in support of our proposals to the Governments.

I hope there will be no misunderstandings on this point. We do not expect a recession in the European economy, but in a free economy there is always that lurking danger. Age-long experience has taught us that every boom period is followed sooner or later by a recession. Capital does not accumulate smoothly and steadily, but in successive spurts. We feel that the risk of the Community's economic growth being interrupted or lagging behind what is needed — however slight the danger may be for the moment — means that we must make ready the instruments of economic policy that can appropriately be used to cope with such a contingency.

Before leaving this point, I should like to emphasize that the very strong situation of the Community's external finances, as witness its substantial reserves and balance-of-payments surpluses, means that the Community, if it chooses to act swiftly and by the most effective methods, is the master of its fate. While many other countries, before taking the steps the situation demands, must weigh the consequences for their external payments position, the Community can, within reason, ignore such problems.



### *The stability of prices.*

I shall deal now with another danger that threatens us — one that is in fact already with us. I mean the steeper upward trend of prices in the Community, particularly in two member countries, Germany and France. Business surveys and economic forecasts, the two new instruments of a co-ordinated economic policy which I mentioned just now, obviously can also be of use to us in our efforts to maintain relative price stability.

This inflationary pressure is caused by production not keeping pace with the continuing heavy demand. But the real limiting factor, even more than industrial capacity — which is increasing year by year as new investments are made — is the shortage of labour, particularly skilled labour. The result is that in France and Germany wage increases are rising out of proportion to the growth of productivity, which means higher wage costs per unit of output and higher manufacturers' prices. In an effort to maintain profit margins manufacturers are raising their prices in so far as the market situation permits.

Thanks to its very strong monetary situation the Community can combat the tendency for prices to rise by opening its markets more widely to products from the outside world. That is the course of action we have already adopted, and there is reason to believe that we have made some progress. During the four years which have passed since the Common Market was established, prices have in general risen less than in the four preceding years. The proposal made by the Community during the Geneva negotiations to cut its common external tariff by 20 %, subject to equivalent concessions, is another step in the right direction.

A further speed-up in the reduction of the customs duties still maintained among the Six would also help to relieve inflationary pressure in the countries most severely affected by it. These countries might perhaps go further than the others, as they are authorized, and even invited, to do by Article 15 of the Treaty of Rome.

As for non-member countries, a liberal policy towards them, which would help the Community in its efforts to maintain internal equilibrium, would also contribute to the maintenance of world monetary equilibrium, and in particular help the other two great economic powers of the free world, the United States and Britain, to strengthen their balance-of-payments positions.

### **B. The way ahead**

#### *Occupational training*

The chief task is to increase as rapidly as possible the Community's productive capacity. As I was saying just now, the main obstacle is a shortage of skilled

labour, and a major effort is needed to solve this problem. We need a vigorous policy to promote occupational training. I know that this is a problem to which my colleague, M. Levi Sandri, is giving much thought. His plans should receive energetic support.

### *Regional policy*

But shortages are tending to spread rapidly, in the big industrial sectors, from skilled workers to the entire labour force. Here the close link between an appropriate economic policy and an active regional policy becomes obvious. There are still many able and intelligent workers in the Community's outlying regions who are idle or under-employed because of the lack of industrial undertakings in the vicinity, and because of their natural reluctance to leave their homes and their familiar surroundings.

At the Conference on Regional Economies organized by the Commission in Brussels early last December, I took the opportunity to point out that smooth and rapid expansion of the European economy cannot be sustained without an active regional policy.

For lack of such a policy the high rates of growth of output, to which we have grown accustomed in recent years, are in danger of falling. The productivity of manpower already employed in the big industrial centres and particularly in modern industries in the van of development will continue to grow as a result of further investment, but will do so more slowly. Scope for mechanization and rationalization is not infinite, although there is still considerable room for improvement in Europe.

If average productivity, and therefore output, is to grow at the right pace, the productivity of those sections of the population which are outside the main stream of industrial expansion, or who have only been partially affected by it, must be increased. Again the productivity of those who continue to work on the land must be raised rapidly; experience shows that the productivity and the standard of living of farm workers rise as industrialization makes progress.

Although a regional policy of necessity makes its effects felt only slowly, it can, if pursued energetically, make an appreciable contribution every year to the development of the Community's economic capacity.

Whatever efforts we may make to increase our means of production and our imports, the strain on manpower resources is certain to continue, nor is this abnormal provided it is not excessive, for it simply reflects the fact that we are striving at all times to utilize our productive capacity to the utmost.

### *The problem of prices*

But this policy of using our resources to the full, and without intermission so far as this is humanly possible, must be accompanied by a constant drive to prevent prices rising and to protect those sections of society whose incomes are relatively fixed.

To state the problem is, I know, not to solve it. There is no certain cure for inflationary tendencies stemming from an increase in production costs. Our feeling is that at the present time it is not to be found in a restrictive monetary and financial policy. This would only be warranted if demand became excessive, that is to say if it grew on such a scale that it could in no circumstances be met by the existing industrial system plus all possible imports. Were this to happen, it would be absolutely essential to curb the growth of demand. But if such a policy were applied now, it would have the effect of increasing the surplus on the Community's balance of payments and in this way of aggravating the payments disequilibrium in the world. It might, moreover, strengthen the tendency for demand to lose momentum which we have ascertained in certain important sectors, and bring on rapidly a reversal of economic trends.

But although, broadly speaking, overall demand is not excessive, manufacturers' prices are nevertheless tending to harden in several countries.

The remedy might be to limit increases in real wages to the growth of productivity. However, in a free economy and in the absence of an agreement and of trade union co-operation, such a move would produce only limited results; furthermore this objective would involve — failing various adjustments, for example by way of taxation — stabilization of the pattern of income distribution as between the various social categories engaged in industrial production.

### *A concerted wage policy*

It is not for me to say here what Member States' policy should be in this field, but it is becoming increasingly clear that, if we are to curb or halt the "creeping inflation" afflicting our economy, we must have a concerted policy on incomes, with Governments and both sides of industry reaching agreement on what wage increases are feasible in the light of forecasts concerning the general trend of the economy and with due regard to the way other types of income are developing. Even if the conclusions reached were regarded as no more than suggestions, their importance would still be great because of the influence they would have on the behaviour of various sections of society and on the public authorities.

One Community country, the Netherlands, has already been following this line of action for a long time, going further than I am here suggesting for the whole

Community, in the direction of an orderly policy for prices and wages, and constantly endeavouring to improve its methods of maintaining full employment and stable prices at one and the same time. We are watching its efforts with the keenest interest and we have asked the Economic Policy Committee to study them very closely.

In conclusion, Mr. President, I would repeat that the economic outlook for the coming months is good, and that production in the EEC will continue to develop satisfactorily, giving us a further period of grace so that, through study and action, we may prepare ourselves for the adjustments of all kinds that the future is bound to demand of us.

## II. Enquiry into industrial wages in the European Economic Community

### Labour costs - 1959

The Statistical Office of the European Communities has published the results of an enquiry into labour costs in 14 branches of industry in the member countries <sup>(1)</sup>.

The methods and definitions used for this enquiry, which was made with the assistance of the Commission's Directorate General for Social Affairs, were strictly comparable. The enquiry is based on the year 1959 and includes all establishments employing 50 persons or more (including salaried staff), except in Luxembourg, where the figure was 20.

The enquiry covers all direct costs (wages, bonuses, gratuities, paid holidays, various cash payments) and indirect outlay by the employer whether statutory, voluntary, or resulting from collective agreements (social security contributions, taxes of a social nature, cost of recruitment and training, and other social expenditure).

It has provided information concerning the following branches, the list of which was drawn up by agreement with government experts and both sides of industry.

1. Sugar factories and refineries
2. Breweries and manufacturing of malt
3. Spinning wool
4. Spinning cotton
5. Manufacture of synthetic fibres
6. Manufacture of pulp, paper and paper board
7. Chemicals
8. Rubber
9. Cement
10. Pottery, china and earthenware
11. Machine tools
12. Electrical engineering
13. Shipbuilding and repairing
14. Manufacture of motor vehicles.

---

(1) "Coût de la main-d'œuvre C.E.E. 1959" — Office statistique des Communautés européennes — Statistiques sociales, 1961, No. 3.

A total of some 10 000 firms were questioned, covering about 3.7 million workers or roughly 30 % of the labour force in the manufacturing industries.

The results of the enquiry <sup>(1)</sup> were all converted to Belgian francs in order to facilitate international comparison.

The weighted average of the cost of labour in the industries covered by the survey is as follows :

a) *Wage-earners*

Average hourly outlay per wage-earner (wages plus relevant contributions paid by employer)

West Germany	Bfr. 40.40
France	Bfr. 39.95
Belgium	Bfr. 39.60
Netherlands	Bfr. 34.50
Italy	Bfr. 32.40

It will be seen that in 1959 the cost of labour was much the same in Belgium, West Germany and France, and was definitely lower in the Netherlands and Italy. The difference between the two groups of countries may roughly be put at 15 to 25 % In Luxembourg, the cost of hourly and weekly paid labour in the only industry studied was approximately of the same order as in Germany, the country which tops the list for this industry.

It seems that the geographical factor influences the cost of labour less than what might be termed the structural factor, because the results of the inquiry show that costs in the same industry in different countries are more homogeneous than costs in different industries within the same country.

Of the industries covered by the survey, the highest costs were generally those in the motor vehicle industry and shipbuilding, the lowest were found in the pottery, china and earthenware industry, and in cotton and wool spinning.

A breakdown between direct costs and indirect outlay again shows two groups of countries :

1) West Germany, Belgium and the Netherlands, where the direct costs represent some 80 % of the total cost of labour, the remaining 20 % being accounted for by the indirect outlay;

2) France and Italy, where direct costs amount to 70 % and indirect outlay to about 30 %.

This shows that the structure of the total wages burden has no direct effect on its level.

The Netherlands, where total costs are of the same order as in Italy, have a structure similar to that of Germany and Belgium, whereas in France, where costs are relatively high, the division between direct costs and indirect outlay is very similar to that recorded in Italy.

It is once more confirmed that from the point of view of international competition, only the overall cost of labour matters and that the breakdown of this expenditure in its two component parts has no effect on such competition.

b) *Salaried staff*

It is difficult to arrive at a general conclusion for salaried staff. On the whole, costs are highest in Belgium and Italy, whilst the Federal Republic and the Netherlands stand at the bottom of the list. This is borne out by the following figures :

Average monthly outlay for salaried employee (salary plus relevant contributions paid by employer)

	Bfr. '000
Italy	14.9
Belgium	14.4
France	13.8
West Germany	12.8
Netherlands	11.1

A second survey, on the basis of the 1960 figures, has been carried out and the results are at present under study. It covers the following branches of industry :

- 1) Manufacturing of cocoa, chocolate and biscuits
- 2) Canning and preserving of fruits and vegetables
- 3) Manufacture of macaroni, spaghetti, vermicelli and noodles
- 4) Manufacture of footwear
- 5) Manufacture of plywood
- 6) Manufacture of wooden furniture
- 7) Manufacture of hollow and flat glass
- 8) Manufacture of precision engineering and optical instruments.

*Average hourly outlay per wage-earner <sup>(1)</sup>  
in 14 branches of industry in EEC  
1959*

Industries	Belgian francs					
	West Germany	Belgium	France	Italy	Netherlands	Luxembourg
Sugar factories and refineries	37.91	43.60	36.69	31.82	33.65	—
Breweries and manufacturing of malt	44.88	38.74	35.92	30.06	33.88	44.80
Spinning wool	32.41	31.55	33.50	27.38	28.13	—
Spinning cotton	32.75	31.71	30.90	24.68	31.78	—
Manufacture of synthetic fibres	44.28	—	48.77	31.91	—	—
Manufacture of pulp, paper and paper board	39.62	42.47	40.65	31.46	33.74	—
Chemicals	46.93	40.99	45.73	35.47	36.64	—
Rubber	41.72	40.40	40.09	42.22	33.04	—
Cement	45.46	52.73	46.33	32.18	—	—
Pottery, china and earthenware	32.93	32.53	31.95	27.88	26.99	—
Machine tools	45.50	46.90	45.65	36.08	—	—
Electrical engineering	38.86	40.45	39.81	33.17	33.06	—
Shipbuilding and repairing	45.94	54.25	43.11	40.37	38.54	—
Manufacture of motor vehicles	49.80	—	53.74	48.79	—	—

<sup>(1)</sup> Wages plus relevant contributions paid by employer.

*Average monthly outlay per salaried employee <sup>(1)</sup>*

Industries	Belgian francs					
	West Germany	Belgium	France	Italy	Netherlands	Luxembourg
Sugar factories and refineries	16 820	13 905	13 954	13 548	9 935	—
Breweries and manufacturing of malt	12 844	13 531	12 187	11 856	10 704	17 721
Spinning wool	10 818	12 891	12 882	11 497	10 286	—
Spinning cotton	10 620	14 100	11 781	12 081	10 609	—
Manufacture of synthetic fibres	13 877	—	15 126	14 874	—	—
Manufacture of pulp, paper and paper board	13 775	15 156	14 727	14 569	12 442	—
Chemicals	14 118	15 480	14 817	14 434	10 771	—
Rubber	10 833	13 500	13 130	16 876	9 310	—
Cement	15 132	16 462	17 688	19 893	—	—
Pottery, china and earthenware	10 179	11 202	11 256	11 540	8 308	—
Machine tools	11 233	13 898	13 447	12 852	—	—
Electrical engineering	12 562	14 021	13 476	13 419	11 354	—
Shipbuilding and repairing	11 181	14 317	12 738	14 330	11 572	—
Manufacture of motor vehicles	12 582	—	15 759	14 313	—	—

<sup>(1)</sup> Salary plus relevant contributions paid by employer.



### III. The U.S.A. and the Common Market

#### **Extracts from the text of President Kennedy's Trade Message delivered to the Congress on January**

" ...

On June 30, 1962, the negotiating authority under the last extension of the Trade Agreements Act expires. It must be replaced by a wholly new instrument. A new American trade initiative is needed to meet the challenges and opportunities of a rapidly changing world economy.

...

To meet these new challenges and opportunities, I am today transmitting to the Congress a new and modern instrument of trade negotiation — the Trade Expansion Act of 1962. As I said in my State of the Union address, its enactment ' could well affect the unity of the west, the course of the cold war and the growth of our nation for a generation or more to come '.

...

To achieve all of the goals and gains set forth above — to empower our negotiators with sufficient authority to induce the EEC to grant wider access to our goods and crops and fair treatment to those of Latin America, Japan and other countries — and to be ready to talk trade with the Common Market in practical terms — it is essential that our bargaining authority be increased in both flexibility and extent. I am therefore requesting two basic kinds of authority to be exercised over the next five years :

First, a general authority to reduce tariffs by 50 per cent in reciprocal negotiations. It would be out intention to employ a variety of techniques in exercising this authority, including negotiations on broad categories, or sub-categories of products.

Secondly, a special authority, to be used in negotiating with the EEC, to reduce or eliminate all tariffs in those groups of products where the United States and the EEC together account for 80 per cent or more of world trade in a representative period. The fact the these groups of products fall within this special or ' dominant supplier ' authority is proof that they can be produced here or in Europe more efficiently than anywhere else in the world. They include most of the products which the members of the Common Market are especially interested in trading with us, and most of the products for which we want freer access to the Common Market; and to a considerable extent they are items in which our own ability to compete is demonstrated by the fact that our exports of these items

are substantially greater than our imports. They account for nearly \$2 billion of our total industrial exports to present and prospective Common Market members in 1960, and for about \$1.4 billion of our imports from these countries. In short, this special authority will enable us to negotiate for a dramatic agreement with the Common Market that will pool our economic strength for the advancement of freedom.

To be effective in achieving a break-through agreement with the EEC so that our farmers, manufacturers and other free world trading partners can participate, we will need to use both the dominant supplier authority and the general authority in combination. Reductions would be put into effect gradually in stages over five years or more. But the traditional technique of trading one brick at a time off our respective tariff walls will not suffice to assure American farm and factory exports the kind of access to the European market which they must have if trade between the two Atlantic markets is to expand. We must talk instead in terms of trading whole layers at a time in exchange for other layers, as the Europeans have been doing in reducing their internal tariffs, permitting the forces of competition to set new trade patterns. Trading on such an enlarged basis is not possible, the EEC has found, if traditional item by item histories are to dominate. But let me emphasize that we mean to see to it that all reductions and concessions are reciprocal — and that the access we gain is not limited by the use of quotas or other restrictive devices.

In our negotiations with the Common Market, we will preserve our traditional most-favoured-nation principle under which any tariff concessions negotiated will be generalized to our other trading partners. Obviously, in special authority agreements where the United States and the EEC are the dominant suppliers, the participation of other nations often would not be significant. On other items, where justified, compensating concessions from other interested countries should be obtained as part of the negotiations. But in essence we must strive for a non-discriminatory trade partnership with the EEC. If it succeeds only in splintering the free world, or increasing the disparity between rich and poor nations, it will have failed to achieve one of its major purposes. The negotiating authority under this bill will thus be used to strengthen the ties of both 'Common Markets' with, and expand our trade in, the Latin American republics, Canada, Japan and other non-European nations — as well as helping them maximize their opportunities to trade with the Common Market.

