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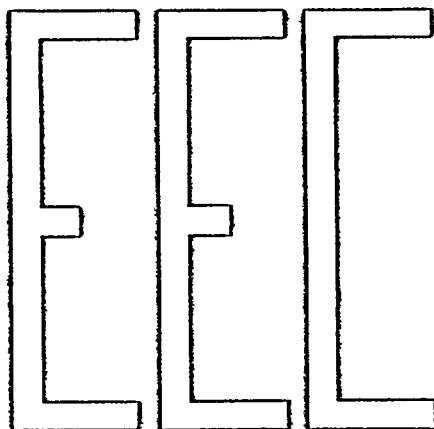


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ECONOMISCHE GEMEENSCHAP

BULLETIN

of the

EUROPEAN  
ECONOMIC  
COMMUNITY



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# BULLETIN

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# Tariff agreement between the Community and the United States

by M. Jean REY,  
member of the EEC Commission

The agreement between the United States and the Community signed in Geneva on 7 March in the course of the GATT Tariff Conference is a milestone in the history of the Community's external relations. Although all the bilateral negotiations between the partners in the Conference are not yet concluded, and it is therefore not yet possible to judge the total results of the negotiations, it may be considered that the agreement between EEC and the United States will occupy a key position in the new network of tariff agreements which will emerge from the Conference and give some hint of the substance and scope of what the multilateral negotiations may achieve.

The content of the agreement is discussed elsewhere in this Bulletin. <sup>(1)</sup> The figures in themselves are a sufficient indication of its commercial importance not only for the two signatories but also for all their trade partners in GATT, since all the bilateral concessions become applicable multilaterally through the operation of the most favoured nation clause.

But the agreement represents more than the conclusion of a mere trade negotiation; it reflects the vigour and realism of a concept and a political will which the two partners share. The effort pursued throughout eighteen months of arduous negotiations proved to be propitious ground for a keener awareness of the responsibility which the United States, as the leading economic power, and the Community, as the preponderant trading entity, now share towards the world at large.

It is precisely because the agreement reflects both this political will and this sense of solidarity in responsibility that it was universally acclaimed as the harbinger of a new era in trade relations and was given wide coverage in the world press.

For the Community the agreement represents the first international undertaking giving concrete form to the common trade policy; it sets in motion machinery whose own inherent drive will accelerate the introduction of the common policies. In the same way as the decision to move on to the second stage was an irreversible step in the process of integration within the Com-

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(1) Chapter V, sec. 2.

munity, the signature of the agreement between the United States and the Community constitutes a decisive act in shaping relations between the Community and non-member countries.

It may be noted that without waiting until it attains maturity, and even before its customs tariff is established, the Community has shown that it does not aim at economic self-sufficiency, and has given effect to the intention expressed in the Treaty of Rome of contributing to the progressive lowering of barriers to trade by concluding agreements to reduce customs duties.

But however sincere the Community's intentions of pursuing a liberal trade policy, they cannot be carried out unilaterally. As the Tariff Conference has just shown, the United States, with their economic importance, represent the ideal partner, commensurate in stature with the Community, in the task of freeing world trade.

The programme submitted to Congress by President Kennedy opens up very encouraging prospects for the conclusion in the near future of a broad agreement on customs disarmament between the United States and Europe. In a declaration on 6 February, the Community for its part expressed the hope that further progress would be made in reducing customs duties. But it is obvious that the essential condition for success in this direction is that in future the chief partner of the Community should, on the legal plane, possess equivalent powers of negotiation so that the principle of reciprocity and mutual advantage may be fully applied.

It is also indispensable for the two partners to show that they are unswervingly devoted to a liberal policy, so that any pressure by private interests to undo what has been done will be resisted and the climate of mutual confidence, without which there can be no real progress, will be maintained.

PS: At the time of signing this editorial I learned that the Government of the United States had just decided, a week after the signature of our agreement in Geneva, to raise duties on windowglass and carpets.

It is too early to say how the Community will react in this matter, which affects the interests of several Member States, but I can say now that this measure is not compatible with the spirit in which we concluded the Agreement and that it is a poor prelude to the proposed negotiations with us on future trade relations.



## President Walter Hallstein honoured by University of Padua

On 12 March 1962 the degree of Doctor of law "honoris causa" of the University of Padua was conferred on Professor Walter Hallstein, President of the EEC Commission.

M. Gui, Italian Minister of Education, M. Caron, Vice-President of the EEC Commission, M. Levi Sandri, a member of the Commission, and prominent personalities of the city of Padua were present at the ceremony.

Professor Mohr, Dean of the Faculty of Law, recalled the scientific attainments of Professor Hallstein which had led the Council of the University to confer a doctorate upon him.

After an address by Professor Hallstein on the subject "The European Community is a Community in Law", Professor Ferro, Rector Magnificus of the University, ceremonically handed to him the diploma.

M. Gui, Minister of Education congratulated the recipient of the honour.

# I. Legal consequences of entry into the second stage of the transitional period of the common market

The advance to the second stage which was decided by the Council on 14 January 1962 with effect from 1 January, has brought to the fore the "automatic" element in the establishment of the common market; it has altered the voting procedure in the Council on certain matters, given the Member States and the Community's institutions fresh tasks and obligations, and on one point has transferred power from the Member States to the Council. Moreover, this decision makes firm commitments of those obligations which according to the Treaty were to be fulfilled "not later than at the end of the first stage".

In the following pages information is given on each of the points for which entry into the second stage has legal consequences.

## 1. Progressive establishment of the common market

Article 8 of the Treaty provides that the common market shall be progressively established in the course of a transitional period divided into three stages of four years each. The length of these stages can only be extended or curtailed by a unanimous decision of the Council, but the total duration of the transitional period may not exceed fifteen years.

The effect of this clause is that the Member States must be unanimous on any modification in the progress of the twelve-year transitional period.

Exceptionally, however, any Member State could veto the move from the first to the second stage.

The decision taken on 14 January has the effect of ensuring the automatic progress of the transitional period in two stages of four years each, the whole expiring on 31 December 1969, saving only a unanimous decision to the contrary by the Member States.

## 2. Changes in the voting procedure within the Council

The advance to the second stage replaces the unanimity rule by qualified majority in the six cases set forth below. It should be noted that in all these cases the Council will be acting on a proposal of the Commission. Consequently, under

Article 148(2), which regulates the qualified majority system, the decisions of the Council are valid if they obtain a minimum of twelve votes irrespective of the number of countries which have voted in favour.

a) *Abolition of quantitative restrictions on imports - Article 33(8) of the Treaty*

According to these provisions, if the Commission finds that quotas are not being progressively abolished as required by Article 32, the Council may, acting by qualified majority on a proposal of the Commission, amend the procedure referred to in Article 33 and, in particular, raise the percentages fixed.

This provision can in fact apply only to certain agricultural products: import quotas for industrial products were abolished under the speed-up decision of 12 May 1960.

b) *Right of establishment - Article 54(2) of the Treaty*

As from the second stage, the Council acts by qualified majority and no longer unanimous vote to implement by directives the general programme for the abolition of restrictions on the freedom of establishment.

c) *Mutual recognition of diplomas, certificates and other qualifications - Article 57(1)*

As from the second stage, the Council adopts by qualified majority and no longer unanimous vote its directives on the mutual recognition of diplomas, certificates and other qualifications.

d) *Co-ordination of municipal law on access to and pursuit of non-wage-earning activities - Article 57(2)*

As from the second stage, the Council acts in this field by qualified majority and no longer unanimous vote. Two exceptions, however, remain: first, those matters which in at least one Member State are subject to legislative provisions, and secondly, measures concerning the protection of savings, in particular the allotment of credits and the banking profession, and concerning the conditions governing the exercise of the medical, para-medical and pharmaceutical professions. For these sectors, unanimous agreement is still required.

e) *Liberalization of services - Article 63(2)*

As from the second stage, the Council in implementing the general programme for lifting restrictions on freedom to supply services, acts by directives adopted by a qualified majority, and no longer by unanimous vote.

f) *Distortions of competition - Article 101, second paragraph*

The Council's directives designed to eliminate distortions of competition stemming from the laws or regulations of the Member States are adopted by qualified majority as from the beginning of the second stage. Unanimity is no longer required.

**3. New obligations for the Member States in the second stage**

*A. Obligations arising at the beginning of the second stage*

a) Prohibition of transport rates and conditions involving an element of support or protection - Article 80(1 and 2) of the Treaty : The application of transport rates and conditions involving any element of support or protection in the interest of particular enterprises or industries is prohibited from the second stage, unless authorized by the Commission. The Commission on its own initiative or at the request of a Member State examines these transport rates and conditions and, after consulting any interested Member State, takes the necessary decisions.

b) Fiscal distortions - Article 95 of the Treaty : The Member States must abolish or amend not later than the beginning of the second stage any fiscal provisions contrary to the rules of Article 95 of the Treaty. This Article provides that any internal charges on imported products must not be heavier than those to which like domestic products are subject, nor must they be of such a nature as to afford indirect protection to other products.

(In July 1961 the relevant government departments of the six Member States undertook to supply the Commission with a list of the measures which might be considered as falling within the purview of this provision of the Treaty.)

*B. Obligations with a time-limit reckoned from the beginning of the second stage*

a) Abolition of customs duties between the Member States - Article 14 (2b) and Article 17(1) - and between the Community and the associated overseas territories - Article 133(2) : The cuts in customs duties between Member States, in revenue duties, and in customs duties levied on importation into each associated overseas state or territory of goods from Member States and from other overseas states and territories, all follow the same time-table. In pursuance of the above-mentioned Articles of the Treaty, "in the course of the second stage, a reduction shall be made eighteen months after the beginning of that stage; a second reduction, eighteen months after the preceding one; a third reduction shall be made one year later".

The commencement of the second stage therefore makes it possible to establish the time-table for the subsequent cuts in duties : 1 July 1963, 1 January 1965, 1 January 1966 (with a possibility of anticipatory reductions resulting from a second speed-up in the dismantling of tariff barriers).

*b) Abolition of quantitative restrictions on imports - Article 33 (1) paragraph 4 :* The Treaty fourth paragraph of Article 33(1) lays down that the fifth widening of quotas should take place one year after the beginning of the second stage.

This provision will have practical consequences only for certain agricultural products, since in principle import quotas for industrial products were entirely abolished at the beginning of 1962 under Article 4(2) of the speed-up decision.

### *C. Obligation assumed by the Member States by the end of the second stage*

*a) Abolition of customs duties between Member States - Article 146) :* According to the Treaty [Article 14(6)] the Member States must endeavour to ensure that the reduction applied to the duties on each product shall amount... "at the end of the second stage to at least 50 % of the basic duty".

At 1 January 1962, the reduction was : 40 % for industrial products in pursuance of Article 1(1) of the speed-up decision of 12 May 1960, and 30 % for liberalized agricultural products and 35 % for non-liberalized agricultural products, in pursuance of Article 6(1) of the speed-up decision.

*b) Establishment of the common customs tariff - Article 23(1c) :* The gap between the rate actually applied on 1 January 1957 and that of the common customs tariff is to be again narrowed by 30 % at the end of the second stage, and in addition there is the possibility of a further speed-up decision bringing duties even closer to the common customs tariff.

*c) Discrimination in the field of transport - Article 79(1) :* The Treaty lays it down [Article 79(1)] that "any discrimination which consists in the application by a carrier, in respect of the same goods conveyed in the same circumstances, of transport rates and conditions which differ on the ground of the country of origin or destination of the goods carried, shall be abolished in traffic within the Community not later than at the end of the second stage".

Such discrimination is already prohibited — as from 1 July 1961 — under Article 4(1 and 3) of Regulation No. 11 on the abolition of discrimination in transport rates and conditions, adopted pursuant to Article 79(3) of the Treaty.

#### **4. Transfer of power from the signatory States to the Council — Article 20, third paragraph**

The Treaty (Article 20, third paragraph) provides that where for certain products on list G no agreement has been reached by the end of the first stage, "the Council, acting... on a proposal of the Commission, shall fix the duties under the common customs tariff".

This procedure will be applied during the second stage — since no agreement has been reached between the Member States — to a number of products : petroleum and shale oils (other than crude); certain preparations containing not less than seventy per cent by weight of petroleum or shale oils, these oils being the basic ingredient; petroleum gases and other gaseous hydrocarbons; petroleum jelly.

#### **5. Derogations from the Treaty's provisions concerning the common external tariff**

a) As from the beginning of the second stage and throughout its duration the Benelux countries are permitted to import 85 % of their unroasted coffee duty-free from the member countries, but the balance is now made subject to payment of the customs duty fixed, for agricultural products, by the first approximation (31 December 1961) towards the CCT duties (Protocol concerning the tariff quota for imports of unroasted coffee).

b) Until the end of the second stage (and as from the first approximation of the external duties laid down in Article 23(1b) of the Treaty) "the Federal Republic of Germany shall benefit by an annual duty-free import quota" (Protocol concerning the tariff quota for imports of bananas).

## II. Flat-rate duty on small consignments of goods sent to individuals or carried in travellers' luggage

### 1. Features of the 10 % flat-rate duty introduced by the Council decision of 6 February 1962

The decision of the Council at its session of 5 and 6 February 1962, adopting a flat-rate customs duty on small consignments of goods sent to individuals or carried in travellers' luggage (and of a strictly non-commercial character <sup>(1)</sup>), is of considerable importance to large numbers of consumers in the six countries. It therefore seems worth while to examine this decision in greater detail.

The collection of duties imposed on goods contained in passengers' luggage or in small consignments sent to individuals creates particularly difficult problems for the customs services. The goods imported in this way are in fact numerous and of great variety and they frequently consist of only limited quantities under each tariff heading, the aggregate value being quite small, so that despite the efforts of the customs services, delays occur in clearing the goods through the customs, with consequent inconvenience to consignees and travellers.

To remedy this situation the Council decided, on a proposal of the Commission, to introduce a flat-rate duty of 10 % on goods sent in small consignments to individuals or contained in travellers' luggage "provided that such imports are of a strictly non-commercial nature". For the purposes of this decision the following imports will be considered as having a strictly non-commercial nature":

- a) Occasional imports.
- b) Imports consisting entirely of goods intended for the personal use of the consignee or his family, and whose nature and quantity give no cause for supposing that they may be imported for trading purposes.
- c) Imports whose total value does not exceed 60 units of account.

