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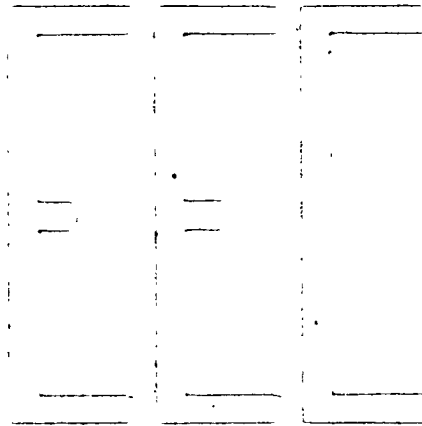
EUROPESE
ECONOMISCHE GEMEENSCHAP



BULLETIN

of the

EUROPEAN
ECONOMIC
COMMUNITY



BRUSSELS – MAY 1965

ISSUED MONTHLY

N° 5

EIGHTH YEAR

BULLETIN

of the European Economic Community

Contents

	Page
The EEC and international monetary questions	5
I. The Commission's proposal on financing the common agricultural policy and replacing Member States' financial contributions by the Community's own resources	10
II. Internal activities	15
Internal market	15
Free movement of persons	16
Competition	17
Economic and financial policy	19
Common agricultural policy	22
Common transport policy	29
Social policy	33
III. External relations	36
GATT	36
Bilateral relations	39
Relations with international organizations	42
The Community and the developing countries	42
IV. The Community and the Associated States	44
Association of Greece with the Community	44
Association of African States and Madagascar with the Community	44
European Development Fund	45
V. Institutions and organs	49
The Parliament	49
The Council	54
The Cour of Justice	56
The Monetary Committee	57
Administrative affairs	57
Miscellaneous	59

ANNEX

Resolutions of the European Parliament	61
Publications of the European Economic Community	65

SUPPLEMENT

Financing the common agricultural policy — independent revenue for the Community — wider powers for the European Parliament

Commission proposals for Community action with regard to distortions of competition on the world shipbuilding market

and

Commission proposal for a Council directive instituting a Community arrangement on aids designed to offset distortions of competition on the world shipbuilding market.

Proposal for a second Council directive for the harmonization among Member States of turnover tax legislation, concerning the form and the methods of application of the common system of taxation on value added

Proposal for a Council directive concerning measures to prevent the importation of plant pests into Member States

Proposal by the Commission to the Council for measures to assist redundant Italian sulphur-mine workers

The EEC and international monetary questions

Extract from the statement made to the European Parliament
by M. Robert Marjolin, Vice-President of the EEC Commission

For several years past the international monetary system has not been working in a manner that we could consider to be satisfactory. To meet the difficulties that keep on occurring in this field, important and often improvised changes have been made in the rules that were worked out immediately after the war.

This has produced considerable disorder, and as there has not been sufficiently broad agreement on the proper remedies, the disorder has not yet been put right. The free world cannot be satisfied with an attempt to solve the problem of the imbalances which face it today by applying methods which recall the disastrous errors of the period between the two great wars.

A number of important declarations have now changed the terms in which the problem is posed — the statement by the President of the French Republic on 4 February, President Johnson's message to the Congress on the United States balance of payments, made on 10 February, the lecture given on 11 February by M. Giscard d'Estaing, the French Minister of Finance and Economic Affairs, the further remarks by the United States President on 18 February, and yet others.

Commentators have frequently tried to oppose these various points of view. In an endeavour to be constructive and to help work out a solution that could be acceptable to everyone, I propose to begin by underlining what is common ground and then to show what questions still remain to be answered and in what direction we could usefully seek the answers.

Let me say first of all that discussions on the world monetary system would not be taking place in such a strained atmosphere if the balance of payments of the United States, the greatest economic power in the western world, had not been showing a serious deficit for more than seven years. This chronic deficit was made possible, if not caused, by an excess of domestic liquidity in America itself. It has been a not inconsiderable factor of inflation for the chief trading partners of the United States, though — at least in the EEC — purely internal factors have played an even more important part. Some central banks have accumulated dollars in considerable quantities; this enabled the United States to be in deficit over a long period without its gold reserves having to suffer the full consequences.