The bill also requests special authority to reduce or eliminate all duties and other restrictions on the importation of tropical, agricultural and forestry products by friendly less-developed countries and not produced here in any significant quantity, if our action is taken in concert with similar action by the Common Market. These tropical products are the staple exports of many less-developed countries.

Their efforts for economic development and diversifications must be advanced out of earnings from these products. By assuring them as large a market as possible, we are bringing closer the day when they will be able to finance their own development needs on a self-sustaining basis.

If the authority requested in this act is used, imports as well as exports will increase; and this increase will, in the overwhelming number of cases, be beneficial for the reasons outlined above. Nevertheless, ample safeguards against injury to American industry and agriculture will be retained. Escape clause relief will continue to be available with more up-to-date definitions. Temporary tariff relief will be granted where essential. The power to impose duties or suspend concessions to protect the national security will be retained. Articles will be reserved from negotiations whenever such action is deemed to be in the best interest of the nation and the economy. And the four basic stages of the traditional peril point procedures and safeguards will be retained and improved.

- The President will refer to the Tariff Commission the list of proposed items for negotiations;
- The Tariff Commission will conduct hearings to determine the effect of concessions on these products;
- The Commission will make a report to the President, specifically based, as such reports are based now, upon its findings of how new imports might lead to the idling of productive facilities, the inability of domestic producers to operate at a profit and the unemployment of workers as the result of anticipated reductions in duties; and
- The President will report to the Congress on his action after completion of the negotiations. The present arrangements will be substantially improved, however, since both the Tariff Commission recommendation and the President's report would be broader than a bare determination of specific peril points; and this should enable us to make much more informed use of these recommendations than has been true in the past.

I am also recommending as an essential part of the new trade programme that companies, farmers and workers who suffer damage from increased foreign import competition be assisted in their efforts to adjust to that competition. When considerations of national policy make it desirable to avoid higher tariffs, those injured by that competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be born in part by the Federal Government.

Under existing law, the only alternatives available to the President are the imposition or refusal of tariff relief. These alternatives should continue to be available.

The legislation I am proposing, however, provides an additional alternative called trade adjustment assistance. This alternative will permit the executive branch to make extensive use of its facilities, programmes and resources to provide special assistance to farmers, firms and their employees in making the economic adjustments necessitated by the imports resulting from tariff concessions.

...

Authority to grant temporary tariff relief will remain available to assist those industries injured by a sudden influx of goods under revised tariffs. But the accent is on 'adjustment' more than 'assistance'.

Through trade adjustment prompt and effective help can be given to those suffering genuine hardship in adjusting to import competition, moving men and resources out of uneconomic production into efficient production and competitive positions, and in the process preserving the employment relationships between firms and workers wherever possible. Unlike tariff reliefs, this assistance can be tailored to the individual needs without disrupting other policies. Experience with a similar kind of programme in the Common Market, and in the face of more extensive reductions than we propose here, testifies to the effective but relatively inexpensive nature of this approach. For most affected firms will find that the adjustment involved is no more than the adjustment they face every year or few years as the result of changes in the economy, consumer taste or domestic competition.

The purpose of this message is to describe the challenge we face and the tools we need. The decision rests with the Congress. That decision will either mark the beginning of a new chapter in the alliance of free nations — or a threat to the growth of western unity. The two great Atlantic markets will either grow together or they will grow apart. The meaning and range of free economic choice will either be widened for the benefit of free men everywhere — or confused and constricted by new barriers and delays.

Last year, in enacting a long-term foreign aid programme, the Congress made possible a fundamental change in our relations with the developing nations. This bill will make possible a fundamental, far-reaching and unique change in our relations with the other industrialized nations — particularly with the other members of the Atlantic community. As NATO was unprecedented in military history, this measure is unprecedented in economic history. But its passage will be long-remembered and its benefits widely distributed among these who work for freedom.

At rare moments in the life of this nation an opportunity comes along to fashion out of the confusion of current events a clear and bold action to show the world what it is we stand for. Such an opportunity is before us now. This bill, by enabling us to strike a bargain with the Common Market, will 'strike a blow' for freedom".

**Declaration by the Council concerning the position of the Community in multilateral tariff negotiations**

The Council of the European Economic Community, having noted the statement of 25 January 1962 by the President of the United States on the subject of international trade, and having been informed of the progress made in the tariff negotiations in Geneva between the Commission and various Contracting Parties to the General Agreement,

HOPES that further progress will be made in the reduction of customs duties, so as to contribute to the expansion of international trade, and draws attention to the part which the industrial countries in particular are called upon to play in this field;

NOTES that the XIXth Session of the Contracting Parties to the General Agreement on Tariffs and Trade has in this context expressed itself in favour of new methods of tariff negotiation likely to produce more satisfactory results than the traditional method of negotiating heading by heading;

IS CONVINCED in the light of experience that it is essential for all parties concerned to have equivalent legal powers if any new multilateral effort in the tariff sector is to prove effective.

**Statement from the spokesman of the Commission of the European Economic Community on President Kennedy's message**

In Commission circles, the proposals on trade made to Congress by President Kennedy on January 25 have been greeted with great interest and sympathy.

The President's views on the responsibilities of the free world's leading partners correspond completely with the opinions expressed by the Commission in its two Memoranda of February and September 1959.

Gratification is felt at the liberal spirit animating the new American trade policy announced some weeks ago by Mr. George Ball, Under-Secretary of State, and it is expected that the Community will not fail to deal with these problems in the same spirit, as indeed it has done since its inception.

It is a matter of special satisfaction that the President should have decided to ask Congress for fresh powers to enable him to negotiate tariff reductions on the across-the-board principle followed by EEC. If the President obtains these powers, the proposed tariff negotiations between the Contracting Parties of GATT should be able to advance more rapidly and effectively.

## IV. Accession of other countries to the EEC

### *Negotiations with the United Kingdom*

The ministerial meeting held in Brussels on 22 and 23 February 1962 was mainly devoted to examining the agricultural problems involved in British accession to the European Economic Community.

These questions had been held over while the Six gave their attention to drafting the agricultural regulations which were approved by the Council on 14 January 1962.

During the meeting, the British delegation amplified a number of points put forward in the statement made by Mr. Heath at the opening of negotiations in Paris on 10 October 1961. The main issue was that British farmers should have a breathing space long enough to smooth over the transition from the British agricultural system to that of the Community, while ensuring that in the long term farm incomes are maintained at a satisfactory level in relation to other sectors.

The British delegation also expressed the wish that a long transition period be arranged for agricultural products from Commonwealth countries in view of the United Kingdom's special responsibilities towards those countries.

In their reply, the Six indicated that certain transitional measures could be envisaged for a limited period but that these measures could not be quantitative and would have to be of a Community character.

The Member States gave a favourable reception to the British suggestion of annual farm reviews, considering such reviews as one of the instruments of a common agricultural policy.

The Committee of Deputies will study at its coming meetings a general approach to the agricultural problems raised by the British application, the guarantees to be given to Community farmers and the question of the special transition period brought up by the British delegation.

It was also agreed that the Committee of Deputies should begin a general examination of the provisional and long-term arrangements needed to accommodate the special interests of the Commonwealth.

### *The Danish application*

The second ministerial meeting to discuss the accession of Denmark was held in Brussels on 5 February 1962.

This meeting, at which M. Couve de Murville, President in office of the Council of the EEC, was in the chair, was mainly concerned with questions of procedure and with the Danish request relating to that country's agricultural exports to the Community during the period of negotiations.

The Committee of Deputies had discussed these matters on 30 January and its chairman, M. Clappier, put before the meeting the suggestions which the Committee had decided to submit for approval.

The Committee proposed to set up two working parties, one to examine the Danish request for exemptions from the application of the common external tariff, the other to study social problems, especially those arising from the existence of a nordic labour market.

M. Krag, head of the Danish delegation, agreed with these proposals, but stressed that the terms of reference of the working party on customs duties and quantitative restrictions should not be too narrow and that it should be authorized to look into other obstacles to trade such as state aids and restrictive practices.

The ministerial meeting approved the setting up of these working parties.

With regard to the Danish request concerning agricultural exports from that country during the period of negotiations, it was agreed to await the new memorandum which the Danish Government proposed to send to the Member States, explaining the difficulties which Danish agriculture might have to face during that period. After an initial study of the problem, the Danish Government believed that the application of variable import duties and of minimum prices ("sluice-gate" prices) would entail some discrimination against Danish exports to the Common Market countries and might cause them to decline.

On this point, M. Mansholt, a Vice-President of the Commission, said that with the entry into force of the various regulations for the common organization of agricultural markets (July 1962 in the case of those products which were of particular interest to Denmark) Danish exports would indeed face a new situation. However, the effect of that situation on Danish exports was still open to question. The matter would have to be carefully studied.

M. Mansholt further declared that the Commission of the EEC was ready to give the Danish Government any explanation it required on this subject.

The Ministers agreed to ask the Committee of Deputies to fix the date of their next meeting, which they hoped would take place about the middle of March.

## V. Request for the opening of negotiations

On 9 February 1962 M. Fernando Castilla, the Spanish Foreign Minister, addressed a letter to M. Couve de Murville, Foreign Minister of France and President in office of the Council of the EEC, requesting on behalf of the Spanish Government the opening of negotiations to study the possibility of establishing links between Spain and the European Economic Community in a form which would meet the interests of both sides.



## VI. Activities of the Community

### EXTERNAL RELATIONS

#### Association of the Netherlands Antilles with the Community

1. The "Netherlands Antilles" group continued to work out the details of an agreement reached by the Council on 13 and 14 November on the main points arising in the association of the Netherlands Antilles with the Community. At its session of 5 and 6 February, the Council approved the texts providing for the association of the Netherlands Antilles. It was further agreed that in accordance with Article 236 the Netherlands Government would initiate procedure for the revision of the Treaty as soon as the texts confirmed by the Council had been approved by the Government of the Netherlands Antilles.

When the proposed amendments have been submitted by the Netherlands Government to the Council, the latter will consult the European Parliament and the Commission. After these two bodies have rendered their opinion, the Council may convene a conference of Member States for a revision of the Treaty. The texts adopted by that conference will then need to be ratified by the Parliaments of the Member States.

#### The Community and GATT

##### The Tariff Conference

2. As reported in the previous Bulletin (Chap. IV) an American delegation headed by Mr. Howard Petersen, Special Adviser to President Kennedy, and a delegation of the Commission under M. Rey, met in Brussels during the first half of January. After the Commission had consulted the special Committee established under Article 111 of the Treaty, an agreement in principle was reached on 16 January concerning the various points under discussion, several of which had a bearing on trade in agricultural products. As a result of this agreement, the negotiations pending between the United States and the Community on transposing into the common external tariff the former concessions made by the Member States (Article XXIV-6 of the General Agreement) and the reciprocal reduction of customs duties (Dillon negotiations) can soon be brought to a close. As is customary, the list of reciprocal concessions will be drawn up and checked in Geneva by the delegations concerned during the coming weeks.

On 19 January, a few days after the end of the negotiations with the United States, the Tariff Negotiations Committee of GATT considered the steps to be taken

for the conclusion of the tariff negotiations in the course of the talks known as the "Dillon round". The Committee was pleased to note that the negotiations between the United States and the European Economic Community had issued in an agreement in principle, which marked an important stage on the way to the conclusion of the multilateral tariff negotiations.

### **Imports of cotton goods**

3. It will be remembered <sup>(1)</sup> that the Provisional Cotton Textile Committee had at its first meeting (Geneva 23-27 October 1961) instructed a technical sub-committee to choose between the suggestions put forward by the United States, Japan and the EEC for a recommendation on the substance and the form of a long-term arrangement for international trade in cotton textiles.

The technical sub-committee met twice, from 11 to 21 December 1961 and from 8 to 13 January 1962, and prepared a draft agreement.

The Cotton Textile Committee met in Geneva from 29 January to 9 February 1962 and on the basis of the draft prepared by the sub-committee drew up a long-term agreement. This agreement, which was signed in Geneva on 9 February, will enter into force on 1 October 1962, subject to acceptance by the Governments concerned; it will be valid for five years.

It is the purpose of the long-term agreement, as it was of the short-term agreement signed on 21 July 1961 <sup>(2)</sup>, to regulate international trade in cotton textiles. To this end it provides for an easing of the quantitative restrictions still applied by certain importing countries, substantially widening quotas and gradually abolishing them. For products not subject to quantitative restrictions special measures, which do not in any way modify the fundamental rights and obligations implied by the General Agreement, authorize importing countries to limit their imports when these cause or threaten to cause a disruption of their market.

### **Relations with International Organizations**

#### **Consultative Assembly of the Council of Europe**

4. The Commission was represented at the third part of the 13th ordinary session of the Consultative Assembly of the Council of Europe which was held in Strasbourg from 16 to 18 January 1962.

---

<sup>(1)</sup> See Bulletin No. 12/61, Chap. IV, sec. 6.

<sup>(2)</sup> See Bulletin No. 9-10/61, Chap. V, sec. 2.

At this session, which was almost entirely devoted to problems of European integration, the emphasis was laid on the problems raised by the recent request of three neutral countries, Austria, Switzerland and Sweden, to be associated with the EEC.

M. Averoff, the Foreign Minister of Greece, the two rapporteurs [Mr. Macmillan (United Kingdom) and M. Vos (Netherlands)] and the entire Assembly considered that it was necessary for these countries to play their part in European co-operation, due regard being given to their special political position.

M. Steiner, State Secretary in the Austrian Foreign Ministry, declared : " People seem to be afraid that the neutrality of certain European countries may put a brake on European integration. On the contrary, the neutral countries can help a good deal in building the new Europe. It would be very dangerous to force them into choosing between neutrality and the desire to take part in European economic co-operation. The neutrals must not be cast into a sort of political vacuum ".

Dealing with the problems of Sweden, M. Gustavson said that though the non-alignment of his country was not irrevocable, it would not be abandoned until there was good reason for doing so. He added that his country was not seeking a mere commercial agreement with the Community; it desired the highest degree of integration compatible with its policy of non-alignment.

Stressing that his country's neutrality did not mean ideological neutrality, M. Weber (Swiss observer) said that the association of neutral countries with the EEC would bring the latter some undoubted economic advantages. Furthermore Swiss neutrality had always been held to be of unique value.

The rapporteurs and other speakers expressed some concern that Norway had not yet taken a decision concerning its participation in the Common Market. M. Finn Moe (Norway) declared that opinion in his country was on the whole favourable to participation in the EEC and that his country would probably take a decision to this effect in March.

In the course of the debate several members raised the problem of political co-operation and in particular referred to the work being done in the Fouchet Committee.

Certain doubts were expressed with regard to the effectiveness of the " Fouchet Plan " for political integration in Europe, although it was admitted that this plan constituted a realistic working basis. Some speakers wondered whether there was

not a danger of the Fouchet Plan leading to the establishment of yet another institution, parallel to the Council of Europe but with a lesser degree of integration than that of the Common Market.

The debate closed with a resolution in which the Assembly noted with satisfaction the progress of the Six and the negotiations between the EEC, Britain and Denmark, and "welcomed the step taken by the Governments of Austria, Sweden and Switzerland to enter into negotiations with the EEC in order to establish conditions under which they could become associated with the Common Market".

### Council of Cultural Co-operation of the Council of Europe

5. The EEC Commission was represented at the first session of the Council of Cultural Co-operation, which was held in Strasbourg from 10 to 13 January 1962.

The Council elected M. Kuypers, Minister plenipotentiary in the Belgian Ministry of Education, to be its Chairman and M. Obling, of the Danish Ministry of Education, to be its vice-chairman.

The Council of Cultural Co-operation was set up by the Committee of Ministers of the Council of Europe on 16 December 1961. It is a technical committee whose main task is to collate current reforms and projects in the cultural field, to facilitate personal exchanges and the circulation of cultural material among the various countries, and to pool certain training and other media intended for Europeans and non-Europeans.

The Council of Cultural Co-operation takes the place of the Committee of Cultural Experts and the Administrative Board of the Cultural Fund. This reorganization had become necessary by reason of the transfer of the activities of Western European Union in the cultural and social fields to the Council of Europe.

The points dealt with during the session included approval of the revised statute of the Cultural Fund, approval of the draft budget and grants to non-governmental organizations.

The Chairman of the Council hoped that within two years the budget would reach twice its present figure and addressed himself to the observers of the three Communities, requesting their good offices in urging the High Authority and the two Commissions to contribute to the Cultural Fund.

## The United Nations

6. The Commission of the EEC was represented at the fifth session of the Trade Committee of the Economic Commission for Asia and the Far East (ECAFE) (Bangkok, 22-29 January 1962). A report on recent developments in the European Common Market prepared by the Secretary of ECAFE was presented. As had been agreed at the fourth session of this Committee, the Secretariat of ECAFE relied largely on documentary material placed at its disposal by the EEC Commission, which the Secretariat publicly thanked for its co-operation. The report, which did not cover very recent developments, was amplified before the debate by the Secretariat of ECAFE and by the French representative speaking on behalf of the EEC.