The levy of a single customs duty irrespective of the kind of goods imported will considerably facilitate the work of the customs officers, who will only have to concern themselves with the total value of the goods submitted to them (and no longer with the value of each item and the duty on it). The saving of time which

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<sup>(1)</sup> See Bulletin 3/62, Chapter VI, sec. 18.

should result from the customs clearance of goods liable to the flat-rate duty of 10 %, will also be a matter which will be appreciated by the importers. However, the chief advantage which the latter will derive from the flat-rate duty is that it constitutes an appreciable measure of preferential treatment for them; the 10 % rate of duty which has been chosen by the Council is definitely below the average level of duties in the common customs tariff for goods which are normally sent in small consignments to individuals or imported by travellers (toys, sweets, articles of clothing, "souvenirs" of all sorts, etc.). If we remember that the common customs tariff is applicable in principle, no matter in what way the goods are imported, we realise the importance of the Council's decision of 6 February 1962, which establishes an actual relaxation of that tariff in favour of a certain category of importers. That it is the intention of the Council to introduce a preferential system for the benefit of recipients of small consignments and travellers is moreover brought out clearly in Article 2 of the said decision, under which the importer, in any case where the rate of duty applicable to the goods which he is importing is lower than the flat-rate of 10 %, may claim that this lower rate of duty should be applied.

However, in order that the introduction of the flat rate of customs duty shall not lose its character as a "measure of simplification", it is important that importers' appeals should not have the effect of continually obliging the customs authorities to revise the amount of their charges. It is therefore laid down that the importer's application cannot be considered unless it is made before the customs authorities have charged the flat-rate duty of 10 %. Moreover, when the importer has requested that customs duties on certain goods should be at the appropriate tariff rates, all other goods which form part of the consignment or are contained in the traveller's personal luggage will also be charged at the normal rate of duty.

It is because they constitute a "unit" that it is possible to apply a single flat-rate customs duty to goods imported in this way, but once the importer has destroyed this "unit" by claiming that one or more of the items contained in it should be charged at particular tariff rates, it is only natural that each of the other items should also be charged at its particular rate.

## **2. Implementation of the flat rate of duty**

Since the 10 % flat rate introduced by the Council is a duty under the common customs tariff, it should, like all other duties under that tariff, not become effective until the end of the transition period, the Member States being merely required to introduce it progressively in accordance with Article 23 of the Treaty. Nevertheless, since the benefits to be expected from its implementation are just as important now as they will be at the end of the transition period, it is desirable



to put it into force as soon as possible. On 23 February last, the Commission therefore adopted a resolution inviting the Member States, in accordance with Article 24 of the Treaty, to replace the present duties on goods imported by way of small consignments to individuals or included in travellers' luggage by a flat rate duty of 10 %, with effect from 1 July 1962. The customs administrations of the Member States have already declared themselves in favour of this recommendation, subject however to the reservation that certain highly-taxed products (such as alcohol and tobacco) might possibly be excluded from its scope.

Furthermore, since the 10 % flat-rate duty forms a part of the common customs tariff, it should in principle only be applied to goods which are dutiable under the said tariff, or — during the transition period — under national duties which are being progressively aligned with it ("non-Community" goods). However, the motives set out above on which the Council's decision is based, are at least as valid when the goods imported fulfil the conditions required for the application of the Treaty provisions on the progressive elimination of customs duties and quantitative restrictions between Member States and of measures with equivalent effect ("Community" goods). In its recommendation of 23 February 1962 the Commission therefore invited the Member States to adopt during the transition period a system of duty for "Community" goods similar to that laid down in the Council decision for "non-Community" goods. Naturally, the flat rate of duty to be levied on "Community" goods, although based on the 10 % duty applicable to "non-Community" goods, will be fixed so as to take into account any reductions already introduced, or to be introduced, between Member States under Article 14 of the Treaty and instruments pursuant thereto. On 1 July next, therefore, the flat-rate duty applicable to "Community" goods sent in small consignments to individuals or imported by travellers will be 6 % (or 5 % if there should be a speed-up measure before that date). This rate will be progressively reduced, and it may well be that the Member States will apply Article 15 in the fairly near future. This would mean that, once the rate had fallen to a low level, they would waive this flat-rate duty of their own accord.

### III. Activities of the Community

#### EXTERNAL RELATIONS

##### The association of Greece with the EEC

1. The agreement associating Greece with the EEC signed at Athens on 9 July 1961, has now been ratified by three countries: Greece, France and the Netherlands.

The second meeting of the Greece-EEC interim committee has been fixed for 2 March 1962 at Brussels. The agenda of this meeting includes the draft rules of procedure for the Council of Association and the study of certain customs measures.

##### The Community and GATT

###### Tariff Conference

2. At the GATT Tariff Conference in Geneva, the European Economic Community and the United States signed on 7 March an agreement covering a great part of their mutual trade <sup>(1)</sup>. Although the negotiations between the Community and other Contracting Parties and the conference itself are still in progress, the US-EEC agreement has nevertheless been formally concluded to comply with the wish of the United States that the results of the negotiations be made public immediately.

The agreement is the outcome of two successive rounds of negotiation that the Community and the United States have been conducting since 1 September 1960.

First of all, before the multilateral tariff negotiations proper were begun, the Community renegotiated with the United States as required by Article XXIV(6) of GATT, tariff concessions previously granted by Member States but which could not be maintained because of the progressive approximation of national duties to the common tariff. The concessions granted by the Community within the common tariff to offset the withdrawal of concessions previously granted by Member States, have in some instances taken the form of binding duties in the common

<sup>(1)</sup> See the Editorial in this Bulletin and Bulletin 2/62, Chap. IV.

customs tariff (i.e. undertaking not to increase the duty in the common tariff without prior negotiation), and in others of reducing the duties in the common tariff and binding them at the lower rate. These concessions cover imports of approximately the same value as the concessions previously granted by Member States under their individual tariffs. Reckoned on the basis of Community imports from the United States in 1958, these concessions affect about \$ 1 500 million worth of trade.

The technical operation described above was followed, from 29 May 1961, by a second round of negotiations in which the Community and the United States made further tariff concessions on a basis of reciprocity and mutual advantage. In these negotiations, known as the "Dillon round", the Community based itself on the acceleration decision of 12 May 1960, which provided that the temporary 20 % reduction would be wholly or partly bound if the trade partners of the EEC were prepared to grant reciprocity. After several months of negotiation, an agreement was reached between the European Economic Community and the United States, providing for the exchange of concessions covering trade in both directions to the value of about \$ 1 600 million.

Generally speaking, the Community's concessions involve bindings at a level below the common tariff, entailing reductions that amount in almost all cases to 20 % of the duty shown in the tariff. The Community has made concessions to the United States on about 560 lines of the common customs tariff. As the Reciprocal Trade Agreements Act gave the American delegation only limited authority to grant concessions, and so to satisfy the principle of reciprocity, the Community withdrew from its initial offer of reductions about 100 items in the chemical sector and a few other products.

The concessions granted in the common customs tariff cover most of the products which the United States exported to the Community in larger quantities than any other non-member country in the reference year 1958. The concessions include reductions of duty on motor vehicles and spare parts, various kinds of machinery and electrical appliances, tinned fruits, several types of greases and oils, and tobacco.

The Community's concessions relating to certain agricultural products that will be subjected to levies are of a special nature. As the Community was unable to grant tariff concessions on these products, agreements were concluded according to which the Community and the United States would enter into negotiations on the situation regarding exports of these products from the United States. Pending these negotiations, the Community undertakes not to modify its import systems in such a way as to make them more restrictive. The Community also declared its readiness to reconsider with the American Administration the overall commer-

cial relations between the two parties (including their tariff aspects). The texts of this declaration and of the agreements are given in the appendix.

Although the American tariff concessions are not "across the board" but on a selective product-by-product basis, the reduction granted to the Community is generally about 20 %. For some products the reduction offered is above 20 %. Concessions were made to the Community on about 575 lines of the United States tariff.

The main reductions granted by the United States are on motor vehicles, certain types of machinery and electrical appliances, several kinds of glass products, certain categories of steel products and various food products. The US Administration's communiqué states that the restrictions imposed by American law prevent the United States from offering equivalent concessions to the European countries. This disparity in the concessions made by the two parties could not be avoided, although American reductions on a number of products went below the peril points — the level below which foreign competition is considered to endanger American industry.

The Geneva agreement came into force immediately on signature. However, the concessions in the list of one or other party will take effect thirty days after the date on which that party has notified the other that it intends to apply them.

President Kennedy has said that he considers the new trade agreement very satisfactory and very important. He sent a special message to Congress on the subject. The negotiations begun in September 1960 were the most wide-ranging and most complex in history. At his press conference, President Kennedy said that there were great hopes of the United States and the Common Market being able to work in harmony and negotiate on the basis of mutual advantage.

#### Other work of GATT

3. The Commission took part in the meeting of the Council of the Contracting Parties held in Geneva from 22 to 28 February 1962.

As part of the GATT programme to expand international trade, the Council decided to set up two specialized groups. One will review the general problem of trade in tropical products, in particular, the obstacles encountered and ways of improving the pattern of trade; the other group will study problems of trade in beef and mutton. The two groups, which will meet during the coming months, will report to the Council.

During the Council meeting, the representative of the Commission stated that the Community would transmit to GATT the texts of the decisions taken on the common agricultural policy on 14 January.

## **Common commercial policy : export policy**

4. As Article 34 of the Treaty provides for the abolition, not later than at the end of the first stage, of all quantitative restrictions on exports between Member States, the Commission has given its attention to the problems raised by the application of these provisions as regards both the internal market of the EEC and non-member countries.

In the course of work done during 1961 with the assistance of Member States, a list of products was agreed for which the Member States thought it desirable to adopt measures of common commercial policy to prevent disparities in the export systems now applied to non-member countries from involving a deflection of trade or economic difficulties in Member States.

The Commission therefore addressed recommendations to the Member States, in pursuance of Articles 115, first paragraph, and 155 of the Treaty, concerning the products in question, which include certain raw hides and skins <sup>(1)</sup>, certain woods <sup>(1)</sup>, unworked diamonds <sup>(2)</sup>, hemp seed <sup>(2)</sup> and non-ferrous metal scrap.

As regards the raw hides and skins, the Commission recommended that Member States should not authorize, after the end of the first stage of the Treaty, re-exports to non-member countries of various types of raw hides and skins coming from certain Member States (hides and skins of bovines, horses, goats, lambs and rabbits). This measure, moreover, constitutes an extension of those already adopted for certain types of raw hides and skins on the basis of a recommendation by the Commission dated 4 August 1959.

As for wood, the Commission recommended Member States not to modify, for six months after the end of the first stage, their present arrangements for exports of certain softwoods to non-member countries.

As regards non-industrial unworked diamonds, the Commission has recommended that Member States, in order to prevent supplies on the Community market from being reduced by re-exports to non-member countries, should subject exports of these products to a quota fixed for each Member State for an initial period of six months.

For the same reasons, the Commission recommended that Member States should not authorize, after the end of the first stage, re-exports to non-member countries of hemp seed of Italian origin, whether imported from Italy or from other Member States.

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(1) See official gazette No. 5, 20 January 1962.

(2) See official gazette No. 13, 21 February 1962.

Lastly, in view of the increasing demand for non-ferrous metals, the supply of which is to a large extent derived from the resmelting of scrap and ash, the Commission recommended that Member States should establish quotas for exports to non-member countries of ash, residues, waste and scrap of copper and its alloys, of aluminium waste and scrap and of lead waste and scrap. The quotas are fixed for each Member State for 1962, and the recommendation also covers a procedure for controlling the destination of consignments within the Community.

When effect is given to these recommendations, the export policy of Member States will be broadly harmonized by Community measures, which the Commission will review in the light of any changes in the circumstances which led to their adoption.

#### **International agreement on wheat**

5. The United Nations conference on wheat, which began at Geneva on 31 January 1962, authorized its Executive Committee to invite in an advisory capacity a delegation from the European Economic Community for the items on its agenda concerning the examination of international measures to overcome the special difficulties existing or threatening with regard to wheat, and for drawing up an international agreement on the measures deemed desirable.

#### **Establishment by the associated countries of missions to the Community**

6. On 8 February, 15 February and 2 March respectively, M. Hallstein, the President of the Commission, received Ambassador Alber Rakota Ratsimamanga, Ambassador Georges Bresson and Ambassador Roger Guerillot as representatives to the EEC of the Malagasy Republic, the Republic of Upper Volta and the Central African Republic.

Fourteen associated overseas states now have direct representation with the EEC.

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

7. The competent institutions of the EEC have given their agrément to the requests of the Government of Iran and Ceylon to establish diplomatic relations with the Community. The EEC has given its agrément to the appointment of Ambassador José Agusti as head of the mission of Argentina.

The new head of the Danish mission, Minister Plenipotentiary Hans Tabor, presented his letters of credence to President Hallstein on 1 February.

## ECONOMIC AND FINANCIAL AFFAIRS

### Economic policy

8. Notes on economic developments—prepared end of March 1962

#### COMMUNITY

		Sept.	Oct.	Nov.	Dec.	Jan.
Industrial production (1)	1960/61	122	123	123	124	125
1958 = 100	1961/62	129	130	131	131	132
Imports from non-member countries	1960/61	1 521	1 599	1 647	1 847	1 659
cif (2) in million dollars	1961/62	1 632	1 691	1 797	1 944	.
Exports to non-member countries	1960/61	1 568	1 698	1 662	1 877	1 493
fob (2) in million dollars	1961/62	1 740	1 794	1 783	1 852	1 572
Trade balance (2)	1960/61	+ 47	+ 99	+ 15	+ 30	-166
in million dollars	1961/62	+ 108	+ 103	- 14	- 92	.
Trade between member countries (2) (3)	1960/61	875	926	887	909	837
in million dollars	1961/62	971	1 042	1 036	1 012	.
Gold and foreign exchange reserves (2) (4) in million dollars	1960/61	14 276	14 672	14 680	15 052	14 889
	1961/62	15 897	15 760	15 839	16 272	.

(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 61.

(3) Calculated on the basis of imports.

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

The figures available confirm that the Community's economy has continued to expand. This is particularly true of industrial production, which again rose by one point in January, chiefly as a result of growing demand for consumer goods. Capital investment in stocks of raw materials and semi-finished goods appears to have gathered some momentum; at any rate the number of new orders received by the iron and steel industry from within the Community increased appreciably, as did imports.

The lowering of internal tariffs in January undoubtedly played a part in the faster growth of intra-Community trade; the faltering trend in the previous months stemmed — in part, at any rate — from something of a wait-and-see attitude on the part of importers. In January exports to non-member countries once again practically marked time; this was mainly due to a slowing down in investment activity in several non-member countries which affected German exports in particular. Since imports were still growing vigorously, the Community's balance of trade continued to deteriorate. The fall in the official gold and foreign exchange

reserves, however, resulted mainly from capital exports by the commercial banks which in December had temporarily repatriated funds placed abroad.