The debate on this point was moderate in tone. On the whole, the countries of this region were not opposed to economic integration in Europe, provided it contributed to the expansion of world trade. Two noteworthy points from the declaration made by the United Kingdom representative were :

- i) The fact that the EEC and Great Britain were engaged in serious negotiations in GATT showed that the European Economic Community, possibly enlarged, would be "outward-looking";
- ii) British membership in the EEC would strengthen the British economy which, in combination with the vigorously expanding European economy, will offer growing outlets to non-member countries.

At this session a proposal was made that a representative of ECAFE be appointed to the EEC.

7. The Commission of the EEC was represented at the symposium of experts on economic and social development in Africa (Addis Ababa, 15-27 January 1962) organized by the Economic Commission for Africa (ECA).

## Atlantic Convention

8. The Commission of the EEC was represented at the Atlantic Convention (Paris 8-20 January 1962) held on a proposal of the Conference of NATO Parliamentarians which met in Paris in November 1961. The recommendations made by the Convention were aimed at strengthening the political and economic unity of the fifteen member countries of NATO. It was proposed that tariff barriers and other obstacles to trade be progressively removed in order to stimulate competition and investment and to hasten the development of large markets

befitting the needs of this age of technology. On this subject it was said that the European Economic Community, which was expanding, offered economic advantages not only to its members but also to North America and the entire free world. The Convention welcomed President Kennedy's recent declaration calling for an economic association between the United States and the EEC.

It was hoped that the negotiations envisaged by President Kennedy would lead to the establishment of relations which would be the starting point of an Atlantic Community.

### **Problems of basic products**

#### **The International Wheat Agreement**

9. The Member States of the Community and the representatives of the Commission co-ordinated the position to be adopted by the Member States at the International Conference for the renewal of the wheat agreement to be held in Geneva from 31 January to 6 March 1962.

At its first meeting on 31 January the Conference set up an Executive Committee drawn from the delegations of all the participating countries and instructed to begin negotiations in private. The Committee had been authorized to invite delegates from the European Economic Community to sit in an advisory capacity.

#### **The International Coffee Study Group**

10. The Secretariat of the International Coffee Study Group has forwarded to the Member States and to the Commission the preliminary draft of a long-term agreement on coffee. The working party on trade policy (basic commodities) has held an initial discussion on this subject.

#### **Establishment of missions from non-member countries at the seat of the Community**

11. The competent authorities of the EEC have given their agreement to the appointment of Ambassador V.B. Lall as Head of the Indian Mission to the European Economic Community.

H.E. Ambassador Agostino Soldati, the Head of the Swiss Mission to the EEC, relinquished his post on 4 December 1961; the Swiss Mission will be led *ad interim* by the Deputy Head of Mission, M. Paul Wurth.

## ECONOMIC AND FINANCIAL AFFAIRS

### Economic policy

#### 12. Notes on economic developments - prepared end of February 1962

##### COMMUNITY

		Aug.	Sept.	Oct.	Nov.	Dec.
Industrial production (1)	1960	122	122	123	123	124
1958 = 100	1961	128	129	130	131	131
Imports from non-member countries (2)	1960	1 475	1 521	1 599	1 647	1 846
cif in million \$	1961	1 524	1 632	1 691	1 797	1 944
Exports to non-member countries (2)	1960	1 406	1 568	1 698	1 662	1 876
fob in million \$	1961	1 611	1 740	1 794	1 783	1 852
Trade balance (2)	1960	- 69	+ 47	+ 99	+ 15	+ 30
in million \$	1961	+ 87	+ 108	+ 103	- 14	- 92
Trade between Member countries (2) (3)	1960	763	875	926	887	904
in million \$	1961	915	971	1 042	1 036	1 012
Gold and foreign exchange reserves (3) (4)	1960	13 890	14 276	14 672	14 680	15 052
in million \$	1961	15 838	15 897	15 760	15 839	16 271

(1) Index of the Statistical Office of the European Communities, adjusted for seasonal and random 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 December economic trends in the Community continued essentially unchanged.

Exports to countries outside the Community were again relatively disappointing. Although deliveries to the United States were up, sales to non-member countries in Europe suffered from the relatively slow expansion of business in these countries. Exports to the developing countries also made little progress.

The low rate of growth in industrial production during the autumn months seems to have continued in December. This is partly explained by the inelasticity of supply caused by severe labour shortages, but the growth of production also suffered from the lower rate at which demand was rising. The growth of intra-Community trade would seem to have lost momentum, very probably for the same reasons. By contrast, the substantially heavier imports of certain raw materials and in particular of agricultural produce caused the figure for imports from non-member countries to rise somewhat more rapidly. This contributed to a further deterioration in the Community's trade balance. The official gold and foreign

exchange reserves of member countries were up in December, mainly because the German banks repatriated exported money, but they appear to have sunk again in January.

#### FEDERAL REPUBLIC OF GERMANY

		Sept.	Oct.	Nov.	Dec.	Jan.
Industrial production (1)	1960/61	122	123	125	126	128
1958 = 100	1961/62	128	129	129	129	.
Number of unemployed	1960/61	111.6	121.7	136.4	271.6	390.1
in thousands	1961/62	94.9	98.6	113.1	225.5	286.4
Orders received	1960/61	149	151	154	142	142
1958 = 100	1961/62	141	149	151	138	.
Retail sales	1960/61	106	121	125	177	102
1958 = 100	1961/62	116	132	142	191	112
Consumer prices	1960/61	102.2	102.4	103.0	103.1	103.6
1958 = 100	1961/62	105.3	105.4	106.0	106.3	.
Imports cif (2)	1960/61	805	899	876	1 001	830
in million \$	1961/62	921	1 002	960	1 058	949
Exports fob (2)	1960/61	926	998	1 013	1 201	929
in million \$	1961/62	1 079	1 093	1 064	1 186	957
Gold and foreign exchange re-	1960/61	6 338	6 574	6 599	6 737	6 660
serves (2) (3) in million \$	1961/62	6 437	6 198	6 170	6 541	5 795

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

(2) On 6 March 1961 the German mark was revalued by 5 % (1 dollar = 4 DM).

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

The slowdown in economic growth continued into the new year. It is true that exports, which in December had been down in terms of value on the corresponding 1961 figure, moved up again in January, though the improvement on the January 1961 figure was only 3 %. While the growth of investment in equipment seems to have slowed down further, outlay on building — particularly by public authorities — grew, if anything, rather more rapidly. The very lively expansion of private consumption continued.

Once again in January the increase in industrial production was only fair. According to the German index its growth rate, at 2.2 %, was somewhat lower than in December (2.5 %). By contrast, there was another sharp rise in imports, which were 14 % above the corresponding 1961 figure.

Although producer prices in industry have remained stable in recent weeks, the upward trend in consumer prices has continued. The surplus on trade was appreciably less in January than it had been in December, but this was partly explained by seasonal factors; at \$ 8 million, it was well below the corresponding



1961 figure. In January the Bundesbank's gold and foreign exchange reserves, mainly because of heavy exports of short-term capital by the banks, were down by \$ 746 million.

#### FRANCE

		Sept.	Oct.	Nov.	Dec.	Jan.
Industrial production <sup>(1)</sup>	1960/61	115	115	116	116	117
1958 = 100	1961/62	121	122	124	125	.
Number of persons seeking employment <sup>(2)</sup> , in thousands	1960/61	127	125	128	125	123
	1961/62	110	110	108	105	101
Turnover of Paris dept. stores	1960/61	146	156	146	234	142
1958 = 100	1961/62	147	173	170	255	163
Consumer prices (Paris)	1960/61	111.1	111.3	111.6	111.9	111.9
1958 = 100	1961/62	113.5	114.7	115.9	116.3	117.1
Imports cif	1960/61	499	473	531	616	485
in million \$	1961/62	505	554	590	644	543
Exports fob	1960/61	550	621	594	612	543
in million \$	1961/62	583	630	638	662	612
Trade balance	1960/61	- 10.1	+ 60.6	.	+ 52.5	+ 58.1
(excl. franc area)						
in million \$	1961/62	+ 36.3	+ 39.1	+ 8.1	- 12.2	+ 28.4
Gold and foreign exchange reserves <sup>(3)</sup>	1960/61	2 110	2 136	2 068	2 070	2 143
in million \$	1961/62	2 816	2 829	2 886	2 939	2 992

<sup>(1)</sup> Index of the Statistical Office of the European Communities, adjusted for seasonal and random variations.

<sup>(2)</sup> End of month figures seasonally adjusted.

<sup>(3)</sup> Amount held by the monetary authorities at end of month.

Everything suggests that economic growth continued into the new year.

Exports, for which the seasonally adjusted figures had registered a slight temporary decline, seem to have recovered a good deal of ground in January. Investment will show a further increase especially as public enterprises, too, are spending more this year on building and equipment than in 1961. The expansion of private consumption also continued, encouraged by the steady upward trend in wages and the increase in family allowances made on 1 January.

Industrial production expanded slightly more rapidly in December, as it had done since the autumn: in November the INSEE index showed a year-to-year growth rate of 5.6 %, a percentage which rose to 6.3 % in December. In particular the sales of investment goods, motor vehicles and chemicals were very satisfactory.

Consumer prices rose again in January, mainly owing to further price increases for food and the semi-annual rent increase. The limit above which the guaranteed minimum wage (SMIG) is automatically raised was, however, not exceeded.

The December deficit on the balance of trade with countries outside the franc area was converted into a considerable surplus in January. Official gold and foreign exchange reserves rose by \$ 53 million, despite transfers of about \$ 29.5 million to the International Monetary Fund for assistance to Great Britain and Indonesia.

#### ITALY

		Aug.	Sept.	Oct.	Nov.	Dec.
Industrial production (1)	1960	133	132	132	132	132
1958 = 100	1961	145	147	148	149	151
Number of unemployed	1960	1 389	1 404	1 413	1 472	1 609
in thousands	1961	1 260	1 296	1 319	1 368	.
Internal trade turnover of						
main investment goods (2)	1960	149	111	157	136	144
1958 = 100	1961	156	139	186	169	160
Cost of living	1960	102.5	102.4	102.4	102.9	103.1
1958 = 100	1961	105.3	105.6	105.8	106.6	107.1
Imports cif	1960	345	389	417	410	401
in million \$	1961	399	425	424	463	462
Exports fob	1960	289	307	332	294	329
in million \$	1961	342	348	413	384	373
Gold and foreign exchange reserves (3)	1960	3 097	3 083	3 065	3 057	3 080
in million \$	1961	3 364	3 369	3 393	3 414	(3 420)
Yield of Government securities	1960	5.11	5.15	5.30	5.32	5.30
in %	1961	4.97	5.00	4.98	4.91	4.93

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

(2) Machinery, apparatus and electrical equipment, calculated on the basis of revenue from turnover tax.

(3) Amount held by the monetary authorities.

Economic expansion, to which external demand is still making a big contribution, accelerated appreciably at the end of the year.

The year-to-year growth rate for exports climbed in November-December to approximately 22 %, mainly on account of heavy exports of agricultural products, capital goods and textiles. Trends in output, external trade in and domestic sales of the main capital goods suggest that investment on equipment is expanding even more rapidly. Private consumption — particularly of non-essentials — has again increased.

The growth of industrial production was again very marked; the year-to-year figure for November was 13.7 % and there was further appreciable growth in December. The growth rate for imports in December was, at about 15 %, substantially higher than the monthly average of the year-to-year growth rate

(7.2 %) recorded for October-November. The livelier import trend is almost certainly accounted for by the vigorous drive of overall demand, though heavier imports of raw materials may well have made their contribution.

Though wholesale prices remained, to all intents and purposes, unchanged the cost-of-living index rose again in December owing to a rise in the prices of food-stuffs and services and was 3.8 % higher than a year earlier. Wage rates in industry, trade and agriculture went up on 1 February because the increase in the cost of living had brought the sliding wage-scale agreements into play.

#### THE NETHERLANDS

		Sept.	Oct.	Nov.	Dec.	Jan.
Industrial production (1)	1960/61	130	132	132	132	132
1958 = 100	1961/62	128	129	132	132	.
Number of unemployed	1960/61	32	33	37	54	63
in thousands	1961/62	27	28	32	48	48
Number of housebuilding permits	1960/61	8 070	10 015	7 707	7 664	6 691
	1961/62	9 078	9 016	5 953	4 487	6 303
Private consumption	1960/61	111	119	117	128	115
1958 = 100	1961/62	117	122	126	.	.
Consumer prices	1960/61	105	104	103	103	104
1958 = 100	1961/62	106	106	106	106	.
Imports cif (2)	1960/61	385	405	389	407	441
in million \$	1961/62	427	401	474	454	478
Exports fob (2)	1960/61	366	369	361	359	353
in million \$	1961/62	406	368	399	362	363
Gold and foreign exchange re-	1960/61	1 549	1 616	1 617	1 742	1 678
serves (2) (3), in million \$	1961/62	1 723	1 730	1 730	1 715	1 724

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

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

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

The inelasticity of production was still, at the beginning of 1962, the decisive factor governing the development of general economic activity.

Exports, which in December had been scarcely any higher than at the end of 1960, were in January 2 % above the figure for January 1961. According to the business surveys conducted regularly by the CBS and now published for the first time, the inflow of orders from abroad registered a slight upward tendency in the last months of 1961. Domestic demand continued very lively. Investment activity undoubtedly increased again. In any case, the number of building permits

issued increased substantially. The slightly more rapid growth in private consumption, first noted in November, continued.

Manpower shortages are still an obstacle to the expansion of industrial production. The seasonally adjusted Dutch index showed no improvement in December over the November figure, and remained below the corresponding 1960 figure. The number of unemployed did not show the usual seasonal increase in January.

Imports continued to make definite upward progress, though the year-to-year growth rate fell from 11.5 % in December to 8.4 % in January.

By and large, prices remained much as before.

The Government has announced that it will issue a loan for three hundred million guilders in March : its purpose will be to mop up surplus liquidity.

#### BELGIUM

		Sept.	Oct.	Nov.	Dec.	Jan.
Industrial production (1)	1960/61	112	112	112	113	113
1958 = 100	1961/62	118	118	.	.	.
Number of unemployed	1960/61	90	94	105	115	128
in thousands	1961/62	69	69	76	85	90
Number of non-residential buildings started	1960/61	492	478	427	403	317
	1961/62	578	458	437	362	.
Turnover of department stores	1960/61	112	121	129	137	93
1958 = 100	1961/62	110	117	130	155	.
Consumer prices	1960/61	101.3	101.7	101.9	101.9	102.0
1958 = 100	1961/62	102.9	102.8	102.9	102.9	103.0
Imports cif	1960/61	330	337	338	324	329
in million \$	1961/62	331	371	356	349	.
Exports fob	1960/61	296	329	315	316	240
in million \$	1961/62	348	356	347	319	372
Gold and foreign exchange reserves (2)	1960/61	1 220	1 281	1 339	1 423	1 435
in million \$	1961/62	1 552	1 610	1 638	1 657	1 664

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

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

At the beginning of this year economic growth was definitely weak.

Exports, however, after marking time in December, rose again in January. They were approximately 8 % above the monthly average for the fourth quarter of 1961. New orders from abroad for steel were also appreciably heavier in January than in preceding months, but the prosperity to invest has weakened. Housebuilding

permits issued in November and December were very probably slightly fewer than at the same time a year previously. Private consumption increased only slightly.

There has been a tendency for the growth of industrial production to lose momentum. The flow of orders received slackened in some fields — particularly in textiles. At 8 %, the year-to-year growth rate for imports was somewhat lower than in November (8.5 %).

Wholesale and retail prices remained stable. Gold and foreign exchange reserves continued to increase in January, and this may be put down mainly to an improvement in the balance of trade.

#### GRAND DUCHY OF LUXEMBOURG

		Sept.	Oct.	Nov.	Dec.	Jan.
Industrial production (1)	1960/61	115	115	115	115	115
1958 = 100	1961/62	118	117	116	115	.
Output of crude steel	1960/61	353	348	336	338	333
in thousand tons	1961/62	352	353	317	309	326
Building activities (2)	1960/61	93	92	80	65	46
1958 = 100	1961/62	105	101	86	66	.
Workers employed in industry	1960/61	46.7	46.6	46.6	45.8	43.1
in thousands	1961/62	47.2	47.3	47.0	46.3	44.3
Consumer prices (3)	1960/61	101.6	101.4	101.5	101.6	101.5
1958 = 100	1961/62	101.8	101.6	101.7	102.0	102.2

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

(2) Calculated on the number of man-hours worked.

(3) February 1961 = 101.1; February 1962 = 101.8.

At the beginning of the year the situation on the steel markets seems to have improved slightly; the outlook for the Luxembourg economy would therefore appear to be once again more favourable. However, steel prices are still depressed and the backlog of orders for exports of steel were considerably shorter at the end of 1961 than at the end of 1960.

The expansion of internal demand continued. Public investment developed at a particularly lively pace. The measures taken by the Government to encourage private investment also seem to be bearing their first fruit: the work on plans for the establishment of various new undertakings has recently been completed.

Industrial production continued to stagnate in December. The output of crude steel in that month was about 9 % below the figure recorded a year earlier, but in January only 2 % below.

The labour market was still subject to strain. Seasonal factors explained a slight decline in the general level of consumer prices from January to February.

### The Economic Policy Committee

13. The Economic Policy Committee held its eighth meeting on 9 January 1962. M. Pérouse, vice-chairman, presided. The Committee examined current economic policy in Belgium, Italy, Luxembourg and the Netherlands, and discussed the question of how far the general short-term economic forecasts of member countries could contribute to a closer co-ordination of Member States' economic policies and of their policies with respect to economic trends.

### **Group for the co-ordination of policy on credit insurance, guarantees and financial credits**

14. The sixth meeting of the Group for the co-ordination of policy on credit insurance, guarantees and financial credits was held on 18 and 19 January 1962 in Brussels.

The Group continued the examination it had begun at its last meeting of the draft agreement on consultation procedure <sup>(1)</sup>. Consultations had already been taking place at regular intervals since June 1961 and the new arrangements would concern mainly the form and manner of communications, and would introduce the principle of regular bi-monthly meetings in addition to the exchanges of views which at present took place by correspondence.

The Group heard a progress report on the harmonization of credit insurance conditions: in certain fields the work had already been brought to a successful conclusion, in others divergent views had yet to be reconciled. The Group agreed that it would be desirable to work towards a general agreement on the various arrangements for credit insurance, and, with this end in view, to consider drawing up a model contract which would be applied at first for operations common to several countries and would constitute later on a sort of standard contract for all the EEC countries. A Working Party was to continue discussion of this point on 8 February.

On the basis of suggestions from the Commission's staff and of an opinion expressed by the Fédération Bancaire of the EEC, the Group also examined ways in which private financial institutions might take part in financing medium- and long-term credits to the developing countries. The representative of the European Investment Bank commented on the decisions taken recently by the Bank's Board of

---

<sup>(1)</sup> See Bulletin No. 1/62, Chap. VIII, sec. 15.

Directors on this matter : the Bank would, as part of its normal investment operations and for periods not exceeding five years, be prepared to take in pawn the mobilisable paper issued by private financial institutions against loans granted abroad.

The Group felt that they should go further into these suggestions with the Fédération Bancaire, and invited a Working Party to meet and prepare a report on the conditions under which private financial institutions might contribute. This meeting was fixed for 9 February 1962.

### **Energy problems**

15. A number of important discussions on the Community's energy policy took place at the end of January.

On 23 January the special ECSC Council of Ministers met to examine the estimates of the Community's energy supplies for 1962. On the whole, the picture is fairly satisfactory. The increase in the consumption of energy should reach 3.6 % in 1962, as against 3.9 % for 1961, which is still a very favourable rate of progress, if the slight loss of momentum expected in the expansion of industrial activity — 5.6 % in 1962 as against 6 % in 1961 — is borne in mind. Trends are likely to vary widely, however, with the different forms of energy : coal consumption is expected to drop again, this time by about 4.3 million tons, or 1.7 % of total availabilities, whereas petroleum products are expected to advance by about 13 % and natural gas by about 11 %. This confirms the tendency which has been noted for several years, for coal to be superseded by fuel oil for many uses. In 1950, 72 % of the energy consumed by the six countries of the Community derived from coal : by 1960 the figure had fallen to 53 %, in 1962, it is not expected to exceed 47.5 %.

On the basis of this report, the Council reviewed the general situation on the energy market and the problems arising. They concluded that closer co-ordination between the policies of the various Member States was imperative, and it was agreed to arrange at regular intervals restricted meetings at ministerial level to continue discussion of these problems.

On 24 January the European Parliament held a full debate on the emergency programme presented early in 1961 by the Inter-executive Working Party on Energy (1).

The introductory report prepared by M. Leemans, rapporteur of the Parliament's Energy Committee, approved the main lines of the proposals made by the Work-

---

(1) A summary of this debate is given in the Chapter "Institutions and organs".

ing Party and stressed in particular the need to reach general agreement at an early date on the proposed measures in order to avert the danger of a rapid deterioration of the situation of the energy market.

A number of speakers stressed the need to launch without delay a general energy policy designed to put an end to the serious difficulties now besetting the coal industry, since it was essential to maintain coal output at a high level if supplies were to be guaranteed in the long term.

Several other members felt that the Community would be well advised to have its industries take advantage of the cheaper forms of energy now available on the world market, as low-cost energy was an important factor for economic expansion.

After the chairman of the Inter-executive Working Party, M. Lapie, had replied to questions, M. Marjolin, a Vice-President of the EEC Commission, summed up the debate. He said that there were strong arguments in favour of an energy policy designed to bring down energy prices to the consumer, but other matters had to be taken into consideration: there was the question of guaranteed supplies and perhaps even more important, there were social considerations, as well as the problem of economic and political equilibrium. From this angle one might well conclude that the Community should maintain a substantial coal output.

None the less, M. Marjolin felt that this must be achieved by means other than a general increase in energy prices: ways must be found of attaining at one and the same time the two objectives of lower energy prices and the maintenance of coal production at the level of which, for economic, political or social reasons, it had been decided to fix it.

M. Marjolin pointed out that there was not a single European country that did not protect its fuel producers and that the oil policies of the six countries, however different they might be, had, in fact, much the same result, that is to say, relatively high prices for the consumer; the problem was not therefore so very different in the several Community countries, and common solutions could and must be found.

In connection with the free movement of petroleum products within the EEC he recalled that customs duties had already been cut by 40 %, save in Germany, where this cut would not be effective until the end of 1963. The Commission would in the near future submit a recommendation to the French Government concerning the abolition of any discrimination stemming from arrangements in force for the petroleum industries; there had been discussions on investment schemes for petroleum and a meeting in February was to examine these for a period up to the end of 1965; as for petroleum from the USSR, the Commission had made efforts to safeguard legitimate interests and an agreement for prior consultation on commercial policy had already been concluded.



Turning to M. Leemans' report, M. Marjolin said that the Commission was in broad agreement with its substance. On the question of assuring supplies, he wondered if it was wise to align the prices of cheaper energy (atomic energy) with those of the dearest (energy derived from coal).

The recent agreement on a common agricultural policy, said M. Marjolin, showed that the Governments were prepared to merge their policies even in this, the most difficult of all fields: success in agriculture should encourage them in future discussions on energy policy.

The Inter-executive Working Party, which had met on the same days as the Parliament, had also reached the conclusion that the time was ripe to establish new guiding lines for the elaboration of a common energy policy, and that fresh proposals should be submitted to the Governments in the near future.

## INTERNAL MARKET

### Granting of tariff quotas

16. Proposals by the Commission for the granting of tariff quotas to certain Member States under Article 25 (1) of the Treaty has already been submitted to the Council on two occasions — at its sessions of 4 and 5 December and of 18 December. Its decisions dealt with 21 out of 57 applications submitted under this Article. Since 29 applications were withdrawn by the Member States concerned, only 7 remained to be examined by the Council.

At its session, of 5 and 6 February, the Council granted, on the Commission's proposal, six tariff quotas for 1962 to the Member States which had applied for them :

No. in the common customs tariff	Description of products	Applicant Member States	Quantities granted (in metric tons)	Duty in common customs tariff
48.01 A	Newsprint	France	60 000 at 0 %	7 %
ex 38.05 B	Tall oil, other than crude, for the manufacture of synthetic rubber	Italy	300 at 0 %	7 %
38.05 B	Tall oil, other than crude	Netherlands	1 500 at 0 %	7 %
• 28.28 G1	Vanadium pentoxide (vanadic anhydride), for the manufacture of ferro-alloys	Italy	110 at 0 %	} 9 %
		France	500 at 0 %	
		B.L.E.U.	170 at 0 %	

The Council was unable to decide whether to grant or reject the seventh application, since consultations between Community producers and consumers on the point whether Community output was insufficient had been inconclusive.

Apart from the question of whether the products are on list B, C or D, the first condition to be fulfilled under Article 25 (1) is that output of the product in question in the Member States should be insufficient to meet the needs of the applicant Member State. The second condition is that the Member State must be traditionally dependent for a large part of its supplies on imports from non-member countries. In no case may such quotas exceed the limits beyond which the danger might arise of a transfer of commercial activities, to the detriment of other Member States.

### **Common customs tariff**

#### **D u t i e s   o n   m a n u f a c t u r e d   t o b a c c o**

17. The Commission has endeavoured to settle the question of duties on manufactured tobacco (cigarettes, cigars, etc., tariff heading 24.02) which was the only category of products <sup>(1)</sup> for which duties had not yet been fixed in the common customs tariff.

The products in question were on the list of products subject to revenue duties which the Federal Republic of Germany had submitted to the Commission before 31 December 1958 in accordance with the provisions of Article 17 (2) of the Treaty. For this reason, a common tariff for these products could not be fixed until the Commission had determined, under Article 22, to what extent the duties in the German tariff should be taken into account in working the arithmetical average, having regard to the protective nature the German duties might have. Later, however, the Federal German Ministry of Finance informed the Commission that manufactured tobacco was to be withdrawn from the list. Consequently, the common customs duties on these products should in principle be settled as the arithmetical average of the national duties in force on 1 January 1957 (Article 19).

The calculation of the arithmetical average raised, however, a difficult problem. The importation of tobacco into France and Italy was restricted on 1 January 1957 to the national Tobacco Boards, which were not required to pay duty. Now, had this exemption been taken into account, and the effective duty of these two countries been considered as zero, the effect would have been that the actual protection provided by the government monopolies would have been ignored. Moreover, the result of a calculation using, as an alternative, the duties applied in these countries to imports on private account could not have been applied validly to the bulk of the products imported. For this reason, the Commission felt that duties for manufactured tobacco should not be purely and simply based on the application of the rules given in Article 19 of the Treaty: it was better to secure

---

(<sup>1</sup>) Apart from refined petroleum and certain derivatives (tariff headings 27.10, 27.11, 27.12 and ex 27.13) which are included in List G.

agreement among the Member States so as to enable the Council to act unani-  
mously on the basis of Article 28.

However, there was another serious difficulty in the way of an agreement among  
all the member countries on common customs duties; it arose from a fundamental  
difference between domestic tax systems. In France and Italy, as we have seen,  
tobacco is a government monopoly; the Benelux countries impose on tobacco  
excise duties based on the retail price of the product, and in consequence of this  
system — whose merits were not in question — the effect of customs duties is  
greatly accentuated. The fixing of duties for manufactured tobacco in the common  
customs tariff involves therefore, in principle, the harmonization of internal  
fiscal systems, and the study of this question is being actively pursued by the  
Commission.

The Community could not, however, await the outcome of this work before  
including customs duties on manufactured tobacco in the common customs tariff.  
On the view that the revenue duties on manufactured tobacco in the Benelux  
countries increase the effect of customs duties to the point where the total taxation  
approaches the level requested by the other Member States, the Commission has  
undertaken to consider favourably applications from the Benelux countries for  
a deferment of the measures they must take under Article 23 of the Treaty to  
adjust the duties in their national tariffs on the products in question. The  
Commission's authorization can only be granted for a limited period and  
pending the harmonization of domestic fiscal systems.

The Commission's proposal was carefully examined by the Council, which gave  
its approval and by a decision of 5-6 February 1962 fixed the common customs  
duties on manufactured tobacco as follows :

24.02 — Manufactured tobacco, tobacco extracts and essences :

A. Cigarettes	180 %
B. Cigars and cigarillos	80 %
C. Smoking tobacco	180 %
D. Chewing tobacco and snuff	100 %
E. Tobacco powders	40 %
F. Tobacco compressed or liquored for making snuff	40 %
G. Tobacco extracts and essences, including tobacco lye; pressed tobacco leaf; other	40 %

**Decision concerning small non-commercial consignments**

18. The Council adopted at its session of 5 and 6 February 1962 a draft decision  
submitted by the Commission for the introduction of a flat-rate duty for small

quantities of goods sent to individuals or carried in traveller's luggage, where such imports are of a strictly non-commercial character (1).

Further details of this decision will be given in the next issue of the Bulletin.

## **COMPETITION**

### **Approximation of legislation**

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

19. The Working Party for the approximation of legislation on public contracts held its sixth session on 17 and 18 January when it dealt with two urgent matters : work assigned to it by the Council of Ministers in connection with the General Programmes for the liberalization of establishment and of services, and the letting of public contracts.

The experts studied two papers by the Commission's staff dealing respectively with the question of adequate publicity for invitations to tender and the adoption of objective criteria for awarding contracts. The study of this second paper will be continued at the next session, when the national delegations will have submitted written comments and any counter-proposals they may wish to make.

#### **I n d u s t r i a l   p r o p e r t y**

20. The " Patents " Working Party held its fourth session from 8 to 19 January 1962. It resumed its study of the draft convention on a European system of patent law, and examined in particular the general rules of procedure for both levels of the European Patent Office in cases where it was required to rule on appeals. Since the establishment of this Office is to be phased over a period of time, it was decided to set up during this period, in the technical fields for which applications for a European patent will not yet be admissible, a common system of filing applications (*dépôt commun*) valid for all the Member States and allowing of the simultaneous issue of patents in all the said States.

### **Convention on bankruptcy**

21. From 15 to 19 January the Committee of government experts on laws concerning the enforcement of judgements (fourth sub-paragraph of Article 220 of

the Treaty of Rome) (1) examined problems connected with bankruptcy prepared by the Working Party on bankruptcy law.

This preliminary draft is based on the principle of "the universality of bankruptcy": where a bankrupt has his principal place of business in one EEC Member State, it will be only in this State that he may be declared bankrupt, whatever the countries in which his assets are held. The effects of the bankruptcy declaration, however, in particular the seizure of assets, will extend to the other countries. All creditors will participate on an equal footing in the bankruptcy proceedings, without discrimination as to nationality or domicile. The examination of priority claims (for example: taxes, contributions payable to social security, wages) sets a difficult problem.

The Government experts will continue their work in April and in July.

## **Fiscal problems**

### **Harmonization of turnover taxes**

22. The three Study Groups (A, B and C) of Working Party No. 1, which are studying the various systems of turnover taxation with a view to their harmonization, held their final meeting from 15 to 18 January 1962. They adopted a General Report outlining action which might be taken to eliminate, in connection with each of the systems studied, the disadvantages of the present situation, especially with respect to countervailing charges on imports and drawbacks for exports in intra-Community trade. The General Report also suggests, for each system, what could be done to abolish these compensation devices and so break down tax frontiers between the member countries and avoid obstacles in the way of development towards a true common market. This Report will be examined by the Directors General of national tax departments in the near future.

## **SOCIAL AFFAIRS**

### **European Social Fund**

23. On 31 January 1962 the Working Party on retraining appointed by the Committee of the European Social Fund met to examine further retroactive applications for refund of expenditure relating to retraining schemes. It also considered the first two reports prepared by the Commission's staff on the investigation and auditing of retroactive claims submitted by Belgium and France.

---

(1) See Bulletin No. 7-8/61, Chap. V, sec. 35.

## **Social security**

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

24. The EEC Administrative Committee for the Social Security of Migrant Workers held its 30th session in Brussels on 24 and 25 January 1962. It approved the texts of a second series of guides to the family allowance systems in each of the Member States. These booklets explain to migrant workers the allowances to which they are entitled and the procedure by which they must apply for them. The Administrative Committee also took a decision concerning the payment of family allowances in cases where restrictions under Regulation No. 3 have been abolished by Regulation No. 16, which came into force on 1 January 1962 <sup>(1)</sup>.

### **Occupational diseases**

25. The Working Party on compensation for occupational diseases contracted by workers in the course of employment in more than one Member State held its fourth meeting in Brussels on 30 and 31 January 1962.

## **Housing problems**

26. On 31 January 1962 the Commission arranged in Brussels a meeting at which it consulted government experts from France, Belgium and Federal Germany in examining the summary report of an enquiry into the housing conditions of migrant workers in these countries.

This meeting, at which government representatives from Italy, Luxembourg and the Netherlands were present as observers, provided the occasion for a broad exchange of views on other problems such as the financing of new housing for immigrant workers, having regard to the entry into force of Regulation No. 15 on the free movement of workers.

## **Free movement of workers**

27. Pursuant to Article 47 of Regulation No. 15 concerning initial measures for establishing freedom of movement for workers within the Community, the Commission has tabled in the Council a draft directive proposing that the Member States adopt a common list of diseases and disabilities on the ground of which

---

<sup>(1)</sup> This Regulation has been published in the official gazette of the European Communities, No. 86 — Fourth year, 31 December 1961.

they may refuse to admit a worker and the members of his family from another Member State.

The draft directive was prepared by the Commission's staff after consultation with Government medical experts and with the Technical and Consultative Committees established by Regulation No. 15.

It will be recalled that according to Article 47 of Regulation No. 15, which came into force on 1 September 1961, the Council should issue this directive before 1 March 1962.

28. The Technical Committee for the free movement of workers met on 10 and 11 January with M. De Muynck, Director General for Social Affairs in the Commission, in the chair. A full discussion was held on the preliminary draft regulations on the movement of seasonal and frontier workers. The conclusions reached are now being examined by the Commission.

The Committee also studied the above-mentioned draft directive concerning a common list of diseases and disabilities and a memorandum on the application of Regulation No. 15 to professional artists and musicians.