#### FEDERAL REPUBLIC OF GERMANY

		Oct.	Nov.	Dec.	Jan.	Feb.
Industrial production (1)	1960/61	123	125	126	128	128
	1958 = 100	1961/62	128	129	129	129
Number of unemployed in thousands	1960/61	121.7	136.4	271.6	390.1	292.5
	1961/62	98.6	113.1	222.5	267.9	257.2
Orders received	1960/61	151	154	142	142	136
	1958 = 100	1961/62	149	151	136	138
Turnover in retail trade	1960/61	121	125	177	102	100
	1958 = 100	1961/62	132	142	191	113
Price to consumers	1960/61	102.4	103.0	103.1	103.6	103.8
	1958 = 100	1961/62	105.4	106.0	106.3	107.2
Imports cif (2)	1960/61	899	876	1 001	829	761
	in million dollars	1961/62	1 002	960	1 058	947
Exports fob (2)	1960/61	998	1 013	1 201	929	964
	in million dollars	1961/62	1 093	1 064	1 186	952
Gold and foreign exchange reserves net (2) (3) in million dollars	1960/61	6 574	6 599	6 737	6 660	6 720
	1961/62	6 198	6 170	6 541	5 815	5 832

(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 = DM 4).

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

Economic growth continued to be relatively slight at the beginning of the year. In any case in real terms exports have marked time in recent months; in February they were up by 5.4 % on the corresponding period of the previous year. Investment activity, on the other hand, appears still to have been very brisk, to judge from the trend of turnover in constructions and in the representative capital goods industries. The vigorous expansion of private consumption continued.

Seasonally adjusted figures for industrial production showed a further modest rise. The year-to-year growth rate, on the basis of the national index was 3.1 % in February as against 2.2 % in January. At the same time special factors partly statistical in nature, led to an unusually steep increase in import figures, which in terms of value were 32.2 % higher than the corresponding level in 1961.

There has been little change in prices, although the cost of living index was up by 3.5 % on February 1961. Thanks chiefly to the sharp rise in imports, trade was almost in balance in February for the first time for many years. In the same period the Bundesbank's gold and foreign exchange reserves rose by 17 million dollars.



## FRANCE

		Oct.	Nov.	Dec.	Jan.	Feb.
Industrial production (1)	1960/61	115	116	116	117	118
	1958 = 100	1961/62	122	124	125	126
Number of persons seeking employment (2)	1960/61	125	128	125	123	120
	in thousands	1961/62	110	108	105	101
Turnover of large retail stores (Paris)	1960/61	156	146	234	142	99
	1958 = 100	1961/62	173	170	255	163
Prices to consumers (Paris)	1960/61	111.3	111.6	111.9	111.9	112.0
	1958 = 100	1961/62	114.7	115.9	116.3	117.1
Imports cif	1960/61	473	531	616	485	527
	in million dollars	1961/62	554	590	644	543
Exports fob	1960/61	621	594	612	543	557
	in million dollars	1961/62	630	638	662	612
Trade balance (with foreign exchange areas)	1960/61	+ 60.6	0	+ 52.5	+ 17.6	— 9.5
	in million dollars	1961/62	+ 39.1	+ 8.1	— 9.5	+ 28.4
Gold and foreign exchange reserves (3)	1960/61	2 136	2 068	2 070	2 143	2 235
	in million dollars	1961/62	2 829	2 886	2 939	2 992

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

(2) End of month figures seasonally adjusted.

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

The economic trend continued distinctly upwards in February.

Exports showed a further increase and were almost 12 % up on the corresponding figures for the previous year. Declining sales to the franc area were more than offset by the sharp rise in exports to other countries. Investment activity continued to be very brisk. New orders received by the machine tool industry in January appear again to have exceeded sales. Private consumption continued to expand: Paris department stores recorded higher sales in January and February than usual at the time of year. The demand for private cars also shows a tendency to rise steeply.

The increase in industrial production was again very marked and year-to-year growth rates of 6.3 % in December and 7.6 % in January were recorded. The motor car industry and chemicals in particular stepped up output considerably. Imports were up 12 % in January and almost 13 % in February on the corresponding months in 1961.

Retail prices for manufactured goods rose slightly faster in February. Prices of services also hardened somewhat. However, as there was a sharp seasonal fall

in prices of some important foodstuffs, the index of consumer prices as a whole remained slightly below the January figure.

Although the surplus on trade with countries outside the franc area was rather smaller in February and prepayments of foreign debts were again made, the gold and foreign exchange reserves went up to over 3 000 million dollars. Foreign exchange regulations were relaxed for tourism, certain transfer payments and dealings in securities.

#### ITALY

		Sept.	Oct.	Nov.	Dec.	Jan.	
Industrial production (1)	1960/61	132	132	132	132	133	
	1958 = 100	1961/62	147	148	149	151	153
Number of unemployed	1960/61	1 404	1 413	1 472	1 609	1 718	
	in thousands	1961/62	1 296	1 319	1 368	1 484	.
Internal trade turnover in main	1960/61	111	157	136	144	163	
investment goods (2)	1958 = 100	1961/62	139	186	169	160	198
Cost of living	1960/61	102.4	102.4	102.9	103.1	104.0	
	1958 = 100	1961/62	105.6	105.8	106.6	107.1	108.2
Imports cif	1960/61	389	417	410	401	421	
	in million dollars	1961/62	425	424	463	462	(442)
Exports fob	1960/61	307	332	294	329	284	
	in million dollars	1961/62	348	413	384	373	(326)
Official gold and foreign exchange	1960/61	3 083	3 065	3 057	3 080	2 972	
reserves (3)	in million dollars	1961/62	3 369	3 393	3 414	3 419	.
Yield on fixed-interest-bearing	1960/61	5.15	5.30	5.32	5.30	5.11	
securities	in %	1961/62	5.00	4.98	4.91	4.93	4.85

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

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

(3) Amount held by the monetary authorities.

The very vigorous economic expansion continued in January, owing in no small measure to the influence of internal demand.

In January the year-to-year export figures showed a 14.8 % increase, as compared with 13.6 % in December 1961. Investment again showed a distinct tendency to advance, as did building and construction, despite inclement weather conditions; demand for building materials at any rate was up by no less than 20 % on the very high figure for January 1961, which was a reflection of good weather conditions at that time. This high level of activity largely accounts for the fact that the usual seasonal growth in unemployment has been particularly weak in the month under review.

ISTAT sampling shows that the unemployment ratio in January was no more than about 4.5 %, compared with 5.3 % in the previous year. The growth of disposable income, stemming from the favourable trend in employment and from further increases in agricultural and industrial wages under collective bargaining agreements, led to a substantial expansion of private consumption, especially of non-essentials.

The year-to-year growth rate of industrial production rose from a good 9 % in December to about 13 % in January. Steel output was up by a good 3 % in January and by over 6 % in February on the figures for the same months in 1961. Imports were 5 % above the corresponding level in the previous year, as against 15 % in December 1961.

Consumer prices still registered a distinct tendency to move upwards and fruit and vegetables in particular were appreciably dearer. In January the cost of living was no less than 4.1 % higher than in January 1961.

#### NETHERLANDS

		Oct.	Nov.	Dec.	Jan.	Feb.
Industrial production (1)	1960/61	132	132	132	132	132
	1958 = 100 1961/62	130	131	132	132	.
Number of unemployed in thousands	1960/61	33	37	54	63	52
	1961/62	28	32	48	48	43
Building permits for housing	1960/61	10 015	7 707	7 664	6 691	8 980
	1961/62	9 016	5 953	4 487	6 303	5 625
Retail sales (value) 1958 = 100	1960/61	119	117	128	115	102
	1961/62	122	126	135	.	.
Prices to consumers 1958 = 100	1960/61	104	103	103	104	104
	1061/62	106	106	106	107	.
Imports cif (2) in million dollars	1960/61	405	389	407	441	370
	1961/62	401	474	454	478	418
Exports fob (2) in million dollars	1960/61	369	361	359	353	319
	1961/62	368	399	362	363	340
Gold and foreign exchange reserves (2) (3) in million dollars	1960/61	1 616	1 617	1 742	1 678	1 647
	1961/62	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.

Demand again tended to expand considerably in February. The labour shortage meant, however, that production could grow only slightly.

The year-to-year growth rate of exports again rose (to 6.5 %) and the inflow of orders from abroad also seems to have gathered some momentum. Investment

continued to be lively since the strain on the labour market greatly stimulated rationalization investment. On the other hand the fall in the number of residential building permits issued can be put down in the main to the restrictive measures taken by the Government. Private consumption also appears to have made further progress.

With manpower in such short supply, industrial production recorded only a weak growth in January. Prices, however, remained more or less unchanged, in no small measure owing to the further considerable increase in imports, which returned a year-to-year growth rate of 13 % in February.

The credit market has become noticeable tighter. This development stems chiefly from the issue of a government loan for 300 million guilders, from the expansion of credit above the ceiling authorized by the Central Bank and from capital exports by the commercial banks. The Central Bank consequently lowered the minimum reserve ratio from 8 % to 6 % and carried out open market operations to increase liquidity.

#### BELGIUM

		Oct.	Nov.	Dec.	Jan.	Feb.
Industrial production (1)	1960/61	112	112	113	113	113
	1958 = 100 1961/62	118	118	119	.	.
Number of unemployed in thousands	1960/61	94	105	115	128	122
	1961/62	69	76	85	90	78
Number of non-residential buildings put in hand	1960/61	478	427	403	317	458
	1961/62	458	440	370	198	.
Turnover of large retail stores 1958 = 100	1960/61	121	129	137	93	102
	1961/62	117	130	155	.	.
Prices to consumers 1958 = 100	1960/61	101.7	101.9	101.9	102.0	102.0
	1961/62	102.8	102.9	102.9	103.0	102.9
Imports cif in million dollars	1960/61	337	338	330	330	363
	1961/62	375	359	350	365	.
Exports fob in million dollars	1960/61	329	315	316	240	315
	1961/62	368	349	319	372	343
Gold and foreign exchange reserves (2)	1960/61	1 281	1 339	1 423	1 435	1 457
	1961/62	1 610	1 638	1 657	1 664	1 656

(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.

Economic growth remained very weak and only foreign demand seems to have made something of a recovery.

At any rate exports in February were up by a good 8.5 % on February 1961, when a very high figure was recorded after the fall caused by the strikes in the

two preceding months. On the other hand, to judge from the new orders received by the metal-processing industry and the number of non-residential buildings started, firms were investing at a slower rate than in earlier months. Private consumption also appears to have made only moderate progress.

Industrial production in December 1961 seems to have grown only slightly. Moreover, in December and the following months the trend differed very much from sector to sector, with distinctly slacker growth in some branches of the textile and chemical industries contrasting with a slight recovery in the iron and steel industry. Imports in January do not seem to have recorded any noteworthy growth.

Prices remained stable. Persistent high liquidity on the credit market enabled the Banque Nationale to lower bank rate once more from 4.25 % to 4 % with effect from 22 March.

#### LUXEMBOURG

		Oct.	Nov.	Dec.	Jan.	Feb.
Industrial production (1)	1960/61	115	115	115	115	115
	1958 = 100	1961/62	117	115	113	110
Output of crude steel	1960/61	348	336	338	333	326
in thousand tons	1961/62	353	317	309	326	310
Building and construction (2)	1960/61	92	80	65	46	53
	1958 = 100	1961/62	101	86	66	52
Workers employed in industry	1960/61	46.6	46.6	45.8	43.1	42.8
in thousands	1961/62	47.3	47.0	46.3	44.3	44.5
Prices to consumers (3)	1960/61	101.4	101.5	101.6	101.5	101.1
	1958 = 100	1961/62	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) Index based on the figure for man-hours worked.

(3) March 1961 = 100.5; March 1962 = 101.4

The outlook for Luxembourg's economy has been somewhat more expansive since the beginning of the year.

Mainly as a result of rising demand in the member countries, foreign orders to the iron and steel industry have increased slightly for the first time in more than six months, although the backlog of orders is considerably smaller than in the corresponding period of the previous year. Investment in the public and private sector has continued lively. On the other hand private consumption appears to have made only very modest progress.

Industrial production continued to fall in January. This can mainly be attributed to the decline of steel output, which in February also returned a figure still well below the level for February 1961 (— 5 %).

Consumer prices again showed a definite upward trend. Price increases for some textiles will require government authorization in future.

The wages of workers in building and construction were raised by 5 % as from 1 March.

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

9. The Group held its seventh meeting on 1 March 1962 in Brussels. Agreement was reached — one of the delegations having withdrawn its reservation — on a consultation procedure between Member States on credit operations connected with exports of goods and subject to a direct or indirect, total or partial State guarantee, if it is intended to depart from the rules of the Berne Union. This agreement will be confirmed by the Council during its April session.

The Group also agreed on a method to expedite the harmonization of credit-insurance systems undertaken eighteen months ago. A model credit-insurance system will be worked out with which each Member State will endeavour gradually to bring its own system into line.

### **Group of petroleum experts**

10. The Group of petroleum experts held their sixth meeting on 1 February. The meeting was devoted to examining the draft report on investment in the oil industry within the Community; this draft had been prepared by the Commission on the basis of replies to a questionnaire the Commission had sent to Member States.

The draft will be finalized in the light of comments and further information supplied by the experts. The Group will give it a second reading at their next meeting on 8 March.

The Group also examined two questionnaires, one on the laws and regulations governing the oil industry in Member States, the other aimed at bringing up to date the report on imports of crude oil and oil products from non-member countries.

## **Economic forecasts**

11. A meeting was held on 20 February of the group of experts set up by the Economic Policy Committee on 9 January 1962 to study the problems involved in drawing up economic forecasts comparable for all Member States.

The experts agreed that economic forecasts should be presented by sectors of national accounting and concluded, after examining the possibilities open in this field to the various Member States, that the generalization of this practice would raise no major problems.

In their report to the Economic Policy Committee, the experts therefore proposed that the general draft made by the Commission be adopted with certain amendments and that, within this joint framework, the first economic forecasts of the six Member States for 1963 be prepared in the autumn of 1962.

## **Comparative study of the budgets of Member States**

12. The Working Party for the comparative study of the budgets of the Member States met in Brussels on 27 and 28 February. It began an examination of the draft report prepared by the Commission on the functional classification of public expenditure. The questions of general administrative expenditure and expenditure on foreign relations were discussed at some length; a further meeting was arranged for 26 and 27 March to continue the examination of this draft.

The Working Party also exchanged views on the repercussions of treasury transactions on the liquidity of the banks and the economy.