## **TRANSPORT**

### **Common transport policy**

#### **Procedure for examination and prior consultation**

29. A decision establishing procedure for examination and prior consultation with regard to certain laws of regulations contemplated by the Member States in the field of transport was taken by the Council on 28 November 1961 <sup>(1)</sup>. Although this decision has not yet taken effect, the Government of the Grand Duchy of Luxembourg transmitted to the Commission on 11 January 1962 the road transport bill which it had tabled in the Chamber of Deputies on 19 December 1961.

The bill is in the form of an outline law applicable to passenger and goods transport by road for hire or reward. The details of its implementation, in particular arrangements enabling Luxembourg carriers to conform to the provisions of treaties, agreements and conventions in the field of transport, will be laid down in subsequent regulations.

---

(<sup>1</sup>) See Bulletin No. 1/62, Chap. VIII, sec. 35.

Subject to a later examination of these regulations, the Commission took the view that the bill was in the main consistent with the provisions of the Treaty of Rome and with the ideas put forward in the Memorandum on the general lines of a common transport policy. Consequently, the Commission felt that there was no need for consultation with the other Member States.

### **Eliminating discrimination**

30. The Commission was also consulted by the Luxembourg Government on the point whether the bill referred to above was compatible with the obligations stemming from Articles 14 and 16 of Regulation No. 11 concerning the abolition of discrimination in transport rates and conditions <sup>(1)</sup>.

In its reply to this second question, the Commission reserved the right to give a final opinion when it had studied the regulations made when the bill has become law.

The Italian Government also has referred to the Commission a bill concerning control and enforcement, which is now being examined.

### **Support rates**

31. In consequence of the Council's decision concerning transition to the second stage, measures of support for transport within the Community which are referred to in Article 80 (1) of the Treaty are forbidden as from 1 January 1962, save as may be authorized by the Commission.

The Commission has continued its examination of certain Italian railway tariffs established in favour of Southern Italy. It will take decisions on this matter in the near future.

## **OVERSEAS DEVELOPMENT**

### **Discussions on the renewal of the Association Convention**

32. The Steering Committee set up at the ministerial meeting with the Associated African States and Madagascar <sup>(2)</sup> met for the first time on 2 February with Ambassador Boegner (France) in the chair. Madagascar and all the Associated African States had sent representatives.

---

<sup>(1)</sup> This Regulation was published in the official gazette of the European Communities, No. 52, 16 August 1960.

<sup>(2)</sup> See Bulletin No. 1/62, Chap. II.



The discussions bore solely on questions of procedure. The views of the African and Malagasy delegations were largely expressed through a joint spokesman, Ambassador Gueye (Senegal).

The Steering Committee set up its Bureau, comprising the chairman, the rapporteur (a new post to which a representative of the African States and Madagascar will be appointed), the chairmen of the three Working Parties and a representative of the Commission. Secretarial services for the Bureau will be provided by the staff of the Councils. It was understood that the Bureau had no competence to negotiate on any problem of substance arising in the course of the proceedings.

The Steering Committee made arrangements for the Working Parties and settled the number and composition of sub-groups.

The next meeting was fixed for 2 March 1962.

### **Training periods and symposia for nationals of Associated Overseas States**

33. The nationals of Associated States training in the Commission's departments made a two-week tour through Italy, France and the Federal Republic of Germany (including Berlin). They visited the works carried out by the Ente Maremma in Italy, operations in the Bas-Rhône-Languedoc area in the South of France and various industries and the guilds in the Federal Republic.

Another tour took the trainees to the Netherlands where they visited, among other things, the agricultural institutes of Wageningen.

The training period for these nationals of Associated States ended on 31 January. A new group of trainees is expected by the Commission for 1 March 1962. They will also stay for four months.

34. Two symposia were organized by the Commission in Brussels in January. The first, on 23 and 24 January, was attended by 17 engineers specializing in tropical techniques. The second brought together on 26 January twenty French and Malagasy farmers who are active supporters of the "Maison familiale d'apprentissage rural".

### **European Development Fund**

#### *SOCIAL PROJECTS*

35. In January 1962, the Commission approved the financing by the European Development Fund of the following social projects :

## In the Malagasy Republic:

1. The construction of a new 100-bed hospital at Manakara (Fianarantsoa province) furnished and equipped for medical and surgical treatment, for a total expenditure of 100 million frs. CFA (approximately 405 000 units of account).

At present the town of Manakara, which is the centre of a district and the seat of the medical division covering the districts of Manakara, Vohipeno and Fort-Carnot with an area of 7 100 square kilometres and a total population of about 200 000 inhabitants, has at present one 86-bed hospital housed in old and unsuitable premises more than three kilometres from the town.

The purpose of this scheme is to provide the city population and the medical division with a well-situated and up-to-date hospital, and to help improve the health situation in a relatively densely populated area (27 inhabitants per square kilometre) with a rapid expanding economy.

2. The construction of a new 96-bed hospital at Fort-Dauphin (Tuléar province) furnished and equipped for medical and surgical treatment, for a total expenditure of 100 million frs. CFA (approximately 405 000 units of account).

Fort-Dauphin, the chief town of the district and seat of a prefecture with about 360 000 inhabitants, has one 85-bed hospital which was severely damaged by a tornado in March 1961. In consequence, the hospital's activity has been much reduced and patients have often to be moved to other remote centres (Fianarantsoa or Tananarive).

Under the programme for the expansion of health facilities, the Malagasy Government has given first priority to the rebuilding of this hospital nearer to the town and equipped to deal with larger numbers of patients.

## In the Sahara:

Construction and equipment of a centre for rapid occupational training in the region of Ghardaïa-Noumerate for a provisional commitment of 1 560 000 NF (approximately 316 000 units of account).

The establishment of this centre is part of a training scheme designed, first, to enable the Sahara to benefit fully from developments arising from the petroleum industry by training the local manpower required for the new enterprises and, secondly, to modernize building techniques so as to reduce the present high cost of construction.

The centre will be able to accommodate 180 trainees in 12 sections. The first stage will provide 30 to 50 places and the remaining installations will be built by the trainees themselves.

#### Republics of Niger, Cameroun and Chad:

The European Development Fund will participate in financing joint project No. 15 of the Commission for Technical Co-operation in Africa south of the Sahara (CCTA). This is a campaign against cattle plague in the Lake Chad basin <sup>(1)</sup>. The total cost of the campaign, which will last three years, is estimated at a little under 2.8 million units of account. The finance will be provided by the United States Government up to a ceiling of \$ 800 000 (cost of the campaign in the Federation of Nigeria and co-ordination expenses), and by the European Development Fund up to 486 251 000 frs. CFA, equal to about 1 972 000 units of account (expenditure on the campaign in the Republic of Niger - 245 980 000 frs. CFA or 997 000 units of account; in the Republic of Chad - 157 775 000 frs. CFA or 640 000 units of account; in the Republic of Cameroun - 82 496 000 frs. CFA or 335 000 units of account).

The scheme will be co-ordinated, in liaison with FAO, by the Commission for Technical Co-operation in Africa south of the Sahara.

#### *ECONOMIC PROJECTS*

36. During the same month the Council, on proposals from the Commission, approved the financing by the European Development Fund of the following two economic projects :

#### In the Republic of Cameroun:

Participation in the financing of a 330-kilometre extension of the Cameroun State Railways network.

The objective of this scheme is to provide better services for the areas of Central-Eastern and Northern Cameroun and also to give easier access to the upper valley of the Sanaga. This scheme will help to unify Cameroun economically and politically, lower the cost of imported supplies and assist the exploitation of new areas; it will therefore be of fundamental importance to the Cameroun Government's development policy.

The European Development Fund will contribute 3 703 million frs. CFA (15 million units of account), financing in the form of grants about 65 % of the

---

(1) See Bulletin No. 2/62, Chap. VI, sec. 48.

expenditure on laying the track; the remaining 35 % is to be provided by loans from the American Government. It is understood that the French Government will make grants to finance final route surveys, approach roads and buildings, and will grant credits to purchase rolling stock. Only when the French and American authorities have given their assent to the amount and terms and conditions will the EDF commitment become final.

#### **I n t h e t e r r i t o r y o f R w a n d a - B u r u n d i :**

A scheme for the extension of native tea-growing in the Mulindi area : improvements to 500 hectares of plantations involving 1 000 planters or a total population of 5 000. It marks the beginning of a wider programme under the development plan aimed at an annual production of 25 000 tons of tea by 1972.

It will help to diversify the country's cash crops and will do much to increase the slender money incomes of the planters, who are among the poorest in the African countries associated with the EEC.

The total cost of the project will be 65 800 000 frs. R.B. of which 46 610 000 frs. R.B. or 932 000 units of account will be provided by the EDF, 12 400 000 frs. R.B. by the extraordinary budget of the recipient country and 6 800 000 frs. R.B. by the members of the co-operative.

#### ***FINANCING AGREEMENTS SIGNED***

37. During the same period an agreement was signed with the Territory of Rwanda-Burundi to finance two social projects to a total of 17 700 000 frs. R.B. (about 354 000 units of account).

#### **Record over the years 1958-61**

38. Four years after the entry into force of the Implementing Convention relating to the association with the Community of the overseas countries and territories, the record of the European Development Fund stands as follows :

Projects submitted	592	representing 884 million u.a.
Projects approved or approval pending	233	representing 277 million u.a.

These figures are to be set against the objectives laid down in the Convention, which fixes the total funds available for the first four years at 357 million units of account.

Allowing for a reserve of about 20 % to cover excess of final over provisional commitments, adjustments for price changes and accessory costs of execution and

## OPERATIONS OF THE EUROPEAN DEVELOPMENT FUND

Financing approved - situation on 31 January 1962

*(in thousand units of account)*

Country or territory	Number of projects	Total amount
Congo (Leopoldville)	8	9 384
Rwanda-Burundi	13	4 057
Total	21	13 441
Cameroun	18	31 022
Central African Republic	14	8 418
Comores	5	2 069
Congo (Brazzaville)	11	12 571
Ivory Coast	14	23 568
French Somali Coast	1	742
Dahomey	11	8 389
Gabon	9	8 058
Upper Volta	8	14 806
Madagascar	24	26 372
Mali	18	15 092
Mauritania	7	9 780
Niger	4	13 052
New Caledonia	4	273
Polynesia	1	2 474
Senegal	10	15 621
Chad	10	11 851
Togo	12	9 409
Réunion	3	1 682
Martinique	1	2 542
Guadeloupe	2	970
Algeria	7	17 680
Sahara	1	316
Group of States	1	1 972
Total	196	238 729
Somalia	4	4 760
Netherlands New Guinea	6	12 487
Grand Total	227	269 417

supervision, the Fund has had a net disposable sum, in accordance with Annex B of the Implementing Convention, of about 286 million units of account. By 1 January 1962 it had expended almost the whole of this amount and had made up for the slow going of the first three years. In the fifth year commitments will total about 200 million u.a.

#### Allocation of funds

	Number of projects	Amounts in u.a. (‘000)
<i>Social projects</i>		
Educational and vocational training	49	43 432
Health	46	37 978
Water supply	13	11 565
Town planning	10	7 122
Surveys and studies	12	12 659
Miscellaneous	7	4 174
<i>Economic projects</i>		
Infrastructure (transport and communications)	63	111 851
Agriculture, stock-breeding	31	47 599
Surveys and studies	2	504
Total	233	276 884

## ADMINISTRATIVE AFFAIRS

### Duties entrusted to M. Rochereau

39. Without prejudice to the decisions it may take later concerning the distribution of responsibilities among its members, the Commission has agreed that, until such time, M. Rochereau will hold the office of President of the Overseas Development Group. He will replace M. Lemaigen, on the same conditions, in the Social Affairs, Agriculture and Transport Groups.

## VII. Institutions and organs

### A. THE PARLIAMENT

The European Parliament met in plenary session from 22 to 25 January 1962. The meeting opened with a tribute by the President, M. Furler, to the memory of M. Giovanni Ponti, a member of the Christian Democrat group in the Parliament, who died on 28 December last.

The President then announced the composition of the Executives of the three Communities for the next four years, following the renewal of terms of office on 10 January 1962 (1).

On behalf of the Parliament, M. Furler congratulated M. Pierre Chatenet on his appointment as President of the Euratom Commission. Replying briefly, M. Chatenet said that it was a great honour, but an exacting task to follow such men as M. Louis Armand and M. Etienne Hirsch.

M. Chatenet assured his listeners that the fruitful co-operation which existed between Euratom and the European Parliament would continue in the future.

#### *Debate on the Council's agricultural policy decisions*

M. Furler introduced a discussion on the political significance of the decision of 14 January 1962. In his opinion this decision proved that the forces in Europe working for progress were more numerous and more powerful than those attempting to oppose it.

Recalling the anxiety with which the European Parliament had followed these negotiations, which were rendered so arduous by the vital interests and deep-rooted traditions at stake, the President emphasized that by their decisions the six Governments had affirmed their political determination to go forward.

M. Jeanneney, French Minister of Industry, spoke for M. Couve de Murville, President in office of the Council. Carrying further the same theme, he dwelt on the implications of these decisions on the economic plane; the implementation of the Treaty would now be automatic, and this confirmed its irrevocable character.

M. Jeanneney mentioned the concessions and sacrifices which each country had been called upon to make, adding that no one had thought the price too high for the results which might reasonably be expected.

---

(1) See Bulletin No. 1/62.

Finally, M. Jeanneney expressed his confidence that a common policy in the other sectors covered by the Treaty would soon be worked out.

Speaking on behalf of President Hallstein, who was unable to be present, M. Mansholt, Vice-President of the Commission, said that the Commission warmly welcomed the "historic decision" on the transition to the second stage.

M. Mansholt recalled the Parliament's resolution of 24 November which expressed the hope that the Council would arrive at this decision. He thanked the Council on behalf of the Commission "for its determination to reach the goal and the diligence it had shown", adding that "the eyes of the world had been fixed on the deliberations".

Referring to the recent Council decisions, M. Mansholt said that those in the fields of competition and agriculture constituted an important work of legislation which, he added, was not an end but a beginning — a fact of which the Commission was fully conscious. In particular the decisions would lead to a European market organization for agriculture; the gradual replacement by a community system of national systems set up to meet special situations was a completely novel feature. The Community institutions had ventured on to unknown ground, said M. Mansholt, and to make the agricultural common market a reality was a great task for the Commission in close co-operation with the Member States.

M. Poher (France), President of the Christian Democrat group, expressed his satisfaction with the decisions and paid special tribute to the EEC Commission. He concluded: "Now we know that Europe is in the making. After what we have come through we cannot possibly leave the task unfinished; public opinion would not tolerate it".

On behalf of the Socialist group, M. Birkelbach expressed his satisfaction that so much publicity had been given to the deliberations, and emphasized the need for arousing public interest in discussions on problems of vital concern to the peoples of the six countries.

Speaking for the Liberal and allied group, M. Pleven said that the great importance of the decision of 14 January lay in the fact that the States had renounced a certain way of exercising sovereignty, i.e. solving their difficulties at their neighbours' expense. "Every time our States associate in adopting a common policy", the speaker added, "they renounce that form of sovereignty which consisted of the right to cause injury to neighbouring States".

M. Pleven stressed the important consequences which would flow from the Brussels agreement on the international plane and in his closing remarks he mentioned the message of the United States' President. "The best protection against possible deviations", he added, "is to achieve political unity as rapidly as possible".



Winding up the debate, M. Furler said that there was a great deal of work to be done in consequence of the decisions of 14 January.

#### *The economic situation of the Community*

M. Marjolin, Vice-President of the Commission, presented a survey of the economic situation of the Community in 1961 and the outlook for 1962 (1).

In the course of the ensuing discussion, M. Deist (Germany, Socialist), chairman of the Economic and Financial Committee, criticized M. Marjolin for being over-cautious and for his "traditional" approach to certain problems such as that of the labour market.

M. Deist stressed that a Community economic policy must be worked out independently of national governments. He supported M. Marjolin's statements and assessments on many points.

#### *The administrative accounts*

M. Kreyssig presented a report on behalf of the Administration and Budgets Committee on the accounts and balance-sheets of EEC and Euratom for 1958 and 1959 and on the reports of the Committee of Control for those years.

M. Duvieusart (Belgium, Christian Democrat) pointed out that it was the first time, after about four years of activity, that the Parliament has heard a report on the operations of the Committee of Control.

M. Sassen, a member of the Euratom Commission, remarked on the delays in submitting the documents in question.

M. Mansholt, Vice-President of the EEC Commission, gave the Commission's view on the matter.

The Parliament adopted two resolutions. One concerned the closing of the accounts of the European Parliament on 31 December 1959 and the other the administrative accounts and balance-sheets of the EEC and Euratom Commissions for the financial years 1958 and 1959 and the relevant reports of the Committee of Control.

#### *Draft directive on permissible colouring matters in foodstuffs for human consumption*

On behalf of the Committee on Agriculture, Mme. Strobel (Germany, Socialist) presented a report on the EEC Commission's proposal to the Council for a directive on the approximation of the regulations of Member States concerning

---

(1) See Chap. I above.

permissible colouring matters in foodstuffs for human consumption. M. Mansholt, Vice-President of the Commission, M. Santero (Italy, Christian Democrat) and M. Ferretti (Italy, Liberal) were among those who spoke on this subject.

The Parliament adopted an opinion proposing certain amendments to the Commission's draft.

On 23 January the President opened the session by welcoming M. Rochereau, who had been appointed to the EEC Commission in succession to M. Lemaigen.

M. Furler then gave an account of the proceedings of the meeting held at Abidjan from 8 to 10 January 1962 by the Permanent Joint Committee set up at the conference of the European Parliament with the Parliaments of African States and Madagascar.

The Parliament took note of the recommendation of the Permanent Joint Committee.

#### *Problems of accession and association*

The Parliament went on to discuss the political and institutional problems of accession and association. A report was presented by M. Birkelbach on behalf of the Political Committee.

In this very substantial and lucid report, M. Birkelbach spoke of the need to define precise criteria for the various forms of association, confining it to countries linked with Europe, and reviewed the economic and political criteria for accession. A country wishing to join the Community should be in a position to accept all the economic obligations and to bear all the consequences flowing from accession. Accession to one of the Communities implied accession to the other two, and the advantages and disadvantages of joining must be weighed on the basis of membership of the three Communities. Finally, M. Birkelbach emphasized that new members must accept in advance the principle of Community powers.

Speaking on behalf of the Christian Democrat group, M. Duvieusart (Belgium) said that M. Birkelbach's report was a most important document which to his mind constituted a protocol on these matters and embodied the very doctrine of the European Communities.

M. Duvieusart supported M. Birkelbach's views on the criteria for accession and the forms of association. Speaking in his personal capacity, he hoped that the Community would give sympathetic consideration to the possible association of Israel, a country which, although not part of Europe geographically, answered to the three criteria applied: proximity to Europe, Mediterranean character, adequate economic capacity to sustain a policy of trade and reciprocity, and finally attachment to democratic institutions and support for the world policy followed

by the six Common Market countries. M. Duvieusart pointed out that the accession of the United Kingdom should make it possible to merge the WEU Assembly with the European Parliament.

After expressing approval of the Birkelbach report, M. Bohy (Belgium, Socialist) expressed the pleasure at "the avalanche of applications for accession and association reaching the Community", since this was a sign of the success of the undertaking. But the pebble which set this avalanche rolling was the British application.

M. Bohy considered that the accession of Britain would pose the problem of relations between the enlarged Community and the Commonwealth, which would first have to be settled. Furthermore, the success of all negotiations for the accession or association of non-member countries depended first and foremost on the outcome of the negotiations with the United Kingdom. But it was the problem of association which gave rise to the greatest anxiety: would a Community which was expanding in area not run the risk of losing its community character and finally becoming no more than a free trade association? Though he welcomed the requests for association M. Bohy was afraid that too much haste might jeopardize the community character of the Treaty of Rome and the political effects which should spring from it.

M. Krekeler, speaking on behalf of the Euratom Commission, recalled that like EEC Euratom, which was more than a research organization, had common rules which a prospective member country must fully accept. Co-operation in the nuclear field was a critical test of sincerity and whole-heartedness on the part of the country joining. M. Krekeler recalled that there was already close co-operation between Britain and Euratom and that there should therefore be no obstacles to British accession.

M. Dehousse (Belgium, Socialist) concurred with the previous speakers in stressing the need to work out a doctrine on accession and a doctrine on association with emphasis on the special political aspect of the association of the overseas States and the cardinal importance of renewing the Association Convention with these countries. He underlined the responsibility of Europe towards the African countries, which should in the matter of association have priority.

Countries, other than the associated overseas States, which desire to be associated must declare their readiness to contribute to the building of Europe. Using the examples of the three neutral countries which have applied for association with EEC, M. Dehousse distinguished between three types of neutrality. Austria's neutrality was not a matter of free choice, and for this reason they should be as understanding as possible in their dealings with that country. The speaker was much more reserved in his view of the traditional neutrality of Switzerland, for

that country seemed to wish to retain complete economic and financial sovereignty. Finally, the situation of Sweden, whose neutrality was voluntary, appeared "less clear" from the angle of association with EEC. Such a candidature needed to be scrutinized very cautiously.

M. Dehousse criticized the attitude which consisted in saying: "We are a country applying for association, but we have never had, and never will have, any colonies and we do not wish to contribute to the European Development Fund for the Overseas Countries and Territories". Accession implied the sharing of responsibilities.

The speaker concluded that EEC was a "forward-looking" association; it was incompatible with conservative attitudes of mind.

M. Jarosson (France, Liberal) warned the Parliament against the danger that serious complications might ensue if a political Europe were set up alongside economic Europe and with different institutions. The widening of the Community involved the problem of the accession of countries interested in the economic aspect but not in the political content. It was impossible, however, to be a full participant in the Community's deliberations without completely sharing its political aims.

M. Metzger and M. Deist (Germany, Socialist) and M. Löhner (Christian Democrat) considered that the touchstone for the association of a non-member State should be its contribution to the building of Europe. There could be a wide choice of formulas, ranging from a simple trade agreement to an association treaty covering many fields.

M. Kapteyn (Netherlands, Socialist) shared M. Dehousse's fears regarding Switzerland's candidature, since the neutrality of that country seemed to be dictated mainly by commercial and financial considerations. M. Kapteyn wondered why Switzerland should consider any renunciation of sovereignty as shameful whilst Great Britain was at present contemplating such a renunciation.

Speaking on behalf of the EEC Commission, M. Mansholt stated that a precise doctrine on accession and association would be worked out in the light of lessons soon to be learned. It went without saying that the accession of Great Britain presupposed acceptance of the Council's latest decisions, in particular on agricultural policy. The widening of the market would lay heavier responsibilities on the Community, whose institutions would need to be strengthened accordingly. Furthermore, the wider powers conferred on the Commission, for example in the matter of the agricultural safeguard clause, should be matched by wider powers for the Parliament.

M. Mansholt recalled that the grain trade of the enlarged Community would represent 60 % of world agricultural trade; he considered that solutions for the

various products would have to be sought at world level. On association, M. Mansholt considered that the Community could afford to welcome others if it was strong : applications for association or accession were precisely an argument for strengthening EEC by putting into practice the common policies.

M. Bégué (France, Liberal) put forward certain political considerations concerning the conditions for association : he believed that unity was a fundamental prerequisite for the economic expansion of Europe and concluded that Europe must be politically integrated. Such integration would be even more urgent if the Community were to be extended to the geographical limits of the half-continent.

M. Rey, a member of the Commission, made a weighty contribution on the political aspect of the British application for accession. He stressed two points : first, association was not simply a commercial matter but had political implications. For this reason no association agreement would be necessary with the three neutral countries which had asked for association if the EEC's relations with them were to be merely commercial. The second point was that associated countries should share the burdens as well as the advantages. M. Rey brought up the question of participation in the European Social Fund, the European Investment Bank and the Development Fund and stressed the Community's responsibility towards free Europe as a whole. "An essential factor is the spirit in which the States have applied for association. We must hear what they have to say just as we have heard Mr. Heath, M. Krag and M. Lemass... But no reasons are given for making the applications and there may be some surprises in store for us; it may be that one day we shall realize that all some countries want is a customs union with EEC".

Winding up the debate, M. Battista, chairman of the Political Committee, emphasized that EEC was a community established by and for the Europeans and not a commercial undertaking.

#### *The trade aspects of Great Britain's application for accession*

M. Blaisse's report on the commercial and economic aspects of Great Britain's application to join the EEC was presented by M. Alric (France, Liberal), chairman of the External Trade Committee.

M. Alric explained the main points of the report drawing attention to the fact that at the end of the transition period new members would no longer be able to conclude tariff or trade agreements, since power to do so would then be vested in the Community under Articles 113 and 114.

M. Alric touched on a number of points which might create difficulties because of the Commonwealth preference system, "the most highly developed Common-

wealth in the world" and defined the Community position in face of British demands. With a view to possible modifications or adjustments of duties, products were divided into four categories, which the report dealt with in succession: industrial raw materials; semi-finished products, particularly from the Commonwealth; tropical agricultural products from the Commonwealth overseas territories and, finally, agricultural products from countries in the temperate zone, especially Australia.

In conclusion, said M. Alric, the main idea of Blaisse's report was that the Community should be accommodating for a time on certain points but uncompromising as to the final objectives.

M. Biesheuvel (Netherlands, Christian Democrat) said that now agreement had been reached on the common agricultural policy the EEC could get down to the problems of its agricultural relations with non-member countries. Mr. Heath was prepared to adapt his agricultural policy to that of the Community. Such adaptation did not involve any problem of principle for Great Britain but was simply a matter of techniques and methods. Moreover, British agricultural structures were in general superior to those of the Community and a change would not involve excessive burdens for the consumer. The same was true of Denmark. The problem of Commonwealth farm products was more serious: the maintenance of trade with Europe must not compromise the common agricultural policy, and the problem of the Commonwealth countries could not be divorced from the other problems of accession. It was precisely by enlarging the Community that world agricultural prices could be stabilised.

M. Löhr (Germany, Christian Democrat) followed with a speech dealing with various aspects of association, which he considered should in principle be reserved for the African countries of the Commonwealth.

M. Graziosi (Italy, Christian Democrat) said that British schemes to improve agricultural structures could quite well be integrated into the Community projects.

M. Armangaud (France, Liberal) raised the question of basic commodities and warned the Parliament against being too conciliatory if it came to reducing the common external tariff for these products. The producing countries of the Commonwealth had large surpluses of these commodities and reduction of the duty in the common external tariff would place Community industries in a difficult position.

### *Energy policy*

On 24 January the Parliament held a debate on energy policy, which opened with the presentation of a report by M. Leemans (Belgium, Christian Democrat).

M. Leemans said that distortions of a fiscal, political or economic nature had

become still more marked and reviewed the various problems arising in the energy field and the measures which the inter-Executive Working Party had already proposed (trade policy, rules of competition, harmonization of legislation, alignment of social burdens). M. Leemans considered that the time had come for political decisions; which a merger of the executives could facilitate.

M. Burgbacher, Chairman of the Energy Committee, informed the Parliament that his Committee would not be submitting a draft resolution because they had not been able to take account of the discussions in the Consultative Committee of ECSC and in the Economic and Social Committee of EEC and Euratom. Turning to the question of the petroleum market, M. Burgbacher said that its main feature was price instability. The price of heavy fuel oil in Europe varied from 70 to 128 DM per ton and that of light fuel oil from 91 to 197 DM.

The speaker regretted that it had not so far been possible to reach a political agreement on energy, as in the case of agriculture. Given a certain increase in the consumption of electrical energy, he thought it would be possible in 10 or 15 years time to use for the production of electricity all the suitable coal mined.

Speaking on behalf of the Liberal group, Ferretti (Italy) emphasized the need for free competition between producers. He was strongly in favour of a liberal policy in the energy sector and condemned protectionism at a time when expansion of trade was the order of the day.

P. Posthumus (Netherlands) spoke for the Socialist group. He recognized the importance of the work of the inter-Executive Working Party on Energy but regretted that it had not yet yielded any concrete results. The reason for this paralysis was the conflict of interests between the coal-producing countries and the countries consuming petroleum products. M. Posthumus deplored this state of affairs and urged that these national interests should be relegated to second place. The Socialist group agreed with the practical measures proposed on trade policy, rules for competition, alignment of regulations and conversion of industries. M. Posthumus stressed that protective measures should be temporary and should be gradually slackened off; he hoped to see representatives of the inter-Executive Working Party on Energy sitting in as observers at the unofficial meetings on energy matters which the Ministers intended to hold.

M. Pedini (Italy, Christian Democrat) adopted the liberal standpoint; they should remember that in 13 years time 44 % of the Community's overall energy requirements would have to come from imports; it would therefore be a mistake to try to solve the problem of secure supplies by protectionist measures. Dearer energy could slow down development in all Community countries; the consequence of duties on imported coal would be a natural tendency towards alignment on the highest prices not only for coal but for all other sources of energy. Moreover

the EEC had to keep in view the trend of its trade with non-member countries and widen the range of its suppliers.

Speaking of the possibilities of nuclear energy, to which he hoped more place would be given in forecasts, M. Pedini said in conclusion that an active trade policy in the energy field should be applied without delay.

M. Philipp (Germany, Christian Democrat) stressed the need to set a long-term objective and to lay down the means of achieving it. As a first stage the actual coal requirements of the Community in the years ahead should be determined.

M. Boscary-Monsservin (France, Liberal), Deputy in the French National Assembly for the Decazeville area, where the miners had been on a sit-down strike at the coal face for 38 days, stressed that conversion should not impair the workers' living standards and asked the High Authority whether it was prepared to contribute to the social security services and the early payment of retirement pensions.

Mme Gennai Tonietti (Italy, Christian Democrat) said that protectionist measures discouraged the necessary rationalization of production.

M. Battistini (Italy, Christian Democrat) endorsed M. Pedini's liberal views. According to him the concept of assured supplies should be re-examined, since it was vague and ill-defined. M. Battistini also said that it would be preferable to let matters take their natural course; he would be happy if miners were thus able to take up other less unpleasant trades.

M. Bousch (France, Liberal) said that priority should be given to Community energy products and to a common energy policy to ward off the danger of the Community countries being at the mercy of outside powers.

M. Bousch added that common rules of competition should also be established for coal and oil.

M. Darras (France, Socialist) spoke of the despondency among miners, their forebodings of a decline in the coal industry. A truly effective re-employment policy was needed; the action of ECSC in this field was too often hampered by national policies. M. Darras warned the Parliament against the dangers of nationalist reaction against a technocracy insufficiently attentive to the interests of the workers.

M. Arendt (Germany, Socialist) urged that the proportion of energy needs to be met by coal should be determined. He thought the price of coal could be reduced, for instance by applying an appropriate transport policy.

M. Toubeau (Belgium, Socialist) was in favour of nationalizing the mines and of centralizing not only their control but also petroleum purchases under a European



body, thus enabling Europe to escape the stranglehold of the monopolies. He added that the monopoly control of petroleum which existed in fact was no less dangerous than Soviet supplies, since the price of petroleum was fixed without regard to the interests involved.

*Replies from the Executives*

M. Lapie, a member of the High Authority and chairman of the inter-Executive Working Party on Energy, had replied to certain points raised in the debate. The Working Party indeed began to take practical steps; it had finalized the first measures of co-ordination and placed them before the Council of Ministers. The Working Party had taken action in the matter of surveys and studies, consultation machinery and the instruments of planning. An important development was that the Council had undertaken to hold regular exchanges of views on energy policy. The "energy forecasts" were a valuable aid to making such exchanges fruitful. M. Lapie emphasized that from now on more than 50 % of Community consumption would depend upon imports from outside Europe, chiefly petroleum. The High Authority would build its general policy around a precise objective — the level of extraction which could be maintained in 1965. This tonnage would shortly be known.

M. Marjolin, Vice-President of the EEC Commission, began with the remark that there was no European country which did not protect its energy producers however different they might be, the petroleum policies of the six countries had much the same practical effect: they obliged the consumer to pay relatively high prices. Thus the problem did not differ greatly as between the six Community countries and it could and should be possible to find common solutions.

M. Marjolin gave some information on the points brought up in the debate. <sup>(1)</sup>

M. De Groot, a member of the Euratom Commission, supplied the Parliament with details on the competitiveness of nuclear energy; there were very real prospects that nuclear energy would become competitive by 1970. He mentioned several factors which justified the expectation of cheap and abundant energy in the not too distant future. The market should be organized and co-ordinated in preparations for this development.

M. Coppé, Vice-President of the High Authority of ECSC, rejected the accusation of dirigisme sometimes levelled against proposals of the inter-Executive Working Party on Energy. The rules on prices in the ECSC Treaty were very strict whereas the EEC Treaty was much more liberal.

---

(1) For a summary of M. Marjolin's speech, see Chap. VI, sec. 15.

M. Copé added that the problem of assured supplies had been solved and also to some extent that of energy at the lowest price. Article 59 of the ECSC Treaty provided in the event of scarcity for an equitable allocation of the resources of the Community.

M. Coppé pointed out that the share of energy in the gross national product of the Community countries was only about half that of agriculture.

M. Hellwig, a member of the High Authority of ECSC, said that a distinction should be made between energy policy and petroleum policy. If demand for coal increased, the collieries should be allowed to produce the tonnages required. Conditions must be created which would encourage them to invest to this end and also make the miner's occupation sufficiently attractive to keep skilled men from deserting the pits.

M. Hellwig mentioned the efforts made to rationalize and modernize European collieries : output per man/shift has gone up by 31 % (as against 12 % in the United Kingdom). In Belgium 57 mines had been closed down and 15 in the Federal Republic of Germany, and France was now taking steps to reduce production capacity by 10 %. Mechanization had made considerable progress and accounted for 40 % of the coal mined in 1962 as against 22 % in 1958.

M. Finet, a member of the High Authority of ECSC, spoke of the importance of the social aspects.

At the end of the debate M. Burgbacher announced that the draft resolution would be put to the vote at the next session of the Parliament, which was to open on 20 February 1962.