## **THE INTERNAL MARKET**

### **Application of measures of safeguard (Article 226)**

13. Article 226 of the Treaty lays down a procedure by which the Commission may, at the request of a Member State, authorize measures of safeguard during the transition period, should serious difficulties arise which are likely to persist in any sector of economic activity or difficulties which may seriously impair the economic situation in any region.

The first requests for the application of Article 226 were made by the Italian Government and related mainly to products for which a precedent had been laid down in the agreement of 2 March 1960 on the establishment of duties in the common customs tariff for the products on List G or products derived therefrom.

In the latter case, most of the requests were concerned only with the non-application of the tariff changes provided for in the acceleration decision of 12 May 1960.

Other requests related to products of the food industry. It soon became evident that recourse to Article 226 in the case of these products could only be exceptional. The Council adopted a proposal of the Commission and, in pursuance of Article 235, a decision providing in the case of such products the possibility of applying under certain conditions specific measures to compensate for the difference in cost of the agricultural raw material when food products are imported into a Member State where the price of the raw material in question is higher. More generally, the Commission was prompted in a certain number of cases to question the admissibility of requests made under Article 226 rather than under other provisions of the Treaty.

These early cases have been treated with great circumspection so as not to establish procedural facilities that might constitute precedents.

On the basis of experience gained, the Commission has decided upon a new procedure, as required by the Treaty, for examining cases falling under Article 226, so that it may give a decision without delay on requests submitted by Member States.

By this procedure the Commission should normally be able to take a final decision or, in exceptional cases, a provisional decision, within four weeks of receiving the request.

At the same time as it laid down a procedure for the submission and examination of Member States' requests invoking Article 226, the Commission took decisions on several requests already submitted, particulars of which are given below.

#### *Lead and zinc products*

Italy is authorized to maintain customs protection as allowed by the Treaty (i.e. without the further reductions provided for in the acceleration decision) for the following products :

Wrought plates, sheets and strip of lead, of a weight not less than 1.7 kg. per square metre;

Lead tubes and pipes;

Shot for sporting cartridges;

Wrought plates, sheets and strip of zinc; zinc foil; zinc powders and flakes;

Lead oxyde;

Zinc oxyde;



Wrought bars, rods, angles shapes and sections of zinc; zinc wire;

Zinc chloride.

The request of the Italian Government was connected with the shielding of the lead and zinc market granted by the Commission under Article 226 by decision of 27 July 1961.

#### *Lead and zinc waste*

Italy is authorized to maintain towards Member States and non-member countries the duties in force on 2 March 1960 for lead and zinc waste and scrap during the period of shielding the Italian lead and zinc markets, i.e. until 7 August 1962.

#### *Raw silk and manufactured silk articles*

##### *a) Silk-worn cocoons :*

Italy is authorized, for one year from the date of the decision, to maintain the duties applied on 2 March 1960 on silk-worn cocoons towards non-member countries and to refuse entry to those products from non-member countries which are in free circulation in the other Member States in the import system provided for exchanges between Member States.

##### *b) Raw silk :*

Italy is authorized, for one year from the date of the decision, to maintain the duties in force towards Member States and non-member countries.

##### *c) Manufactured goods :*

Italy is authorized to maintain, for one year from the date of the decision, the duties in force on 2 March 1960 towards Member States and non-member countries for silk yarn not put up for retail sale, silk-worn gut and imitation catgut; towards Member States only for silk yarn put up for retail sale.

For woven fabrics of silk or of waste silk other than noil having at least the tram or the warp of pure silk, Italy is authorized to maintain the duties in force on 2 March 1960 towards Member States, for one year from the date of the decision, except for printed fabrics or plain fabrics — for which the tariff cuts must be put into effect down to 10.5 %. On the basis of this formula, shielding is refused to a certain number of articles in which the incidence of the protected raw material is relatively weak, because of the admixture of other fibres or a high degree of working.

### *Carbon disulphide*

Italy is authorized, until 7 August 1962, the date on which the authorization given for shielding the Italian sulphur market comes to an end, to apply a countervailing charge on imported carbon disulphide.

As regards imports from other Member States, the collection of the charge by Italy is subject to the non-collection of this charge by the exporting Member State. The amount of the charge will be reviewed by the Commission, *ex officio*, or at the request of a Member State if any change should occur in the present situation.

### *Calcium citrate and citric acid*

The Commission has extended its decision of 9 May 1961 authorizing Italy, under Article 226, to maintain a quota at an annual rate of 73 000 kg. for citric acid and of 3 300 000 kg. for calcium citrate, until either of the two calcium citrate and citric acid plants now under construction begins production or until 30 June 1962, whichever is the earlier.

### *Agricultural tariff quotas*

14. As Member States have asked to be given definite information in the shortest possible time on the results of their requests for quotas or for the suspension of duties on agricultural products, the Commission has authorized some of them to suspend wholly or partly the levying of duties applicable to certain products in Annex II and has granted tariff quotas at reduced or zero duty for other products in Annex II. The decisions of the Commission cover the products listed below, for which all the necessary information has been collected.

Number in the common customs tariff	Description of product	Country	Quantity	Duty in the common customs tariff
ex 01.02 A II	Heifers and cows, other than for slaughter of the following mountain breeds: grey and brown yellow, spotted Simmental, and Pingsau	W.Germany	18 000 heads at 6 %	16 %
ex 03.01 B I a 2	Herring ( <i>clupea harengus</i> ) and sprats ( <i>clupea sprattus</i> ) fresh, chilled or frozen	W.Germany	55 000 tons at 0 % for the periods from 1-1 to 14-2 and from 16-6 to 31-12-1962	20 %
ex 03.01 B I b	Tunny, fresh, chilled or frozen, for canning	B.L.E.U.	250 tons at 0 %	25 %

Number in the common customs tariff	Description of product	Country	Quantity	Duty in the common customs tariff
ex 03.01 B I c	Piked dogfish ( <i>squalus acanthias</i> ) fresh, chilled or frozen	W.Germany	3 000 tons at 3 %	15 %
ex 03.01 B I c	Cod, coalfish, haddock, rosefish, fresh, chilled or frozen (and black halibut)	W.Germany	9 000 tons at 0 % (For the period from 1-8 to 31-12-1962)	15 %
ex 03.02 A I b	Cod, including stockfish and klippfish, salted, in brine or dried, whole, headless or in pieces	Italy	34 000 tons at 0 %	13 %
03.02 A II a	Cod fillets, including stockfish and klippfish, salted, in brine or dried	Italy	2 000 tons at 0 %	20 %
ex 03.02 A I c	Coalfish, salted, for canning	W.Germany	800 tons at 7 %	15 %
ex 07.01 A I	Seed potatoes of the following varieties : Krasava, Ackersegen, Sieglinde, Majestic and Kennebec	Italy	8 500 tons at 0 %	10 %
07.01 A I	Seed potatoes	B.L.E.U.	600 tons at 5 %	10 %
ex 08.02 A	Bitter or Seville oranges	Netherlands	110 tons at 0 %	15 & 20 %
08.02 D	Grapefruit	W.Germany	partial suspension of national customs duty at 5 % (from 1-1 to 31-12-1962)	12 %
08.04 B	Raisins	W.Germany	total suspension of national customs duty (1-1 to 30-6-1962)	9 %
09.02 B	Tea other than ready packed in quantities of 3 kg. or less	Netherlands	8 000 tons at a duty of hfl. 47.67 per 100 kg. net	18 %
		B.L.E.U.	180 tons at a duty of frs. 658 per 100 kg. net	18 %
ex 16.05	Crabs and shrimps, shelled and cooked, whether or not frozen, for canning of the following varieties : Shrimps of the varieties Pandalus, Platyceros Japonicus, crabs of the varieties : King, Konasaki and Kegani	B.L.E.U.	1 000 tons at 0 %	20 %
45.01	Natural cork, unworked, crushed, granulated or ground, waste cork	W.Germany	50 000 tons at 0 %	5 &
		B.L.E.U.	1 900 tons at 0 %	8 %
		Netherlands	10 000 tons at 0 %	

## **COMPETITION**

### **Rules applicable to enterprises**

#### **First hearing in two cartel cases**

15. The fifth meeting to examine cases in which there are grounds for a presumption that Article 85 of the Treaty is being infringed was held on 18 and 19 January 1962.

For the first time the Commission invited firms and associations of firms party to two agreements, and other interested firms, to put forward their views on the matters complained of in the presence of government officials from the Member States.

One of these cases concerns a horizontal and vertical cartel which controls the access of domestic customers and of domestic and foreign suppliers to the market by means of a system of admission linked with reciprocal exclusive agreements. The second case concerns an association for the use of quality labels between firms in two Member States, imposing minimum prices.

#### **Arrangements for implementing the first regulation on cartels and dominant positions (Regulation No. 17)**

16. Government experts from the Member States met on 6 March 1962 to study the arrangements to be made by the Commission to bring into operation the first regulation under Articles 85 and 86 of the Treaty (Council Regulation No. 17 of 6 February 1962, published in the official gazette of the European Communities No. 13 of 12 February 1962 and effective from 13 March 1962).

These first implementing measures concern especially the form, content and details of applications for negative clearance and of notifications with a view to a declaration under Article 85(3) of the Treaty, which will be submitted by firms and associations of firms in conformity with Articles 2, 4 and 5 of Regulation No. 17.

The Commission has also prepared a practical guide on the application of Articles 85 and 86 of the Treaty for use by firms.

### **State aids**

17. The Group of government experts on export aids has discussed the opinions expressed in the two working parties instructed to keep existing aids under review as required by Article 93(1). Taking into account the work of the Group for the co-ordination of credit policy, the Group of experts plans to devote special

attention in its coming meetings to measures such as exchange guarantees and guarantees against certain commercial risks.

The system in force in Italy since 1955 (Law 103), providing for a flat-rate refund of customs duties and indirect taxes on certain products exported by the mechanical engineering industry has been amended. The rate of refund on exports to Member States has been reduced by 35 % with effect from 1 January.

18. A multilateral meeting on aids to shipbuilding was held on 1 and 2 February. The matters discussed were :

- a) The Italian Government's programme for reorganizing the Italian shipbuilding industry (by its decision of March 1960 the Commission has made its authorization to continue aid to Italian shipyards until 1964 conditional on the working out of this programme);
- b) Possible changes in the French system of aid to shipbuilding to adapt it to the development of the Common Market;
- c) A plan notified to the Commission by the Federal Republic of Germany to grant credits on favourable terms for the export of ships.

At its meeting on 14 February 1962 the Commission further decided to initiate the formal procedure under Article 93(2) of the Treaty in respect of certain provisions adopted by the regional government of Sicily in favour of shipyards.

19. The French Government has notified the Commission of a draft decree amending the distribution of the proceeds of the semi-fiscal tax on the products of the French paper and paperboard industry. Of the two-thirds of these proceeds which will be used for bonuses to the French paper pulp industry, 15 % in 1962 and 20 % in 1963 will be earmarked for research in this field.

## **SOCIAL AFFAIRS**

### **The European Social Fund**

20. Under the chairmanship of M. Levi Sandri, President of the Social Affairs Group of the EEC Commission, the Committee of the European Social Fund held the first meeting of its 1962 session on 8 February in Brussels. The present economic situation in the Community was discussed with the aim of pinpointing its effect on the labour market and its consequences for the policy of the European Social Fund.

The Committee also examined the question of reviewing certain provisions of Regulation No. 9 on the European Social Fund. It should be recalled that

Article 32 of this Regulation stipulates that within two years of its entry into force the Commission shall consider whether revision is desirable. After a preliminary examination of the question the Committee instructed a working party to prepare a report.

The Commission has adopted a standard application form to be used by the Member States in requesting the aid of the Social Fund for occupational retraining schemes. This form will be published in the official gazette of the Communities.

### **Social security**

#### **Administrative Committee for the social security of migrant workers**

21. The Administrative Committee of EEC for the social security of migrant workers held its 31st meeting in Brussels on 22 and 23 February 1962. The Committee studied the advance draft of an amendment to Regulation No. 3 on the social security of migrant workers, which concerns the payment of family allowances in cases where the family accompanies a breadwinner temporarily working in an EEC country other than his country or normal employment. The Administrative Committee also examined a draft to simplify Article 42 of this Regulation, which deals with certain transfers of family allowances.

The Committee adopted a draft recommendation on the form of medical certificates and reports addressed to social security institutions in another member country. It also modified decision No. 24 on the chairmanship of the Auditing Committee published in official gazette No. 31 of 21 December 1960.

The Administrative Committee further approved the text of the payments agreements under Article 43(d) of Regulation No. 3, concerning refunds between social security institutions in the EEC countries.

#### **Safety at work in agriculture**

22. Following the conclusions of the conference in Rome at the end of September last <sup>(1)</sup> on the social aspects of the common agricultural policy, the EEC Commission organized, on 13 February 1962, a meeting of experts to lay down an order of priority for the study of questions of safety, hygiene and health protection in agriculture.

This meeting was attended by representatives of the member Governments, of the bodies responsible for safety in agricultural work, of employers' and workers'

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<sup>(1)</sup> See Bulletin No. 11/61, Chapter II.

organizations and by representatives of Euratom, ILO and the International Social Security Association (ISSA).

The meeting concluded that before making decisions it was necessary to have a thorough knowledge of the laws and regulations of the member countries on these matters, and requested the Commission to survey the situation.

In the first stage the following subjects will be studied : organization and structure of accident prevention and hygiene in the six Member States; statistical sources and methods; methods of informing workers — in particular foreign workers — about accident risks and prevention, toxic substances; dangerous machines and electrical installations; establishment of minimum standards of labour hygiene (housing, places of work, etc.).

### Common occupational training policy

23. On 1 March 1962 the Economic and Social Committee gave its opinion on the document, submitted by the Commission to the Council in October 1961, laying down general principles for the implementation of a common occupational training policy (1).

On the whole, this opinion is favourable to the Commission's draft and it stresses the importance of the common occupational training policy in the general framework of the Community's economic and social policy.

For its part the Social Committee of the European Parliament has studied the Commission document and adopted a report for submission to the March session of the Parliament. This report discusses the political aspects of the common occupational policy and its social and human impact. The aim of the proposals in this report is to make the common policy as effective as possible and to forestall any difficulties of interpretation in applying its general principles.

### Employment

24. On 20 February the Commission held a meeting in Brussels with professors from the Institute of Economic and Social Research of the University of Louvain. The meeting examined a study made by this Institute on underemployment in Belgium and noted that there was agreement on aims and methods in the analysis of registered unemployment and various forms of underemployment. The meeting also agreed the terms of the contracts to be concluded with the "Groupe de Recherches Productivité" and the "Centrum voor Economische Studien" of the University of Louvain.