#### *M. van Dijck's report on market and competition questions*

M. van Dijck (Netherlands, Liberal) presented a report on behalf of the Internal Market Committee which called for fuller information on matters pertaining to competition. He suggested that the Parliament should in future be supplied with more precise information, in particular on the difficulties encountered and infringements of the Treaty. In this way the Parliament would be better able to grasp the scope and implications of the questions dealt with. It would be desirable, for instance, to indicate what was the issue in the cases raised and the content of the recommendations addressed to the Member States.

Replying to M. van Dijck, M. von der Groeben, a member of the EEC Commission, pointed out that the Commission was expected, without mentioning too many specific cases, to give sufficient information in its General Report to enable the Parliament to follow the studies, the course of its work, assess the general situation and exercise its right of supervision. He added that the Commission

was bound to secrecy in certain cases and suggested that these questions be carefully examined again by the Internal Market Committee.

M. von der Groeben then reported on progress in the Commission's work on the harmonization of legislation, fiscal legislation, industrial property rights, the implementation of the first regulation pursuant to Articles 85 and 86 and in the matter of government monopolies.

## **B. THE COUNCIL**

61st session (5-6 February 1962)

The Council of EEC held his 61st session on 5 and 6 February 1962 under the chairmanship of M. Couve de Murville, Minister of Foreign Affairs of the French Republic. The matters dealt with included:

*Netherlands Antilles* : The Council approved the instruments of association of the Netherlands Antilles with the EEC. <sup>(1)</sup>

*Tariff questions* : On a proposal of the Commission and in conformity with Article 25 (1), the Council took decisions granting tariff quotas for certain products to several Member States. It also suspended temporarily and partially in 1962 the CET duties on some products, and fixed CET duties for heading 24.02 (manufactured tobacco). <sup>(2)</sup>

The Council also adopted a draft decision submitted by the Commission on the introduction of a flat-rate duty on goods imported for non-commercial purposes sent in small consignments to private persons or included in travellers' luggage. <sup>(3)</sup>

*GATT* : The council adopted a declaration on the Community's position with regard to multilateral tariff negotiations. <sup>(4)</sup>

*Social affairs* : The Council appointed M. Raymond Lenoble (France), Deputy Director for seasonal manpower of the Agricultural Trades Association, to be a full member of the Consultative Committee set up under Regulation No. 15 on the free movement of workers within the Community. M. Lenoble replaces M. Laroche, who has resigned, for the remainder of the latter's term of office, i.e. until 24 October 1963.

The Council also approved the rules of procedure of the European Social Fund in the Four Community languages.

---

<sup>(1)</sup> See above Chap. VI, sec. 1.

<sup>(2)</sup> See above Chap. VI, sec. 17.

<sup>(3)</sup> See Bulletin No. 12/61, Chap. IV, sec. 20.

<sup>(4)</sup> See Chap. III.

*First implementing regulation pursuant to Article 85 and 86*: The texts of this regulation in the four Community languages were adopted. <sup>(1)</sup>

*Economic and Social Committee*: After consulting the two Commissions, the Councils appointed M. A. Celen, Attaché in the Planning Department of the General Federation of Labour in Belgium, to be a member of the Economic and Social Committee in place of M. A. Renard, who has resigned, for the remainder of the latter's term of office.

*Budget questions*: The Councils gave a discharge to the Commissions in respect of the execution of the budgets for the financial year 1959. This decision will be published in the official gazette of the European Communities.

### **C. THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES**

At their conference on 6 February 1962, during the 61st session of the Council, the representatives of the Governments of the Member States of the European Communities appointed Professor Alberto Trabucchi to be Judge in the Court of Justice of the European Communities. Professor Trabucchi replaces M. Catalano, who has resigned, for the remainder of the latter's term of office, i.e. until 6 October 1967.

### **D. THE ECONOMIC AND SOCIAL COMMITTEE**

The Economic and Social Committee held its 19th session on 25 and 26 January 1962 in Brussels under the chairmanship of M. Rosenberg.

The Committee drew up the following two opinions:

1. Opinion on the "Draft Opinion (of the Commission) for submission to the Member States concerning the activities of social services in respect of workers moving from one part of the Community to another". This was adopted unanimously.

2. Opinion on the "Draft proposal of the Commission for a common policy in the fats sector". This was adopted by 48 votes to 17 with 13 abstentions. <sup>(2)</sup>

*Opinion on the activities of the social services*: In conformity with Article 118 of the Treaty the EEC Commission, on 16 November 1961, consulted the Committee on its draft opinion for submission to the Member States.

The Committee approved the main lines of the Commission's draft but expressed the wish that, since an opinion had little legal effect, the Commission should use

---

(1) See Bulletins No. 12/61, Chap. IV, sec. 23, and No. 2/62, Chap. VI, sec. 18.

(2) For the Commission's draft see the supplement to Bulletin No. 11/61.

a more weighty form of communication. Such a form, which the Committee refrained from mentioning in order to leave the Commission freedom of choice, would be a recommendation or even a directive.

The Committee suggested that the Commission should recommend to the Member States that they encourage and supervise the training of personnel for the social services, from the angle of both numbers and quality.

The Committee hoped that the Member States would help financially, by making loans or by grants to the social services, and also advocated the setting up within the Commission of a group of highly qualified social welfare experts to advise Member States in matters of social services for migrant workers.

The Committee further invited the Commission to examine with the Committee of the European Social Fund whether certain activities of the social services could not be financed by the Fund.

*Opinion on the common policy in the fats sector* : The EEC Commission had referred its proposals in this field to the Economic and Social Committee on 24 July 1961.

The Committee was in agreement with the Commission's draft proposals with certain reservations.

In the opinion of the Committee the Commission's draft proposals should apply only to oil-seeds and oleaginous fruit and to oils and fats of vegetable or marine origin; the Commission should consequently delete the passages referring to animal fats from parts B to E of its document.

As to the financing of a market stabilization fund for fats, the Committee proposes that the public exchequer be called upon and that the system of subscriptions planned by the Commission be discarded.

The next plenary session of the Economic and Social Committee was fixed for 28 February and 1 March. The agenda was to include transport and occupational training questions.

## **E. THE MONETARY COMMITTEE**

The Monetary Committee met on 26 and 27 January 1962. As part of its periodical review of the monetary and financial situation in the Community countries, it examined the situation in Italy. The Committee made a general survey of recent economic and monetary trends in the Community countries.

*Replacement of a member* : M. André de Lattre has been appointed by the French Government in succession to M. Sadrin, who is taking up other duties, for the remainder of the latter's term of office. The appointment is from 1 February 1962.



## ANNEX

### **Resolution on certain questions concerning the market and competition in the European Economic Community**

*The European Parliament,*

HAVING studied the parts of the Fourth General Report on the Activities of the European Economic Community which deal with questions of the market and competition...

1) APPRECIATES the energy displayed by the EEC Executive with a view to the implementation of the Treaty in respect of the free movement of goods, and the efforts undertaken to make possible the move from the first to the second stage in the implementation of the Treaty.

2) Once more INVITES the Executive of the EEC to deal in more detail in its General Report with any problems which may have arisen and any studies undertaken and to explain more fully and more clearly the main points of the proposals submitted to the Council and any matters of general policy which are under consideration or are the subject of recommendations to Member States.

3) Again URGES the Member States not to replace customs duties imposed for revenue purposes by internal charges, and once more points to the undesirable consequences of such measures, which deprive the consumers of the benefit they are entitled to expect from a reduction of customs duties. Such measures are also damaging to the economy of the associated countries and territories;

.....

6) DRAWS the attention of the EEC Executive to its Resolution of 18 October 1960 by which it called for an expeditious arrangement for commercial monopolies on lines compatible with the principles of the Treaty;

.....

8) Again DRAWS attention to the close connection between the provisions on the free movement of goods and those on the rules of competition;

.....

10) NOTES with satisfaction that the Council's decision on the Implementing Regulation under Articles 85 and 86 of the EEC Treaty has put into effect a fundamental law of the European Economic Community;

HOPES that the competence of the EEC Commission will be gradually extended in accordance with the opinion expressed by the European Parliament;

.....

11) REQUESTS the Commission of the EEC to submit as soon as possible a report on the progress of its work concerning the implementation of the General Programmes for the abolition of restrictions on freedom of establishment and on freedom to supply services, and to report also on the first cases in which the Regulation made under Articles 85 and 86 of the EEC Treaty is applied;

.....

## PUBLICATIONS OF THE EUROPEAN ECONOMIC COMMUNITY

A. Publications concerning the activities of the European Economic Community appearing in the official gazette of the European Communities from 27 January to 21 February 1962

### THE EUROPEAN PARLIAMENT

#### Written questions and answers

- N° 66 de M. Troclet à la Commission de la C.E.E. Objet : Règlements n° 3 et 4 sur la sécurité sociale des travailleurs migrants (No. 66 by M. Troclet to the Commission of the EEC. Subject: Regulations 3 and 4 on the social security of migrant workers) No. 7 — p. 133/62
- N° 67 de M. Troclet à la Commission de la C.E.E. Objet : Aide aux Etats en voie de développement (No. 67 by M. Troclet to the Commission of the EEC. Subject: Aid to developing countries) No. 7 — p. 134/62
- N° 68 de M. Blaisse à la Commission de la C.E.E. Objet : Prélèvements additionnels sur certains produits d'importation en Italie (No. 68 by M. Blaisse to the Commission of the EEC. Subject: Additional levies on certain products imported into Italy) No. 7 — p. 135/62
- N° 69 de M<sup>me</sup> Probst à la Commission de la C.E.E. Objet : Mesure d'aide en faveur des handicapés physiques (No. 69 by M<sup>me</sup> Probst to the Commission of the EEC. Subject: Aid to the physically handicapped) No. 8 — p. 141/62
- N° 70 de M. Dupont à la Commission de la C.E.E. Objet : Exportation frauduleuse de beurre en provenance des Pays-Bas vers la Belgique (No. 70 by M. Dupont to the Commission of the EEC. Subject: Illegal export of butter from the Netherlands to Belgium) No. 8 — p. 142/62
- N° 71 de M. Kalbitzer à la Commission de la C.E.E. Objet : Travaux d'information dans les pays africains (No. 71 by M. Kalbitzer to the Commission of the EEC. Subject: Information work in the African countries) No. 9 — p. 153/62
- N° 72 de M. Carboni à la Commission de la C.E.E. Objet : Problèmes généraux de la cinématographie (No. 72 by M. Carboni to the Commission of the EEC. Subject: General Problems of cinematography) No. 9 — p. 154/62
- N° 74 de M. Vredeling à la Commission de la C.E.E. Objet : Coopératives agricoles dans le marché commun (No. 74 by M. Vredeling to the Commission of the EEC. Subject: Agricultural co-operatives in the Common Market) No. 10 — p. 161/62



N° 75 de M. Vredeling à la Commission de la C.E.E. Objet : Publication dans les quatre langues de la Communauté (No. 75 by M. Vredeling to the Commission of the EEC. Subject: Publication in the four Community languages)

No. 11 — p. 187/62

N° 73 de M. Pedini à la Commission de la C.E.E., à la Commission de la C.E.E.A. et à la Haute Autorité de la C.E.C.A. Objet : Possibilités de l'énergie nucléaire d'être compétitive (No. 73 by M. Pedini to the Commission of the EEC, the Commission of Euratom and the High Authority of ECSC. Subject: Prospects of nuclear energy becoming competitive)

No. 13 — p. 201/62

## THE COUNCIL

### Regulations

Règlement n° 17 : Premier règlement d'application des articles 85 et 86 du Traité (Regulation No. 17 : First implementing regulation pursuant to Articles 85 and 86 of the Treaty)

No. 13 — p. 204/62

### Information

Décision portant remplacement d'un membre démissionnaire du Comité du Fonds social européen (Appointment of a successor to a member of the Committee of the European Social Fund who has resigned)

No. 9 — p. 156/62

Modifications des annexes 2 et 3 au règlement n° 4 du Conseil de la Communauté Economique Européenne fixant les modalités d'application et complétant les dispositions du règlement n° 3 concernant la sécurité sociale des travailleurs migrants (Amendments to Annexes 2 and 3 of Regulation No. 4 of the Council of the European Economic Community laying down the detailed arrangements and supplementing the provisions of Regulation No. 3 on the social security of migrant workers)

No. 9 — p. 157/62

Décision du Conseil en date du 14 janvier 1962 concernant le passage à la deuxième étape de la période de transition (Decision of the Council dated 14 January 1962 on the move into the second stage of the transition period)

No. 10 — p. 164/62

Notification des actes intervenus entre les gouvernements belge et luxembourgeois en vertu de l'article 7 du règlement n° 3 du Conseil concernant la sécurité sociale des travailleurs migrants (Notification of instruments signed by the Belgian and Luxembourg Governments under Article 7 of Council Regulation No. 3 on the social security of migrant workers)

No. 10 — p. 165/62

## THE COMMISSION

### INFORMATION

#### Directives and decisions

Décision de la Commission prorogeant la décision du 15 mars 1961 portant fixation d'une taxe compensatoire sur les importations de poudre de lait entier dans la République fédérale d'Allemagne en application de l'article 46 du Traité de la C.E.E. (Commission decision extending the decision of 15 March 1961 fixing a countervailing charge in application of Article 46 of the EEC Treaty on imports of whole milk powder into the Federal Republic of Germany)

No. 7 — p. 137/62

Décision de la Commission relative à l'établissement de la liste des organismes de droit public prévue à l'article 18 du règlement n° 9 du Conseil concernant le Fonds social européen (Commission decision concerning the establishment of the list of types of public body required under Article 18 of Council Regulation No. 9 on the European Social Fund)

No. 8 — p. 144/62

Décision de la Commission portant autorisation d'une augmentation du volume du contingent tarifaire au bénéfice du Royaume des Pays-Bas pour le plomb brut (Commission decision authorizing an increase in the tariff quota for unwrought lead for the Kingdom of the Netherlands)

No. 8 — p. 146/62

Décision de la Commission portant autorisation d'une augmentation du volume du contingent tarifaire au bénéfice du Royaume des Pays-Bas pour le zinc brut (Commission decision authorizing an increase in the tariff quota for zinc spelter for the Kingdom of the Netherlands)

No. 8 — p. 148/62

Décision de la Commission autorisant le Royaume des Pays-Bas à différer le rapprochement des droits prévus dans son tarif douanier vers ceux du tarif douanier commun en ce qui concerne l'aluminium brut (Commission decision authorizing the Kingdom of the Netherlands to postpone the approximation to the common customs tariff of duties on unwrought aluminium in its customs tariff)

No. 12 — p. 189/62

Décision de la Commission autorisant le Royaume de Belgique et le Grand-Duché de Luxembourg à différer le rapprochement des droits prévus dans leur tarif douanier vers ceux du tarif douanier commun en ce qui concerne l'aluminium brut (Commission decision authorizing the Kingdom of Belgium and the Grand Duchy of Luxembourg to postpone the approximation to the common customs tariff of duties on unwrought aluminium in their customs tariff)

No. 12 — p. 190/62

Décision de la Commission relative à la fixation, à compter du 1<sup>er</sup> janvier 1962, du taux du prélèvement prévu par l'article 3 de la décision du 28 juin 1960 (Commission decision fixing with effect from 1 January 1962 the rate of levy under Article 3 of the decision of 29 June 1960)

No. 12 — p. 191/62

Décision de la Commission prorogeant, en ce qui concerne la pâte à fondant, la décision de la Commission du 28 juin 1961 fixant les mesures de sauvegarde applicables à l'importation dans la République fédérale de pain et de pâte à fondant en provenance d'autres Etats membres (Commission decision extending in respect of fondant paste the Commission decision of 28 June 1961 laying down safeguard measures for the import into the Federal Republic of Germany of bread and fondant paste from other Member States)

No. 12 — p. 192/62

Décision de la Commission fixant les mesures de sauvegarde applicables à l'importation dans la République fédérale d'Allemagne de pain en provenance d'autres Etats membres (Commission decision laying down safeguard measures to be applied to imports into the Federal Republic of Germany of bread from other Member States)

No. 12 — p. 193/62

### Recommendations and opinions

Recommandation de la Commission adressée aux Etats membres en vertu des articles 155 et 115 au sujet du régime d'exportation à appliquer vers les pays tiers pour les diamants bruts à l'occasion de la mise en application de l'article 34 du Traité C.E.E. (Recommendation by the Commission to the Member States under Articles 155 and 115 concerning the system to be applied to exports of uncut diamonds to non-member countries when Article 34 of the EEC Treaty is implemented)

No. 13 — p. 212/62

Recommandation de la Commission adressée aux Etats membres en vertu des articles 155 et 115 au sujet du régime d'exportation à appliquer vers les pays tiers pour les graines de chanvre à l'occasion de la mise en application de l'article 34 du Traité C.E.E. (Recommendation by the Commission to the Member States under Articles 155 and 115 concerning the system to be applied to exports of hemp seed to non-member countries when Article 34 of the EEC Treaty is implemented)

No. 13 — p. 213/62

### European Development Fund

Approbation d'investissements économiques dans le territoire du Rwanda-Burundi (Approval of economic investments in the Territory of Rwanda-Burundi)

No. 7 — p. 139/62

Approbation d'investissements de caractère social dans la République malgache (Approval of social investments in the Republic of Madagascar)

No. 9 — p. 159/62

- Avis d'appel d'offres n° 172 lancé par la République malgache pour un projet financé par la C.E.E. - Fonds Européen de Développement (Notice of call for tender No. 172 issued by the Republic of Madagascar for a project financed by the EEC European Development Fund) No. 9 — p. 159/62
- Signature d'une convention de financement entre la C.E.E. et le territoire du Rwanda-Burundi (Signature of a financing agreement between EEC and the Territory of Rwanda-Burundi) No. 10 — p. 166/62
- Approbation d'investissements de caractère social au Sahara et dans les Républiques du Niger, du Cameroun et du Tchad (Approval of social investments in the Sahara and in the Republics of Niger, Cameroun and Chad) No. 10 — p. 166/62
- Avis d'appel d'offres n° 173 lancé par la République du Tchad pour un projet financé par la C.E.E. - Fonds Européen de Développement (Notice of call for tender No. 173 issued by the Republic of Chad for a project financed by the EEC European Development Fund) No. 12 — p. 195/62
- Avis d'appel d'offres n° 174 lancé par la République gabonaise pour un projet financé par la C.E.E. - Fonds Européen de Développement (Notice of call for tender No. 174 issued by the Republic of Gabon for a project financed by the EEC European Development Fund) No. 12 — p. 197/62
- Avis d'appel d'offres n° 175 lancé par la République française pour un projet financé par la C.E.E. - Fonds Européen de Développement (Notice of call for tender No. 175 issued by the French Republic for a project financed by the EEC European Development Fund) No. 12 — p. 198/62

### Corrigenda

- Rectificatif au programme général pour la suppression des restrictions à la liberté d'établissement (J.O. n° 2 du 15 janvier 1962) [Corrigendum to the general programme for the abolition of restrictions on freedom of establishment (official gazette No. 2 of 15 January 1962)] No. 10 — p. 167/62
- Rectificatif à la recommandation de la Commission de la C.E.E. adressée aux Etats membres en vertu des articles 155 et 115 au sujet du régime d'exportation à appliquer vers les pays tiers pour certains types de peaux brutes à l'occasion de la mise en application des dispositions de l'article 34 du Traité (J.O. n° 5 du 20 janvier 1962) [Corrigendum to the recommendation by the EEC Commission to the Member States under Articles 155 and 115 on the system to be applied to exports of certain types of raw hides to non-member countries when Article 34 of the Treaty is implemented (official gazette No. 5 of 20 January 1962)] No. 10 — p. 167/62

Rectificatif à la recommandation de la Commission de la C.E.E. adressée aux Etats membres en vertu des articles 155 et 115 au sujet du régime d'exportation à appliquer vers les pays tiers pour les bois à l'occasion de la mise en application des dispositions de l'article 34 du Traité (J.O. n° 5 du 20 janvier 1962) [Corrigendum to the recommendation by the EEC Commission to the Member States under Articles 155 and 115 on the system to be applied to exports of wood to non-member countries when Article 34 of the Treaty is implemented (official gazette No. 5 of 20 January 1962)]

No. 10 — p. 167/62

## THE COURT OF JUSTICE

### Communications

Renvoi à titre préjudiciel dans l'affaire N.V. Maatschappij Vee-en Vleeshandel Meattrading contre Produktschap voor Vee- en Vlees à la Cour de justice des Communautés européennes par le College van Beroep voor het Bedrijfsleven de La Haye, le 10 janvier 1962 (affaire 1-62) [Reference to the Court of Justice of the European Communities, for interlocutory decision by the College van Beroep voor het Bedrijfsleven in The Hague on 10 January 1962 in the case of N.V. Maatschappij Vee- en Vleeshandel Meattrading v. Produktschap voor Vee- en Vlees (case 1-62)]

No. 10 — p. 162/62

### B. Official publications recently issued by the European Communities

#### Special publications

C.E.E. — C.E.C.A.

Tableaux comparatifs des régimes de sécurité sociale applicables dans les Etats-Membres des Communautés européennes (au 30 juin 1961).

[EEC — ECSC

Comparative tables of social security systems in the Member States of the European Communities (on 30 June 1961)].

#### 1. General System

1961 — 66 pp. (offset edition: French, German, Italian and Dutch).

#### Periodical publications

Notes and graphs on the economic situation in the Community.

Nos. 1 and 2/1962 — bilingual: English-French; French-Italian; German-Dutch.

Bulletin des acquisitions. Bibliothèque de la Commission de la Communauté économique européenne.

(List of recent additions: Library of the Commission of the European Economic Community).  
Fortnightly: No. 20/1961.

### *Economic and Social Committee*

Bulletin d'Information.

No. 4/1961, octobre-décembre (français, allemand, italien et néerlandais).

Economic and Social Committee.

Information bulletin.

No. 4/1961, October-December (French, German, Italian and Dutch).

### **C. Publications of the Joint Services of the three Communities**

#### *Joint Information Service*

Publications by the offices in the capital cities :

- Bonn :           Europäische Gemeinschaft (weekly);
- The Hague :   Europese Gemeenschap, No. 35, February 1962;
- Paris :         Communauté européenne, No. 2, February 1962;
- Rome :         Comunità Europea, No. 1, January 1962;

#### *Statistical Office of the European Communities*

Bulletin général de statistiques — No. 2 — 1962 (General Statistics).

Informations statistiques — No. 4 — 1961 (Statistical Information).

Commerce extérieur : Statistique mensuelle — No. 2 — 1962 (External trade : monthly statistics).

Commerce extérieur : Tableaux analytiques — Importations, 1<sup>er</sup> trim. 1961  
(External trade : Analytical tables — Imports, first quarter 1961).



---

PUBLISHING SERVICES OF THE EUROPEAN COMMUNITIES

4001\*/5/III/1962/5



Supplement to

# **BULLETIN**

of the European Economic Community

**N° 3 - 1962**

SECRETARIAT OF THE COMMISSION OF  
THE EUROPEAN ECONOMIC COMMUNITY



## Decision concerning the co-ordination of policies on agricultural structure

(Proposal of the Commission to the Council)

### Explanatory memorandum

#### *Treaty of Rome*

1. Article 39 (1) of the Treaty of Rome states that a major aim of the common agricultural policy shall be to increase the individual earnings of persons engaged in agriculture and thereby to ensure that they have a fair standard of living.

2. The stress laid on this aim is justified by the fact that agriculture has not yet assumed its proper place in general economic and social development; this situation comes out more and more clearly in a comparatively low level of productivity, unsatisfactory incomes and an unfavourable social and general standard of living throughout a large part of agriculture.

#### *Agricultural structure*

3. The aims of the common agricultural policy cannot be realized entirely by market and price policies alone. This requires a policy that will improve the structure of agriculture; the absence of such a policy is one of the main causes of inadequate incomes.

4. The term "agricultural structure" means the whole body of production and living conditions in the agriculture of a given region. This structure sets a limit to the possibilities of combining the factors of production and of organizing the farm, and it determines the living conditions of the population. Consequently, the structure of agriculture is one of the factors which determine the level of productivity that is attainable in a given market and price situation, the incomes and — to a great extent — the social conditions of those engaged in agriculture.

5. The deficiencies in agricultural structure seriously hamper the task of adapting farms to natural and economic conditions, and so tend to thwart the efforts made under the common agricultural policy to increase productivity in agriculture and to attain a reasonable standard of living, particularly by raising the individual earnings of those employed in agriculture.

6. The scale of these structural deficiencies depends on natural conditions and on social and economic developments. In this respect, it is significant that deficiencies are rarely found singly: a large number of them generally occur together.

#### *Policy on agricultural structure*

7. One of the urgent tasks of agricultural policy is to establish a sound agricultural structure by eliminating present deficiencies. This has made it necessary to devise a policy specially concerned with structure; to translate this policy into practice the Member States have issued special provisions which reflect their realization that the measures normally needed to remove these structural deficiencies exceed the financial capacity of the individual farmer and are usually quite outside the scope of his work.

8. As conditions must be established in which the aims of the common agricultural policy can be achieved, one of the main tasks before the Member States and the Community will be to eliminate the structural deficiencies hampering agriculture; in so doing, they must take the demographic situation in the various countries and regions into account.

*Co-ordination of the policies on agricultural structure*

9. It is incumbent on the Member States to put into effect the policy on agricultural structure. The task of the Community, on the other hand, is to co-ordinate the policies of the Member States. To this effect the Council, meeting on 14 and 15 November 1960, made the following statement in the conclusions it drew from the debate on the principles underlying the common agricultural policy :

“ Action must be taken to co-ordinate and encourage the measures by which the Member States seek to improve the structure of agriculture; the necessity for such action stems in part from the way in which structural and market policies affect each other, in part from the need to seize every opportunity to increase the economic strength and the competitiveness of agriculture. ”

10. The need for the Community to co-ordinate policies on agricultural structure follows logically from the establishment of the common market, which causes fundamental changes in agriculture as in other sectors and means that structural conditions must be adapted to the new situation and to the common aims.

These developments and changes, particularly in the objectives of the common agricultural policy, make such co-ordination essential because :

a) Policy on structure forms an integral part of the common agricultural policy;

b) A close connection exists between market and trade policies on the one hand and production on the other, owing to the existence of a given agricultural structure and greatly influenced by measures to improve this structure;

c) Basic improvements in agricultural structure often depend on action being taken to promote the economy as a whole and so make the dovetailing of structural policy into the common agricultural policy

and the work of the Community in other sectors all the more necessary.

d) The structural deficiencies which come to light and any new deficiencies which arise when the common market is established may intensify the differences in the agricultural structures of the Member States.

11. Close and constant co-operation is needed between the Member States and the Commission if within the Community the policies on agricultural structure pursued by Member States are to be co-ordinated and harmonized with what goes on in other fields. This constant co-operation is intended to promote a regular and systematic exchange of information and to ensure discussion of the principles underlying the structural policies pursued by the Member States and of the measures and programmes by which they seek to improve the structure of agriculture.

12. To ensure that the co-operation between the Member States and the Commission is as close as possible, the Commission will need to set up a Standing Committee on structure, to which every Member State would appoint the official responsible for implementing the policy on agricultural structure in that State.

13. To co-ordinate the policies on agricultural structure pursued by Member States, a knowledge of these policies and of the structural conditions in these States is necessary. A survey will therefore have to be made which will give a general picture of the situation, of the nature and scope of the measures taken to improve it in the several countries and of the principles underlying the structural policies followed by the Member States.

14. In view of the diversity that exists in structural conditions even within the individual Member States, it is essential to show the situation region by region as well as giving the overall figures. This information must be kept up to date. In

preparing this survey the Commission will be dependent on the collaboration of the Member States.

15. In order that policies on agricultural structure can be co-ordinated, the Member States must submit to the Commission the drafts of legal provisions and of their regional and long-term programmes during the planning stage if these concern the improvement of agricultural structure, thus giving the Commission an opportunity to make its opinion known before the provisions come into force or the programmes are implemented.

This procedure does not detract from the other rights and responsibilities of the institutions of the Community or of the Member States as laid down in the Treaty. In particular, the Treaty's rules governing competition remain unaffected as far as they apply to agricultural production and trade in agricultural products.

16. The Commission will submit to the Council every year a Report on structure which will be an essential factor in deciding on action to co-ordinate policies on agricultural structure.

The first part of this Report will deal with the structure of agriculture giving information wherever possible on regional conditions — and with the measures to improve it taken by the individual countries. In the second part the structural policies of the Member States will be examined in relation to the objectives being pursued in the common agricultural policy.

17. On the basis of the Report on Structure and other observations, the Commission will put to the Council proposals on action to intensify the technical and financial measures for structural improvements and to co-ordinate the structural policies of the Member States in accordance with the provisions of Article 43 of the Treaty of Rome.

18. In certain regions or for certain types of farm, it may be that the advent of the common market, particularly the setting-up of the common market organization, will give rise to special problems which will have to be solved by the Community. Joint responsibility for the results of the common policy will necessitate joint action, particularly by granting financial assistance from Community funds to intensify and speed up improvements in agricultural structure.

The Commission will therefore put before the Council concrete proposals for setting up a Fund for Structural Improvements in Agriculture.

19. To enable the Commission to consult those involved in the problems of improving agricultural structure, an Advisory Committee will be set up which will include representatives of the organizations which serve at Community level to group farmers, farm workers and other interested parties. The tasks, composition and procedure of this Advisory Committee will be determined by the Commission.

## **Decision concerning the co-ordination of Policies on Agricultural Structure**

*The Council of the European Economic Community,*

Noting the provisions of the Treaty and especially Article 43 thereof,

Noting the proposal of the Commission,

Noting the opinion of the European Parliament,

Considering that the operation and development of the common market in agricultural products must be accompanied by the creation of a common agricultural policy, of which the policy on agricultural structure forms an integral part,

Considering that the objectives of the common agricultural policy as laid down

in Article 39, paragraphs 1 *a* and *b*, particularly the increase in agricultural productivity and the guarantee of a fair standard of living to persons engaged in agriculture by raising their individual earnings, necessitate elimination of the structural deficiencies in agriculture and maintenance of a sound agricultural structure,

Considering that implementation of the policy on agricultural structure is the task of the Member States, since the structural problems arise at local and regional levels and agricultural structure can only be improved with the active co-operation of those directly concerned,

Considering that the improvement of agricultural structure must be speeded up and that everything must be done to strengthen the economic potential and competitive capacity of agriculture within the Community,

Considering that policies on agricultural structure must be co-ordinated by the Community so as to harmonize the agricultural policies of the Member States with the common agricultural policy and the other tasks of the Community,

Considering that the co-ordination of policies on agricultural structure requires close and constant co-operation between the Member States and the Commission and that this co-operation can best be ensured by setting up a Standing Committee on Structure, composed of the officials responsible for implementing the policies on structure pursued by the Member States and of a delegate from the Commission,

Considering that, if policies on agricultural structure are to be co-ordinated, the Commission must know the structural situation of agriculture, the policies pursued by the Member States (particularly the measures taken to improve structure) and the conditions obtaining in the regions, and that the Member States must supply the requisite information,

Considering that, if the general situation as regards agricultural structure in the Community and the examination of the agricultural policy of Member States in relation to the objectives of the common agricultural policy is to take practical shape, it is advisable for the Commission to submit to the Council an annual Report on Structure,

Considering that effective co-ordination of policies on agricultural structure requires consideration of the relevant drafts before a start is made on implementing long-term improvement programmes and before legal provisions of Member States come into force,

Considering that co-ordination of policies on agricultural structure requires a knowledge of the relevant statutory and administrative provisions in the Member States,

*Decides :*

#### *Article 1*

1. To further the co-ordination of the policies on agricultural structure and to intensify the close and constant co-operation between the Member States and the Commission, a Standing Committee on Structures (hereinafter referred to as the Committee) shall be set up to advise the Commission.
2. This Committee shall discuss the policy on structure pursued in the Member States and the measures and programmes by which they seek to improve the structure of agriculture; it shall ensure the mutual exchange of information concerning agricultural structure. The Commission may consult the Committee on problems connected with agricultural structure and may have an examination made of questions connected with the Report on Structure mentioned in Article 2.
3. The Committee shall comprise one delegate from each Member State and two delegates from the Commission, one of whom shall take the chair. Each Member State shall appoint the official responsible

for implementing its policy on agricultural structure.

4. The secretariat of the Committee shall be provided by the Commission.

5. The Committee shall draw up its own rules of procedure.

#### *Article 2*

The Commission shall submit to the Council an annual Report on Structure which shall include a survey of the position as regards the structure of agriculture, the nature and scope of the measures taken to improve it and an examination of the policies on structure pursued by the Member States. The Report shall also contain information on the action taken to co-ordinate these policies and on the results of this action at Community level.

#### *Article 3*

1. The Member States shall provide the Commission each year with all the material needed to draw up the Report on Structure. This material should include information on:

a) The structural situation in the light of regional conditions;

b) The nature, scope and financing of the measures of improvement taken in the previous year;

c) The nature and scope of the measures of improvement planned for the current year.

2. After the matter has been discussed in the Committee, the Commission shall lay down the form and content of the material to be submitted by the Member States and shall fix the dates on which it is to be submitted.

#### *Article 4*

1. The Member States shall furnish the Commission in good time and in writing

with the drafts of any new statutory provisions where these concern improvements in the structure of agriculture.

2. The Member States shall submit to the Commission the drafts of regional and long-term programmes which contain measures to improve agricultural structure. These documents shall be drawn up in such a way that they give an idea of the nature and scope of the overall programme, of the individual measures of improvement and of the means by which they will be financed.

#### *Article 5*

The Commission may issue an opinion on the drafts of the statutory provisions and of the regional and long-term programmes submitted by the Member States in accordance with Article 4. It shall be obliged to issue an opinion if the Member State concerned so requests.

#### *Article 6*

Within three months of this decision coming into force, the Member States shall inform the Commission of all the statutory and administrative provisions then in force for the implementation of the measures to improve the structure of agriculture. Without prejudice to the provisions of Article 4, paragraph 1, all statutory and administrative provisions subsequently approved shall be communicated to the Commission immediately after their entry into force.

#### *Article 7*

The Member States shall provide the Commission on request with any other information required for the examination of their policies on agricultural structure.

#### *Article 8*

The present decision is addressed to all Member States.