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(1) Document published in the Supplement to Bulletin 12/61.

## **Housing**

25. On 1 and 2 February 1962 the Commission convened the private experts instructed to draw up monographs on the financing of low-cost housing in their respective countries. The meeting examined the draft of a collective report on this subject.

The Commission also held on 26 and 27 February in Brussels a meeting on housing policy attended by government experts and representatives of the European Secretariats of the international organizations of employers and workers (The Union of Industries of the European Community, the Committee of Agricultural Organizations, IFCTU, ICFTU).

On the first day the principal statistical data and laws and regulations of 1961 were reviewed, in order to compare experience and assess the present trends and future prospects of housing in the six EEC countries.

The second day was devoted to rural housing. Numerous suggestions for possible action by the Commission were submitted by the government experts and the employers' and workers' organizations.

## **Free movement of workers**

26. In accordance with Article 46(1) of Council Regulation No. 15 on initial measures to promote free movement of workers within the Community, the Commission submitted to the Council, on 28 February 1962, its proposals on future provisions for the free movement of frontier and seasonal workers. These proposals are embodied in a regulation and a directive for each of these categories of workers <sup>(1)</sup>.

Although Article 49 of the Treaty does not say that the Parliament must be consulted on questions relating to the free movement of workers, the Commission expressed the wish that the Council would consult it, as was done for Regulation No. 15.

The proposals in question were worked out by the Commission after hearing the Consultative and Technical Committees set up under Regulation No. 15. These Committees met on 5-6 and 21 February respectively.

On 28 February the Commission also drew up, in pursuance of Article 46(2) of Council Regulation No. 15, and on a proposal of the Technical Committee, a regulation concerning the application of Regulation No. 15 to artistes and musicians. Details of this regulation will be given in the next number of the **Bulletin**.

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(1) Proposals published in the Supplement to Bulletin 12/61.



## **Exchanges of young workers**

27. In pursuance of Article 50 of the Treaty, the Commission has submitted to the Council a proposal for a joint programme of measures to encourage the exchange of young workers within the Community.

The Commission felt that action in this field was advisable in order to expand the present exchange schemes which provide only for a limited number of young workers.

The Commission's document provides for the harmonization and simplification of the present arrangements in the six countries for young workers following short training courses. It also proposes that the Member States should watch over the conduct of such courses and do everything possible to ensure that their occupational, cultural and social aims are attained.

There would also be close collaboration between the Member States and the EEC Commission to stimulate trainee exchanges.

The proposal provides for :

- a) The establishment, where they do not already exist, of national advisory committees to assist the authorities responsible for the exchange of young workers;
- b) Improvements in the organization of the responsible services and the collection and regular publication of data on these activities.

Furthermore, it is proposed that the Community should provide financial support, over and above that from the Member States, so as to make more grants available for training periods on reduced pay or without pay, to assist bodies caring for the material and moral well-being of trainees, and to allow the necessary work of publicity and information to be carried out.

The measures envisaged in the Commission's proposal are only a first step in implementing Article 50 of the Treaty of Rome, and the Commission intends to broaden them later in the light of the lessons learned and with due regard to the needs of other young workers as well as trainees.

## **AGRICULTURE**

### **The co-ordination of policies on agricultural structure**

28. After the Council in January last had made a series of regulations for the implementation of the common market policy the Commission took the initiative of launching common action in matters of policy to improve agricultural structures.

In February it submitted to the Council a first proposal for this purpose — a draft decision on the co-ordination of agricultural structure policies <sup>(1)</sup>. The Council has referred this draft to the European Parliament for its opinion and meanwhile has instructed its Special Committee for Agriculture to study it.

The draft proposes the following arrangements for co-ordination :

- a) A permanent “ Structures ” Committee to ensure close co-operation with the Member States and discuss national structure policies and measures and programmes planned by Member States to improve agricultural structures. This committee would also be responsible for mutual information in the field of agricultural structures and would consist of a delegate from each Member State and two delegates from the Commission, one of whom would be chairman;
- b) The submission to the Council of an annual report on structures making a survey of the situation and describing the nature and scope of measures to improve structures, action to co-ordinate structural policies and the results achieved at Community level;
- c) The submission to the Council, on the basis of the “ structures ” report and other information, of proposals under Article 43 of the Treaty to intensify technical and financial measures for the improvement of structures and the co-ordination of the structural policies of Member States.

This co-ordination will also be aided by :

- i) An inventory of the means and measures applied, kept by the Commission from information supplied by the member Governments;
- ii) The transmission to the Commission in good time of the drafts of long-term regional measures or programmes for action on agricultural structures, so that the Commission may give an opinion on them;
- iii) The establishment of a “ Structures ” advisory committee consisting of representatives of the interested trade organizations at Community level.

The farmers’ and farm-workers’ organizations have been informed of this draft decision.

The Commission is also working on the organizational details of the “ European Fund for the improvement of agricultural structures ” whose establishment it has announced. The task of this Fund will be to support and expedite the endeavours

of the Member States to improve agricultural structures by granting Community financial aid on certain conditions.

### **The implementation of Council regulations**

29. The present work of the Community institutions in the agricultural sphere is mainly concerned with measures for the implementation of the regulations on the common organization of the various markets.

The first task is to finalize in the four Community languages the decisions taken by the Council on 14 January last. These will probably be published in the official gazette early in April.

Next there are a number of decisions pursuant to the regulations for individual products which must be taken and put into effect before 1 July 1962.

The regulations provide that the Council shall, on a proposal from the Commission, make 19 implementing decisions, 7 of them in respect of grain and 6 of pigmeat. The Commission is also instructed to make 43 implementing decisions, many of them after duly consulting the different Management Committees.

As regards the decisions which the Council is called upon to take, a first proposal has already been submitted concerning the determination of the upper and lower limits of the target prices to be fixed by the Member States for the marketing year 1962/1963.

The establishment of the Management Committees has, moreover, been discussed informally between the Commission and the Special Committee for Agriculture. The Commission intimated that it intends shortly to set up a number of advisory committees through which it can learn the views of the trade organizations at EEC level on the chief measures for organizing the different markets.

### **Harmonization of law**

30. In close collaboration with the government experts the Commission has continued work on the harmonization of law in the agricultural sphere. It has turned its attention to veterinary legislation since, in connection with the agricultural decisions of 14 January 1962, the Council requested it to submit proposals on this matter before 1 July next.

Finally, the Commission is working out regulations on dairy produce, beef and veal and rice; these are to be submitted to the Council before 1 May next so that they may be approved in July 1962.

## **TRANSPORT**

### **The common transport policy**

31. The Council devoted its 62nd session (27 February 1962) to the examination of transport questions and continued its discussion of the Commission's Memorandum on the general lines of a common transport policy. It approved the essential points of the reports submitted to it by the Committee of Permanent Representatives.

The Council invited the Commission :

a) To work out in conjunction with the government experts, and in the light of the discussions which had taken place, general proposals for the implementation of a common transport policy.

b) To submit to it by 25 May 1962 a comprehensive and balanced programme, with a time-table for action concerning the three types of transport, going as far as was practicable having regard to the concordance of views so far attained.

32. The European Parliament and the Economic and Social Committee have also debated transport questions.

On 20 February 1962 the Parliament studied the draft directive on the establishment of common rules governing international goods traffic by road, submitted by the Commission to the Council <sup>(1)</sup> and referred by the latter to the Parliament for its opinion. <sup>(2)</sup> The Parliament adopted the report presented by M. Bech on behalf of its Transport Committee. This report broadly approves the Commission's proposal, subject to certain amendments which aim in particular at an early liberalization of transit traffic within the Community.

On 28 February 1962 the Economic and Social Committee rendered its opinion on the Commission's memorandum on the general lines of a common transport policy.

The Committee's opinion emphasized the importance of the problems discussed in the memorandum.

The Committee expressed the general view that the timing of the common transport policy should take account of the accelerated implementation of the Treaty. It also stressed the need to harmonize the transport policies of ECSC and EEC and to level in an upward direction the social conditions of transport workers.

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(1) Published in the Supplement to Bulletin 12/61.

(2) See below Chap. IV, A.

The Committee came to no conclusion as to whether the general rules of the Treaty were applicable to transport.

As for competition, the Committee considered that a more competitive system than the present one was desirable, provided social interests were safeguarded.

#### **Transport Committee (Article 83 of the Treaty)**

33. In preparation for the meeting which the Consultative Committee on Transport is to hold in March, Working Parties I and III of the Committee met on 7, 8 and 9 February. Working Party I, which deals with road transport for hire or reward, continued the examination of certain questions connected with the establishment, in conformity with Article 75(1a) of the Treaty, of common rules for international goods transport by road. As required by Article 75(1b), Working Party III studied the problems involved in the admission of non-resident carriers to national transport services in a Member State.

#### **Abolition of discrimination**

34. The French Government has informed the Commission of the arrangements it has made to abolish discriminatory transport rates and conditions in pursuance of Article 5 of Regulations No. 11 on this matter.

The Belgian Government has consulted the Commission on a "draft law on measures for the implementation of treaties and international instruments in the transport field" and on a "draft royal decree concerning the application of Regulation No. 11 to transport of goods by inland waterway".

#### **Support rates**

35. On 7 February the Commission took certain decisions in the light of Article 80 concerning the special tariffs applied by the Italian railways to promote the development of Southern Italy and the Islands (Sardinia and Sicily).

The following special tariffs were authorized :

No. 201 (fruit, vegetables and other perishables),

No. 208 (hay and straw),

No. 209, Series B (small boards for packing),

No. 219 firewood). Point 7 of the appendix to the tariff schedule of the Italian State Railways (development of industrialization in Southern Italy) was also

authorized. The Commission reserved the right to review its decision if the authorization should cease to be justified. In particular the decision concerning tariff 201 will be amended or rescinded if the Commission finds, *ex officio* or following an application from a Member State, that its maintenance is not justified, especially in view of the effects of the regulation for the gradual establishment of a common market organization for fruit and vegetables.

Special tariffs Nos. 202 (cattle transport within Sardinia), 210 (cork within Sardinia) and 218 (asphalt within Sicily or Sardinia) were authorized until 31 December 1965.

### **Infrastructure costs**

36. The Working Party on railway infrastructure costs set up by the committee of government experts assisting the Commission in the study of transport costs held its second meeting on 22 and 23 February in Brussels. The Working Party discussed the problem involved in classifying infrastructures for purposes of determining total infrastructure costs.

An arrangement proposed by the Commission was adopted; it allows the national delegations considerable freedom to take account of the special characteristics of the railway systems in their respective countries. The Working Party will then co-ordinate the studies of the different delegations, examining the methods employed and the results obtained.

The proposals thus worked out will be submitted for approval to the relevant sub-committee, which will meet towards the end of April.

## **OVERSEAS DEVELOPMENT**

### **Negotiations for the renewal of the Association Convention**

37. The negotiations for the renewal of the Association Convention between the African States and Madagascar and the European Economic Community are continuing. The Commission's staff are taking part in the meetings of the different working parties and sub-groups, which began on 12 February.

The Working Party on trade questions has held two meetings and begun the study of the trends of trade in and disposal of about 20 tropical products. On the basis of statistical data the group has already agreed upon an approach to concrete solutions in a co-operative spirit and concern for objectivity which are shared by the representatives of the Six and of the associated States.

The Working Party on financial and technical co-operation has held three meetings at which it has discussed questions relating to the Development Fund, measures to facilitate private financing, the financial consequences of the trading system, and technical assistance (in particular the training of staff).

The Working Party has studied the present activities of the Fund in order to draw lessons for its future operations. With the aim of diversifying the Fund's activities under the new association system, it has studied possibilities of intervention by means other than outright gifts — so far the only method — such as loans and guarantees. It devoted particular attention to the question of co-operation with the development banks.

As regards measures to facilitate recourse to private financing, the investment codes already in force in nine associated States were communicated to the Working Party.

The Working Party on institutional and administrative problems will take up its functions only after the second meeting at ministerial level, which is fixed for mid-April.

A third meeting of Ministers will take place in the middle of 1962 so as to avoid any break in the association relationship at the end of the year, which is not desired by any of the parties concerned.

The Association Committee and the three Working Parties are organized with a view to the fullest co-operation on a footing of complete equality between the Six and the associated States.

The Member State which is in the chair at the Council presides over the Association Committee, while the rapporteur, who replaces the chairman if he is unable to attend, represents all the African States and Madagascar (the present rapporteur is the Ambassador of Senegal).

The Working Party will be presided over alternately by a representative of an associated State and by a delegate of the Member State in the chair at the Council. In addition, under a system of alternating chairmanship the associated States will preside in the Association Committee from the second phase of the negotiations (April 1962) onwards, while the function of rapporteur will devolve on the Commission as mouthpiece of the Six in the Working Parties.

## **Trade**

38. On 1 January 1962 the Member States applied the third internal reduction of customs duties to imports from the associated States and territories.

The percentages of reduction on imports of products from the associated States into the six countries were at 1 January 1962 as follows : 40 % for non-agricultural products; 35 % for non-liberalized agricultural products; 30 % for liberalized agricultural products.

The two protocols on imports of bananas into Germany and unroasted coffee into Italy and Benelux also came into force on 1 January 1962. In conformity with Article 15 of the Treaty the Commission granted several Member States tariff quotas in respect of certain products (in particular tropical woods and tea) after consulting the associated States.

Three associated States (Ivory Coast, Dahomey and Niger) have independently made a further reduction of 10 % in their import duties in favour of the Community.

A 10 or 15 % quota was opened on 1 January 1962, under Article 33(1 and 2) of the Treaty, for tropical products from the associated States. These measures concern only exports to France from associated States outside the franc area. France is the only Member State which has quantitative restrictions on imports of tropical products, restrictions which are not applicable to the associated States of the franc area.

Apart from tropical products, there remains the problem of agricultural products such as sugar and rice exported by some associated States and subject to a market organization in EEC Member States. So far no quotas for these products have been opened in favour of the associated States and territories, this question is linked with the introduction of the Council's regulations and decisions on the common agricultural policy.

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

39. On 20 and 21 February the EEC Commission arranged a meeting in Brussels of the heads of the organizations in each of the six countries which plan and administer the EEC scholarship scheme for nationals of the developing countries.

The meeting compared the lessons learned by those responsible for the scheme in the different European countries in the first six months of operation. The main lines of the Commission's future action in this field were sketched out, and problems of the administration of the present programme of scholarships were discussed as well as questions relating to a scheme for rapid training courses.

A rapid training course for a group of 50 students from the Institut des Hautes Etudes d'Outre-Mer in Paris took place simultaneously in Brussels and Amsterdam in February.



## **European Development Fund**

### *SOCIAL PROJECTS*

40. In February 1962 the Commission approved the financing by the European Development Fund of the following social projects:

#### **In the Central African Republic:**

The construction and partial equipment of

- a) School buildings (classrooms and boarding accommodation),
- b) Living quarters for teachers,
- c) a model farm,

for the Central African Institute of Agriculture (Institut d'études agronomiques d'Afrique centrale). The cost of this work is estimated at 305 millions Frs. CFA (approximately 1 236 000 units of account). The Institute will train agricultural supervisory personnel of the medium and higher grades.

#### **In the Republic of Ivory Coast:**

The construction and equipment of an institute for scientific research and biological diagnosis, with a provisional commitment of 260 million Frs. CFA (approximately 1 053 000 units of account). Two buildings are to be erected. One is for the central clinical laboratory of the Abidjan University Hospital and the other for medical and biological research.

The two together will make up the Institut Pasteur of the Ivory Coast. The Institut Pasteur in Paris is prepared to accept the scientific responsibility for this establishment and to supply the necessary research workers.

#### **In the Republic of Senegal:**

A four-point scheme :

- a) The establishment of two agricultural advisory centres;
- b) The establishment of ten agricultural development centres;
- c) The transformation of the Djibelor fruit-growing station into an experimental station for rice-growing;
- d) The building of fourteen sheds for processing the "Metœora" fish.

The total provisional commitment is 434 million Frs. CFA (approximately 1 758 000 units of account).

In the Republic of Madagascar:

- a) The building of six continuation schools with boarding establishment in the following centres : Betroka, Antanimena (no boarding), Fandriana, Mahanoro, Maevatanana and Manakara;
- b) The building of a lycée at Tananarive;
- c) The building of a teacher's training college (200 boarders) at Arivonimamo;
- d) Supply of the equipment and furnishing for these schools.

The total cost of the project is 254 million Frs. CFA, or about 1 029 000 units of account.

The aims are :

- a) To cater for the increasing number of pupils entering secondary schools;
- b) To remedy the scarcity of medium grade supervisory staff in both the private and public sectors;
- c) To raise the level of general culture;
- d) To narrow the disparities in school attendance in the various regions of the country.

In the Republic of Togo:

The building and equipment of a National Agricultural College at Palimé, with a provisional commitment of 156 million Frs. CFA (632 000 units of account). The Government of Togo is aiming to produce more and better qualified agricultural specialists with the object of expanding agricultural production in the near future.

*ECONOMIC PROJECTS*

41. In the same month the Commission approved the financing by the European Development Fund of the following economic projects :

In the Republic of Cameroun:

The improvement of the section from N'Gaoundere to Mayo Bocki of the N'Gaoundere-Garoua road (asphalting of the N'Gaoundere cliff-road, improvements to lay-out and widening). This is the only through road between North Cameroun and the South of the country; it is thus of special importance. The work planned will lower costs per ton/km. The estimated expenditure is 670 million Frs. CFA, or about 2 174 000 units of account.

In the Republic of Congo (Brazzaville):

Metalling and asphaltting of an unmade 35 km stretch of the Brazzaville-Kinkala road (eastern end of the Brazzaville-Pointe-Noire highway). The road serves an area that is relatively densely populated and is the principal source of the capital's food. This work will reduce costs per ton/km by about 20 %. The estimated expenditure is 230 million Frs. CFA, or about 932 000 units of account.

In the Territory of Rwanda-Burundi:

The development of the Mayaga area by the establishment of a group of "paysannats" (farming co-operatives). Credits required, including social services and health facilities, total 25 026 000 Frs. RB, or about 501 000 units of account.

Operations in connection with the establishment of the "paysannats" include laying of roads; demarcation and distribution of plots; settlement aid for farmers: clearing of land; anti-erosion work; building materials for housing; supply of seeds, etc.; laying out of cattle tracks; reforestation; social equipment: schools, dispensaries, veterinary centres, etc.; establishment of agricultural advisory services. The scheme will have favourable effects in all sectors of the country's economy.

In the Department of Martinique:

The construction of the Lamentin-Robert-Trinité road for a commitment of 10 million NF (about 2 025 000 units of account). The scheme is for the construction of a 16 ½ kilometre road which will be the final link in a North-South highway linking Fort-de-France with the Atlantic coast, where half the island's population live and agricultural production is particularly flourishing.

*SIGNATURE OF FINANCING AGREEMENTS*

42. During the same period the following financing agreement were signed:

a) An agreement with the French Republic to finance five social projects and two economic projects in Algeria to a total amount of 87 295 000 NF (about 17 680 000 u.a.);

b) An agreement with the Republic of Mali to finance two social projects to a total of 177 000 000 Frs. CFA (about 717 000 u.a.);

c) An agreement with the Territory of Rwanda-Burundi to finance one economic project and one social project to a total amount of 56 010 000 Frs. RB (about 1 120 000 u.a.).

## OPERATIONS OF THE EUROPEAN DEVELOPMENT FUND

Financing approved - situation on 28 February 1962

(in thousand units of account)

Country or territory	No. of projects	Amount
Congo (Leopoldville)	8	9 384
Rwanda-Burundi	14	4 558
Total	22	13 942
Cameroun	19	33 736
Central African Republic	15	9 654
Comores	5	2 069
Congo (Brazzaville)	12	13 502
Ivory Coast	15	24 621
French Somali Coast	1	742
Dahomey	11	8 389
Gabon	9	8 058
Upper Volta	8	14 806
Madagascar	25	27 401
Mali	18	15 092
Mauritania	7	9 780
Niger	4	13 052
New Caledonia	4	273
Polynesia	1	2 474
Senegal	11	17 379
Chad	10	11 851
Togo	13	10 041
Réunion	3	1 682
Martinique	2	4 567
Guadeloupe	2	970
Algeria	7	17 680
Sahara	1	316
Group of States	1	1 972
Total	204	250 107
Somali Republic	4	4 760
Netherlands New Guinea	6	12 487
Grand total	236	281 296

## **ADMINISTRATIVE AFFAIRS**

### **Budget matters**

Transfers of appropriations within the operational budget of the European Parliament for the financial year 1961

43. At its 61st session on 5 and 6 February the Council of Ministers of EEC approved the transfer of appropriations within its operational budget for 1961 proposed by the European Parliament. This transfer was requested in order to cover the expenditure incurred by the Parliament in organizing the conference of European, African and Malagasy parliamentarians.

Transfers of appropriations between articles of the Council of Ministers section of the 1961 EEC budget

44. At the same meeting the Council also approved transfers between chapters of the section of the 1961 EEC budget concerning the Council of Ministers. These transfers were necessitated by the supplementary expenditure occasioned by the important Council meeting in December 1961.

Discharge in respect of the implementation of the 1959 budget

45. The Council gave the Commission a discharge in respect of the implementation of the budget for the financial year 1959. This decision will be published in the official gazette of the European Communities.

Accounts, balance-sheets and reports of the Committee of Control concerning the budget years 1958 and 1959

46. In pursuance of Article 206 of the Treaty, the Commission transmitted to the European Parliament the accounts and balance sheets of EEC for the financial years 1958 and 1959. At its plenary session from 22 to 25 January 1962 the Parliament examined these documents and the reports of the Committee of Control relating to these two financial years.

## **Changes in the staff of the Commission**

### **A p p o i n t m e n t s**

47. On 5 July 1961 M. Jacques Ferrandi, Head of the Private Office of M. Lemaigen (a member of the Commission until 10 January 1962) was appointed Director of Research and Development Programmes in the Directorate General for Overseas Development. He relinquished his position as Head of the Private Office on 22 January 1962 to take up his new functions.

On 31 January 1962 M. A. Ries was appointed Deputy Head of the Private Office of M. Schaus, a member of the Commission. M. Ries took up his duties on 15 February 1962.

### **R e s i g n a t i o n s**

48. M. G. Perotti, Head of the Social Fund Division in the Social Fund and Occupational Training Directorate of the Directorate General for Social Affairs, resigned on 31 December 1961.

M. E. Tosco, Head of the Regional Development Division of the Directorate of Economic Structure and Development in the Directorate General for Economic and Financial Affairs presented his resignation and left the service of the Commission on 31 January 1962.

## IV. Institutions and organs

### A. THE PARLIAMENT

The session of the European Parliament which had been adjourned on 25 January 1962 (1) was resumed on 20 February and continued until 22 February 1962.

In his opening speech President Furler paid tribute to the victims of the recent disasters in the Federal Republic of Germany; he said that the Parliament and the peoples of the European Economic Community shared in the sufferings of those afflicted by the tragedy of Luisenthal or the floods in North Germany.

M. Malvestiti, the President of the High Authority of the ECSC, associated himself with the President's remarks and in particular paid tribute to the Saar miners who had lost their lives in the colliery disaster.

The President of the Parliament announced that he had received from the Councils a decision giving discharge to the Commissions for the administration of the EEC budget for the operations of the European Development Fund and for the administration of the operational and research budget for the financial year 1959.

The Parliament then heard a statement by M. Chatenet, who gave an outline of the research and training programmes of Euratom which will shortly be submitted to the Councils.

#### *The economic situation of the EEC*

On behalf of the Economic and Financial Committee M. Kapteyn presented the reply to the Commission's survey of the economic situation in the EEC during 1961 and the outlook for 1962.

The speaker pointed to the urgent need for a common economic policy complementary to the national policies in this field. The progressive establishment of the Common Market means that every Member State had become more vulnerable and that the economic situation in each Member States was more sensitive to the influence of the situation in the others. This vulnerability would increase with the accession of new members or associates. M. Kapteyn regretted that the Treaty made no mention of a "common short-term economic policy". Such a policy was nevertheless indispensable. The economic situation in the Community

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(1) See Bulletin No. 3/62.

was favourable, but any expansion carried within it the germs of a recession and therefore necessitated a constant watch over the economy. What was needed was an accurate diagnosis of the economic situation and plans for effective remedial measures as well as care to ensure that long-term economic policy would forestall the effects of short-term fluctuations.

M. Kapteyn added that the Commission had made considerable progress in the field of economic diagnosis : the systems of direct inquiry into business prospects, the proposed national economic forecasts, and the study of measures to meet a recession caused by economic factors outside the Community — all these were real gains. But though the Commission might be equipped to make a diagnosis, the same could not be said of its methods of therapy. The Commission should have some clear view on how foreign trade policy and regional development policy could be used to buttress short-term economic policy.

The Commission should also say how far it was possible to draw on untapped reserves of labour. A further reason for consolidating the Community's internal economic policy was that present efforts towards a greater liberalization of world trade might make the Community more susceptible to fluctuations on the world market.

After commenting point by point on M. Marjolin's report, M. Kapteyn said that on the whole he shared the optimism it expressed. He stressed the need for more precise information on the nature of certain inflationary tendencies which were becoming apparent and might, where investments were concerned, be detrimental to the developing countries and in the long run to Europe itself.

M. Kapteyn also felt some concern with regard to the causes of certain price increases and suggested that the Commission might submit a study on the wages policy of the various Member States.

The ensuing debate, in which the speakers were M. Van Campen (Netherlands : Christian Democrat Group), M. Kreyssig (Germany : Socialist Group), M. Sabatini (Italy : Social Democrat Group), M. Deist (Germany : Socialist Group), M. Lücker (Germany : Christian Democrat Group), and M. Marjolin, a Vice-President of the Commission, brought out a common concern for the application at Community level of means to counter a possible recession. Domestic measures which were now out-dated by the advance of integration must be replaced by a short-term economic policy of the Community. Though there was no reason to fear a crisis comparable to that of the thirties, it was necessary to be forearmed against a certain slow-down of economic activity and to prepare a strategy to meet it.

Some speakers suggested that long-term forecasts made by the Commission would be useful; they should cover production, fluctuations in the national incomes and developments in the balance-of-payments situation.



Social policy also came in for some comment. A call was made for an overall policy in this field, worked out with the help of both sides of industry. As to wage increases being tied to a gain in productivity, some Socialist speakers said that to peg wages in this way would perpetuate the present distribution of the national wealth, which was not equitable.

Replying to the debate, M. Marjolin said he sympathized with the preoccupations of M. Kapteyn and other speakers : the economic interdependence of the Member States was growing and they must adapt themselves to the process.

Turning to the Commission's appreciation of the upward trend of prices and of the economic policy to be followed M. Marjolin explained the Commission's views, which he summed up in four points :

Pressure of demand on production capacity in the Community was still heavy; the underlying cause was the shortage of skilled labour, and sometimes labour in general.

Secondly, this pressure did not, however, justify monetary or budgetary measures of an inflationary character : the Commission was afraid that such measures might overheat the economy.

Thirdly, the Commission felt that the principal remedy for the present discrepancy between supply and demand was to be found in a more liberal import policy, while at the same time each country must give a high priority to a vigorous policy of occupational training so as to mobilize fully the labour potential of the Community.

Lastly, wage demands and pressure on prices were almost inevitable, even if demand did not exceed production capacity; the situation called for permanent consultation between governments and both sides of industry so as to determine the limits within which the increase of incomes must be contained in order to avoid an inflation from which all would suffer.

Referring to points raised by various speakers, M. Marjolin added that the recent devaluation (or revaluation) certainly influenced the internal level of prices. But there were other factors to be taken into account, especially the external balance-of-payments situation. It could be said that the two countries where there had been a devaluation or a revaluation of currency had, on the whole, maintained their equilibrium.

As to the danger of an economic slow-down, M. Marjolin confirmed the Commission's opinion that it would be a mistake to adopt restrictive monetary or budgetary measures at this stage. In conclusion, he said that it would be wrong for the Commission to try to intervene in the internal economic, financial or social affairs of the member countries where they had no direct bearing on the aims of the Treaty of Rome.

After further remarks by M. Kapteyn, the Parliament adopted a resolution, with amendments proposed by MM. Vredeling, Jarrosson and Lückner, on the Commission's report on the economic situation in the EEC and the outlook for 1962 (1).

### *Energy policy*

The Parliament continued its energy policy debate which had been adjourned on 24 January (2), with a view to adopting a draft resolution submitted by the Energy Committee.

The debate was lengthy, being largely concerned with some thirty amendments put forward mainly by Italian members.

M. Leemans (Belgium : Social Democrat Group) presented his second supplementary report on the co-ordination of energy policies.

Many members spoke on the matter of procedure or to uphold the amendments submitted.

Speaking on behalf of the Socialist group, M. Posthumus (Netherlands) admitted the importance of the work done by the Inter-Executive Working Party on Energy, but said that they had not yet achieved any concrete result. The Socialist group agreed with the measures of commercial policy proposed regarding rules for competition, the harmonization of regulations, the conversion of industry, and the retraining of miners stood off as a result of reorganization in the collieries.

M. Poher (France : Christian Democrat Group) said that he would support the majority because they had given the impression of having made an effort at conciliation.

M. Burgbacher (Germany : Christian Democrat Group), chairman of the Energy Committee, said that every effort had been made to reconcile conflicting views (protection for Community coal as against the total liberalization of sources of energy), and he proposed, by agreement with the rapporteur, that all the amendments be rejected.

M. Bousch (France) expressed the opinion of the majority of the Liberal Group when he spoke in favour of the draft resolution which, though it was far from perfect, represented a compromise between various and sometimes contradictory views. He stressed the need for a co-ordinated energy policy in view of "difficulties" which were reflected in the loss of some 145 000 miners in three years and the closing of 100 pits. Industries which were large consumers of

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(1) For text of resolution see Annex.

(2) See Bulletin No. 3/62.

energy and users of steel should be in a position to make their plans in full knowledge of the facts. It was in a spirit of conciliation and because an imperfect resolution was better than a continuance of the present uncertainty that the Liberal group was prepared to vote for it.

A counter-proposal submitted by Italian members rejected any mechanism to protect energy production by quotas, tariff measures or consumer taxes and suggested subsidies as the only means of protection.

This counter-proposal was not discussed.

All the amendments submitted were either rejected or withdrawn. The resolution submitted by M. Leemans was adopted; with the exception of M. Sabatini the Italian deputies of all parties voted against it.

### *Association with Greece*

President Furler gave an account of the visit he had paid to Athens from 5 to 8 February 1962 at the invitation of the Greek Government.

M. Furler said he had been impressed by the pace of economic development in Greece; he thought its full membership in the Community should be possible even before the 22-year transition period stipulated in the association agreement had expired. He also spoke of the interest shown by the Greek Parliament in the question of European political union and suggested that Greek parliamentarians might take part in some of the proceedings of the European Parliament.

### *Procedure for the examination of the General Reports of the activities of the Communities*

The Parliament adopted a resolution presented by M. Poher on behalf of the Christian Democrat Group, M. Van Dijck on behalf of the Liberal Group and M. Birkelbach on behalf of the Socialist Group concerning the examination of the General Reports on the activities of the three Communities (1).

### *International road transport*

On 22 February the Parliament adopted a report by M. Bech, presented on behalf of the Committee on Transport, in reply to the Council's request for an opinion on the proposed directives for the establishment of certain common rules for international road transport. M. Bech said that this directive was the first practical step towards the introduction of a transport policy as provided for in the Treaty. The common rules must help to solve the problems of quotas and the

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(1) For text of resolution see Annex.

directive submitted aimed to bring about a first relaxation of national restrictions on the number of carriers.

A more elastic handling of quotas in international transport must soon be followed by a corresponding relaxation in inland transport, but that would only be possible when the policies of the Member States could be brought into line. M. Bech added that it was necessary, if the relaxation of quantitative restrictions in international transport were to have its full effect, to go ahead immediately with a first alignment of laws and regulations in the Member States.

A short discussion ensued in which the speakers were MM. Rademacher (Germany: Liberal Group), Battistini (Italy: Social Democrat Group), Drouot-Lhermine (France: Liberal Group) and Lambert Schaus, a member of the Commission. M. Schaus confirmed that in the Commission's view the first steps to implement Article 75(1) should be taken without waiting for the common transport policy to take effect. International transport for own account, which was already liberalized in five of the Member States, could soon be freed from all quantitative restrictions and licenses. Referring to an amendment concerning the liberalization of transit traffic, M. Schaus said that the Commission accepted this in principle but after consulting its Transport Committee (Article 83) felt that transit traffic should not be included in the present directive since this was a question which affected competition. M. Schaus then turned to the other amendments submitted with which he was in broad agreement subject to certain reservations as to the time-limits set for the Member States to inform the Commission of the measures they had taken.

The Parliament adopted the opinion proposed by its Committee on Transport, including a mirror amendment presented by M. Drouot-Lhermine.

The opinion recommends, *inter alia*, that each of the Member States should liberalize, at latest by the end of 1962, all transit traffic crossing its territory to or from another Member State (new article 1 a).

The opinion further proposes with regard to transport for own account that quota and licencing systems should be abolished at latest by the end of 1962. The Member States should inform the Commission of measures taken to implement the directive at latest three months after its entry into force and at any rate before the time-limit fixed in it for liberalization.

#### *European identity card*

On behalf of the Legal Committee M. Drouot-Lhermine (France: Liberal Group) presented a report on the introduction of a European identity card for nationals of the six countries.

He explained the advantages of such a document : apart from its European significance, it would be less costly than a passport, and valid for a longer period; it would be a convenient identification document for purposes of manpower mobility and would have a considerable moral effect.

After speeches from M. Fischbach (Luxembourg : Christian Democrat Group) and M. Kapteyn (Netherlands : Socialist Group) the Parliament adopted a resolution urging the Governments of the six Member States from now on to issue uniform identity cards for all their nationals.

*Recommendation adopted by Joint Standing Committee at Abidjan*

After an intervention by M. Battista, M. Moro (Italy : Christian Democrat Group), speaking on behalf of the Committee on co-operation with developing countries, introduced his report on the recommendations of the Joint Standing Committee (which met in Abidjan on 10 January 1962) set up by the Strasbourg Conference of the European Parliament with the Parliaments of the African States and Madagascar.

M. Battista urged the need for a second meeting of the Conference during this year, even before a new convention was signed with the Associated African States and Madagascar. He was followed by MM. Moro and Vals (France : Socialist Group), Peyrefitte (France : Liberal Group), Margulies (Germany : Liberal Group), Pedini (Italy : Christian Democrat Group) and Rubinacci (Italy : Christian Democrat Group). They expressed their disappointment at the final communiqué of the inter-governmental conference of 6 and 7 December last, which did not confirm the advantages obtained by the African territories at the time when the Treaty of Rome was signed.

Referring to the present negotiations for the renewal of the Association Convention the speakers unanimously deplored the slowness of the work and said that the practical problems must now be taken in hand rapidly. M. Peyrefitte voiced this disappointment of the African parliamentarians in four matters.

The first was the question of equivalent benefits; here a certain difference seemed to emerge on the interpretation of this principle as between the Governments of the Six and by the Associated States.

The second point was the future of the Development Fund; certain African countries wondered whether the Ministers intended to phase over seven years the same amount of financial assistance which has so far been given over five years. The third point concerned preferential measures; despite protests by the Parliament, there seemed to be no intention of abolishing or even reducing the excise duties in certain Member States; the final act of the Paris Conference did not even mention them.

Lastly, that document made no reference to Part Four of the Treaty, giving the impression that it had lapsed; the Africans might conclude that as a result of the African countries having gained independence, certain governments no longer considered themselves bound by the Treaty.

Replying, M. Rochereau, a member of the Commission, endeavoured to reassure Parliament. While not denying the difficulties stemming from fundamental differences of thought on the permanent links which should be established by the new Association Convention, M. Rochereau felt there were grounds for cautious optimism in view of the real, if belated, start made by the Working Parties and in bearing in mind the recent contacts he had had at government level. M. Rochereau did not disguise the fact that preferences and the endowment of the Fund were causing difficulties, but these were normal. A Community-wide solution was about to be found for the problem. As to the equivalence of benefits he said that the new Association Convention must be considered as a whole and that the level of preferences, stabilization of prices, investments and financial and technical co-operation must all be taken into account.

The equivalence of benefits would be assessed on a broad view of the position; if, at a given level of preference, they made certain concessions in the common external tariff, they could expect something in return in another field.

M. Rochereau informed the Parliament of the Commission's decision to hold periodical meetings with the ambassadors of the African States and of Madagascar accredited to the EEC in order to examine thoroughly various aspects of the problems which might arise in the future system of association. In conclusion, M. Rochereau assured the Parliament that matters were progressing in the desired direction; the starting positions of the Member States were being brought closer together and the interests of the associated African States and Madagascar would be safeguarded.

#### *The social situation in the Community*

M. Vredeling presented on behalf of the Social Committee a reply to the EEC Commission's report on the social situation in the Community in 1960.

M. Levi Sandri, a member of the Commission, said that the Commission was anxious to solve the unemployment problem, not only by ensuring the free movement of workers but also by creating employment in the areas where they lived. He also informed the Parliament that, in co-operation with the other two European Communities a conference would be held in December, to study more thoroughly some of the problems arising in the harmonization of social security systems in the six member countries.

### *Common policy for rice*

On behalf of the Committee on Agriculture M. Sabatini (Italy : Christian Democrat Group) introduced M. Graziosi's report on the Commission's proposals for a common policy in the rice sector.

The following spoke in the ensuing discussion : MM. De Block (Belgium : Socialist Group), Richarts (Germany : Christian Democrat Group), Rubinacci (Italy : Christian Democrat Group) and Sabatini; also M. Rochereau, speaking on behalf of M. Mansholt who was unable to attend.

M. Rochereau said that the Commission agreed with the resolution and with the amendment which amplified it. He drew the Parliament's attention to the question of fixing intervention prices when there were two grades of rice.

The Parliament adopted the amended resolution <sup>(1)</sup>.

President Furler declared the session adjourned to 27 March 1962.

## **B. THE COUNCIL**

The Council held its 62nd session on 27 February 1962 under the chairmanship of M. Robert Buron, French Minister of Public Works and Transport.

During this session, which dealt with various matters of transport, the Council continues its discussion of the Memorandum on the general lines of a common transport policy. It approved in principle the reports submitted to it on this subject <sup>(2)</sup> and decided to request the Commission to submit comprehensive proposals for the three modes of transport in the light of the discussions and their results.

For 25 May 1962 the Commission will draw up an overall balanced programme, accompanied by a time-table which the Council will examine at its June and July sessions.

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

### *Case decided*

On 27 February 1962 the Court of Justice rendered its decision in the case of the Italian customs duty on radio receiving valves. It found that the Italian

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<sup>(1)</sup> For text of resolution see Annex.

<sup>(2)</sup> See this Bulletin, Chapter III, sec. 31.

Government had failed to fulfil its obligations under Article 12 and Article 14(1) of the Treaty, in that after the entry into force of the Treaty it had applied the minimum specific duty of 150 lire on radio valves imported from other Member States where the customs value of such valves was 428 lire or less, and had taken this as the basic duty for calculating the successive reductions in trade with other Member States. Costs were awarded against the Italian Government.

The decision entirely upholds the contention of the Commission. In giving the reasons for the decision, the Court of Justice confirmed the following principles, which are of general application.

1. The customs duties which, under Article 12 of the Treaty, may not be increased and which are to serve as a basis for the successive reductions of customs duties amongst Member States are those effectively applied on 1 January 1958 or on 1 January 1957. In these circumstances it is of little consequence whether the administrative order by virtue of which they were applied was properly issued or not.
2. The rights and obligations flowing from agreements concluded between a Member State and a non-member country, before the entry into force of the Treaty, and which under the first paragraph of Article 234 of the Treaty are not affected by the provisions thereof, are the rights of the non-member country and the obligations of the Member State. On the other hand, any rights of a Member State under such an agreement are subject to the principle of international law according to which a State assuming a new obligation which conflicts with the exercise of its rights under previous treaties thereby waives those rights in so far as may be necessary for the fulfilment of the said obligation.
3. The Treaty overrides any agreements concluded by the Member States amongst each other before its entry into force.
4. The application of different customs duties in the case of member and non-member countries, which results from the provisions of Articles 14 and 23 of the Treaty, does not infringe any right of non-member countries under agreements concluded before the entry into force of the Treaty.

*Another case set down*

On 20 February the Commission acting in accordance with the second paragraph of Article 169 of the Treaty, applied to the Court of Justice for a ruling that the Kingdom of Belgium and the Grand Duchy of Luxembourg have infringed Article 12 of the Treaty by increasing their import duty on honeybread ("pain d'épice") and extending that duty to similar products.



## D. THE ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee held its 20th session on 28 February and 1 March 1962 in Brussels under the chairmanship of M. Rosenberg.

At this session the Committee prepared the following opinions :

### 1. *Opinion on the Memorandum on the general lines of a common transport policy*

This opinion, which the Commission had requested *ex officio* on 7 July 1961, was rendered without dissent (63 votes and three abstentions).

M. Schaus, a member of the Commission and President of the Transport Group, introduced the Memorandum and said that the Commission attached great importance to the Committee's opinion.

In its opinion the Committee largely supports the views and proposals of the Commission (1).

### 2. *Opinion on the general principles of a common policy on vocational training.*

This opinion, which the Council had requested on 24 October 1961 in accordance with Article 128 of the Treaty, was rendered without dissent (78 votes and 4 abstentions).

Before the Committee prepared its opinion, M. Levi Sandri, a member of the Commission and President of the Social Affairs Group, had explained the main lines of the proposals made by the Commission to the Council, adding that once the general principles were adopted by the Council they would be binding on every Member State.

In this opinion the Committee approves the draft decision of the Council, while making certain observations and suggesting certain amendments (2).

During the session the Committee heard a general statement by M. Hallstein, President of the Commission, on the prospects open to the Community now that it had entered the second stage of the transition period. The President said that the Committee was making a valuable contribution to the success of the Common Market.

Replying, M. Rosenberg, Chairman of the Committee, thanked President Hallstein and the Commission for their appreciation of the Committee's work, and spoke of the excellent co-operation between the Committee and the Commission.

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(1) See Chapter III, sec.32.

(2) See Chapter III, sec 23.

The Economic and Social Committee will hold its next session on 28, 29 and 30 March 1962. This will be the last session of the Committee as at present composed, since the term of office of the members is due to expire on 24 April 1962.

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## MISCELLANEOUS

### *European Communities Prize*

On 1 March M. Caron, Vice-President of the EEC Commission and Chairman of the Supervisory Board of the Joint Information Service, presented the "European Communities Prize" to M. Louis Philips for his doctorate thesis in economics "The Integration of Markets", presented at the University of Louvain (Belgium).

This prize of 100 000 Bfrs. is awarded every two years by the three European Communities for a university thesis making an important and original contribution to knowledge of problems relating to European integration. There were 59 entries, submitted by nationals of the six member countries, Greece and some non-member countries.

In the course of the ceremony, which took place at the headquarters of the Community and in the presence of the Rector of the University, His Eminence Mgr. Van Waeyenbergh, M. Caron spoke of the importance of co-operation between the European Communities and university circles. In congratulating M. Philips he also praised the University of Louvain for having set up, within its Institute of Economics, a research group on the "Common Market".

Mgr. Van Waeyenbergh expressed the hope that the Common Market would increasingly become a living and effective reality and would contribute to the material, spiritual and intellectual well-being of the peoples.

## ANNEX I

### RESOLUTIONS OF THE EUROPEAN PARLIAMENT

#### **Resolution on the Commission's statement concerning the economic situation in the Community and the outlook for 1962**

*The European Parliament,*

*Notes* with satisfaction that at its session of January 1962 the Commission of the EEC submitted a statement on the economic situation in the Community in 1961 and the outlook for 1962; and takes this as a token of the Executive's intention to present each year to the Parliament and to the public a substantial report on this subject;

*Shares* the cautious optimism of the Commission's statement with regard to the Community's economic prospects for 1962;

*Recalls*, in view of the advance into the second stage of the transition period, its frequent requests that :

- a) Forecasts on economic developments be improved and standardized in form by Community services established for this purpose;
- b) Co-ordinated and prompt action be planned in advance to meet specific situations by applying suitable means of economic policy at the Community level;
- c) A long-term economic policy of the EEC be worked out which will ensure constant economic expansion;

*Welcomes* the unanimous recommendation made by the Economic Policy Committee of the EEC that the Member States prepare annual economic forecasts, which would be of particular value in assessing future economic development and could serve as a

basis, in connection with the work of OECD, for attaining a 50 % expansion from 1960 to 1970;

*Requests* that the Commission of the EEC, after consulting the Governments of the Member States and the Economic and Social Committee, should explain to the Parliament what consequences the economic expansion envisaged by the OECD will have for the economic policy of the EEC;

*Stresses* that if real progress is to be made in establishing a common short-term economic policy of the EEC, that it is not sufficient to improve economic forecasting, since common institutions and information on the means available are necessary to deal with particular economic situations; the institutions of the Community must then intensify their efforts so that the co-ordination of the economic policies of the Member States may proceed side by side with the accelerated implementation of the Common Market;

*Looks* to the Commission of the EEC to make a summary and appraisal of :

- a) The various types of wages policy pursued;
- b) The volume of demand for investment goods;
- c) The effects of oligopolistic markets;

Since the Parliament cannot otherwise form an idea of the causes underlying the rise

of prices noted by the Commission, or work out any necessary re-orientation of wages and price policy in the EEC;

*Asks* the Commission to note that any active regional policy pursued by the Community must cover agriculture as well as industry and must contribute towards remedying the shortage of manpower in the Community;

*Stresses* that in its economic policy the EEC has a certain responsibility with regard to

economic progress in the developing countries, since a slowdown in the economic expansion of the EEC, which is the principal importer of raw materials in the world, may jeopardize the economic stability of those countries;

*Urges* all the institutions of the Common Market to make the EEC an even more dynamic force for European unification by the pursuit of an active economic policy of the Community.

### **Resolution on the co-ordination of energy policies**

*The European Parliament,*

Having examined the report of its Energy Committee and of the proposals made by the Inter-Executive Working Party for the first measures to co-ordinate energy policies;

*Notes* that for a common energy policy, having due regard to all its social implications, the report proposes the following objectives and principles :

- a) Low-cost supplies
- b) Assured supplies
- c) Smooth and gradual process of substitution
- d) Long-term stability of supplies
- e) Free choice for consumers
- f) Unity of the common market;

*Considers* that the demand for energy will increase even further in the future, that therefore the EEC will be more dependent on imports, and that with these developments in prospect the contribution of Community energy must be carefully determined;

*Believes*, with regard to the principles of energy policy, that the complete liberalization of the energy sector is impossible in

present circumstance in the EEC as it is in the other countries of the free world because of the need to bear in mind the security of employment in the coal industry and the problem of assured supplies, a concept not yet fully defined;

*Considers* that in matters of energy policy, the first principle should be that supply should always be such as to guarantee consumers free choice on a market in which there is effective competition;

*Stresses* the need for normalization of competition amongst the various forms of energy, pointing out that it has in previous resolutions made the same demand and regretting that no progress has been made in this field;

*Recommends* that the Governments and Community institutions do everything in their power to expedite the establishment of a common commercial policy in the energy sector;

*Considers* that it is necessary in the first place to lay down harmonized customs duties and quotas for imported coal, duty rates and tonnages being subject to periodical review;

*Recognizes* that for geological reasons and because of the social burdens weighing upon

the European collieries many of these may not be able to become or to remain competitive despite their efforts at rationalization;

*Requests*, therefore, that the question be studied of a Community coal subsidy paid out of public funds of the Community. Such a subsidy would be intended to ensure a volume of coal production adapted to a co-ordinated energy policy and to cover the costs of the rationalization needed to reach the desired state of competitiveness, the costs of retraining and resettling workers and if need be any burden arising from unemployment;

*Urges* the institutions of the Community in line with the principles of the energy policy, to bring about a common market in this sector, and in particular to guide coal production according to its degree of profitability, whilst bearing in mind the results of such action on the social situation of miners;

*Urges* that imports of petroleum and petroleum products be brought within the ambit of the commercial policy stipulated in the Treaty of Rome;

*Requests* that in any case the supply of petroleum products be adapted to the growing demand for energy and that the commercial measures of energy policy be studied and applied as soon as possible and independently of the rest of the commercial policy. This applies equally to an agreement concerning the products enumerated in list G;

*Requests* the European institutions concerned to take appropriate and timely steps to ensure that imports of energy from countries which, because of their political attitude, do not consider themselves obliged under all circumstances to guarantee the stability of energy supplies, are handled in such a way as to prevent any disturbing

intervention by such countries from having any serious effect on the energy supply of Europe;

*Stresses* once again the need for new measures, and for the harmonization of existing measures, to maintain the present level and recruitment of manpower in the coal industry recalling its resolution following the report on a statute for European miners, it urges the High Authority to take the necessary steps to put into practice the policy proposed and the recommendations contained in that report;

*Requests furthermore* that a study be made to ascertain whether it would be possible, and if so in what way, to promote the use of Community coal for the production of electrical energy and for the considerable development to be expected in this sector as well as for collective heating schemes;

*Considers* that in all likelihood atomic energy will not for some years yet play any significant part in the energy economy of Europe, but that in view of its future development it should already be accorded the place due to it in economic planning as an element of ever-growing importance to energy policy. For this reason, and also in order to guide long-term investments, the institutions concerned must develop nuclear industry and must construct pilot nuclear plants and prototypes as well as large-capacity industrial plants;

*Requests* that the Governments and the Community institutions study the setting up of machinery to co-ordinate energy investments; such machinery could be based on the provisions of Article 54 of the ECSC Treaty;

*Considers* that the advisability of maintaining the measures recommended in the present Resolution should be periodically reviewed on the basis of Article 110 of the EEC Treaty.

## **Resolution on procedure for the examination of the Tenth General Report on the activities of the ECSC, the Fifth General Report on the activities of the EEC and the Fifth General Report on the activities of the EAEC**

Provisionally, the Tenth General Report on the activities of the ECSC and the Fifth General Reports on the activities of the EEC and the EAEC respectively (with the exception of the Special Annexes which will be subject to the ordinary procedure) will be examined as follows :

At the opening of the Parliament's first session after 1 March 1962, after the appointment of officers and the constitution of Committees, three general rapporteurs will be appointed to introduce respectively the General Reports on the activities of the Communities.

The appointment of the rapporteurs will be governed by Article 38 (2 and 3 of the Rules of Procedure, no one political group or Member State providing more than one rapporteur.

Each Committee interested in one of the sections of the General Reports will instruct one of its members to prepare and to submit a working paper for approval.

The general rapporteur may be present at meetings held by the Committee for this purpose.

When the working papers are completed the general rapporteur will hold a meeting with their authors in order to prepare a draft report.

This draft report, which will be prepared in time to allow the political groups to discuss it, will be approved by the Committee of Chairmen and deposited with the Bureau of the Parliament for inclusion in the agenda.

## **Resolution on the common policy in the rice sector**

*The European Parliament,*

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*Notes* that the principles by which the Commission of the EEC has been guided in its design for a common policy in the rice sector are analogous to those adopted for certain other cereals;

*Approves* these proposals in their entirety as they seem calculated to promote the development of the common market in this sector;

*Urges* the Commission of the EEC, nevertheless, in the draft regulation which it is to submit to the Council before 30 April 1962, to take account of the suggestions made in the report submitted by its Special

Committee for Agriculture and which refer in particular to :

a) the search ..... for criteria to determine rice production programmes taking into account the existing production situation and consumer interests;

b) the fixing of intervention prices;

c) the need for the Commission of the EEC to seek the co-operation of the organizations concerned in drawing up directives...

*Instructs* its President to transmit this resolution and the report of the Special Committee for Agriculture (Document No. 138) to the Commission of the EEC.

## ANNEX II

### Agreement between the EEC and the USA

(signed in Geneva on 7 March 1962)

#### Joint declaration

The European Economic Community and the United States of America consider that a series of events will occur during the year 1962 which, in all probability, will be such as to modify appreciably the basic conditions that currently govern relations between the United States of America and the European Economic Community in all fields, particularly in the agricultural field, and which will make advisable a new examination of the relations.

Such are: on the one hand, the coming internal decisions of the European Economic Community with regard to its common agricultural policy, the entry into force of the association Treaty between Greece and the European Economic Community, the conclusion of negotiations between the associated overseas countries and the European Economic Community on the renewal of the association agreement, the continuation of the negotiations looking to the United Kingdom accession to the European Economic Community; on the other hand, the opening in February 1962 of a multi-lateral consultation within the GATT framework on the subject of grains, the increased powers with which the President of the United States of America could be vested following adoption of a new Trade Agreements Act by Congress.

The European Economic Community, for its part, declares itself ready to reconsider with the United States Government in the light of the above-mentioned events, the over-all commercial relations between the two parties (including their tariff aspects).

Done at Geneva this seventh day of March 1962, in the English and French languages, both texts authentic.

#### Agreement with respect to corn, sorghum, ordinary wheat, rice and poultry

Agreement entered into force with respect to corn (No. 10.05 B Other of the Common External Tariff), sorghum (ex 10.07 B Other of the Common External Tariff), ordinary Wheat (ex 10.01 of the Common External Tariff), rice (No. 10.06 A and B of the Common External Tariff) and poultry (No. 02.02 of the Common External Tariff).

The United States of America, the European Economic Community and its Member States agree as follows:

A. Until the putting into operation of the Common Agricultural Policy for corn, sorghum, ordinary wheat, rice and poultry (application of the levy or levies), the Member States undertake not to modify their national import systems in such a way as to make them more restrictive.

B. Upon adoption of the agricultural policy for corn, sorghum, ordinary wheat, rice and poultry, the Community undertakes to enter into negotiations with the United States on the situation of exports of these products by the United States.

The negotiations provided for under this paragraph will take place on the basis of the negotiations rights which the United States held under the General Agreement for these products as of September 1, 1960.

C. The parties signatory to this agreement in no way limit their rights under GATT or on any other basis.

Done at Geneva this seventh day of March 1962, in the English and French languages, both authentic.

#### **Agreement with respect to quality wheat**

Agreement entered into with respect to quality wheat (Common External Tariff Item Number ex 10.01) between the European Economic Community (hereinafter called the Community), the Member States of the European Economic Community (hereinafter called the Member States) and the non-European Economic Community countries signatory to this agreement (hereinafter called the Third Countries).

Considering that the national wheat tariffs of the Member States will be unbound and that the Common Tariff for wheat is not being bound, the Community and the Member States subscribe to the following obligations :

A. Until the putting into operation of the Common Agricultural Policy on wheat (application of a levy or levies to imports) :

i) The national wheat tariffs of Member States as bound on September 1, 1960 shall not be increased.

ii) No new system or measures to restrict or regulate imports shall be introduced and in continuing existing measures within national systems the Member States shall endeavour to avoid any adverse change in the level of imports.

B. From the date of the decision of the Community to introduce the common policy for wheat until completion of negotiations with the Third countries :

i) Negotiations shall commence as soon as the EEC Council of Ministers has decided to introduce the common policy for wheat and at the latest by June 30, 1963.

ii) The Community undertakes to enter into negotiations on the subject of the consequences on imports from Third Countries of the common agricultural policy to be applied. It does not exclude negotiation on the maximum level of the levy or levies. This negotiation shall take into account the importance of international trade in wheat and shall be such as to provide for the evolution of this trade with the Community under fair and reasonable conditions.

iii) The negotiations shall deal with quality wheat.

iv) The negotiations shall be in accordance with the procedures of Article XXVIII of the GATT. In these negotiations the Third Countries shall have all the contractual rights held by them on quality wheat on September 1, 1960.

v) Consultations shall take place if imports from non-EEC Contracting Parties show any appreciable decline in any period below the average of the corresponding period of the last three years. If the decline is related to the implementation of the common policy for wheat the Community and the Member States will take appropriate measures to remedy the decline.

#### **General understandings**

i) While this agreement is in force, the Community and the Member States undertake to consult at any time with the Third Countries regarding its operations.

ii) The Third Countries do not in any way limit their rights under GATT, or otherwise, to press for the removal or adjustment of systems or practices of the Member States which have the effect of limiting the possible purchase or importation of wheat from such Third Countries.

Done at Geneva this seventh day of March 1962, in the English and French languages, both authentic.



## PUBLICATIONS OF THE EUROPEAN ECONOMIC COMMUNITY

A. Items concerning the activities of the European Economic Community published in the official gazette of the European Communities between 23 February and 19 March 1962

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- N° 79 de M. Troclet à la Commission de la CEE. Objet : Article 22 du Règlement N° 3 concernant la sécurité sociale des travailleurs migrants. (No. 79 by M. Troclet to the Commission of the EEC. Subject : Article 22 of Regulation No. 3 concerning the social security of migrant workers). No. 16, p. 282/62
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(Report on the development of social conditions in the Community in 1960 [appendix to the "Fourth General Report on the activities of the Community", in accordance with Article 122 of the Treaty]. August 1961, 344 pp. (French, German, Italian and Dutch editions to be published shortly). Price : Bfrs. 80.

### **Periodical publications :**

1. Notes and Graphs on the Economic Situation in the Community. Monthly. No. 3/1962. Three bilingual editions : English/French; French/Italian; German/Dutch. Price per issue : Bfrs. 100; annual subscription : Bfrs. 250.

2. 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). Bi-monthly. Nos. 21 and 22/1961. Free.

3. Comité Economique et Social: Bulletin d'Information. N° 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]).

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- Bonn : Europäische Gemeinschaft (weekly);
- The Hague : Europese Gemeenschap, No. 36, March 1962;
- Paris : Communauté européenne, No. 3, March 1962;
- Rome : Comunità Europea, No. 2, February 1962, No. 3, March 1962;
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### *Statistical Office of the European Communities*

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