Such are, broadly, the facts.

President Johnson has made a lucid and courageous analysis of this situation. He has given us the striking phrase : "We are highly solvent, but not liquid enough". He has also said; "We cannot, and do not, assume that the world's willingness to hold dollars is unlimited". He has restated the firm determination of the United States to eliminate the deficit on its balance of payments.

There is much discussion on the causes of this deficit; we may hope that the controversy will be ended by what the Americans themselves say. "Our payments problem", President Johnson has stated, "is not an export problem... We have to deal head-on with the surging outflow of private capital".

We are all aware of the measures that the President of the United States has decided to impose; I shall not go into them here. However, in a speech to American bankers and businessmen, the President did say: " But you and I know that this won't be enough. Capital will still flow abroad to the advanced countries from your banks and your businesses if you let it".

Leading bankers and businessmen have therefore been asked to co-operate with the Administration in a campaign to restrict short-term loans and direct long-term investment abroad.

What is there for us to say at this stage about American policy, which is not just a domestic affair for the United States but is also of major concern to the Community and the rest of the world ?

First, we can say that things are moving in the right direction. I do not wish to prejudge the matter, but I would simply say we trust and believe that United States policy will lead to a substantial and lasting reduction in the deficit if certain internal measures are taken at the same time.

We can but endorse without reservation what the EEC Monetary Committee said in its latest report, from which I will quote briefly:

"There is therefore no doubt that capital transactions are the item which calls for attention if the American deficit is to be corrected. It is hard to see how this can be done as long as the American capital markets enjoy their present ample supplies of funds."

We agree with the Monetary Committee in thinking that a tightening of the American financial markets, one result of which would be to raise long-term interest rates, is among the conditions without which it will not be possible to re-establish equilibrium on a lasting basis.

We think that slowing down American direct investment in the industrially developed countries would also contribute to the general health of our economies. It would be useful if the Community countries adopted a common attitude to these transactions. There is no question — I wish to make this clear to avoid any misunderstanding — of closing Europe to such investment, which is more often than not highly beneficial to our countries, but simply of avoiding excess. Community action in this direction could consist of a detailed statistical check on direct investments

from non-member countries, supplemented by machinery for consultation between the Governments and the Commission on national policies in this sphere. This presupposes, of course, that all Member States supply each other with the necessary information. In this way we should be moving in the direction already required under Article 72 of the Treaty of Rome.

This brings me to the question of the international monetary system, which is today the subject of lively debate. We believe that such discussion is, in part, the result of certain misunderstandings, and these must first be dispelled.

The expression "gold standard" has been used in several different senses, between which it is essential to distinguish. Certain persons, who in any case do not occupy positions of responsibility in the conduct of public affairs, consider that it means a pure and simple return to the monetary machinery that existed before the First World War, which was characterized by the almost exclusive use of gold in international payments with, as a result, serious and rapid deflation in a debtor country which did not possess large reserves. This is a system which we rule out.

For others the gold standard, which could also be called the reformed gold exchange standard, means a return to a stricter monetary system and to the ideas which underlay the Bretton Woods agreements made during the Second World War.

These ideas affirm the primacy of gold in the final financing of balance-of-payments imbalances, but accept the maintaining, and perhaps even the widening, of international credit facilities, provided these facilities do not in practice remove all need for the debtor country to take the necessary steps to ensure the speediest possible return to equilibrium. This would mean maintaining the machinery of monetary co-operation represented by the IMF, the Group of Ten, and the short-term credits which central banks make available to each other.

These ideas do not, however, allow of the future accumulation by the central banks of large surpluses in foreign currency.

The Executive Commission is inclined to share these ideas. The weaknesses of the gold exchange standard, as applied at present, are now universally recognized, and it appears that the arbitrary creation of international liquidity, not in accordance with the needs of international trade but following disequilibrium in the balance of payments of this or that country, has now reached a limit which it would be dangerous to exceed.

Even if a general agreement could be reached on such a basis, two further questions would arise on which, with your permission, I should rather not give you answers today, though I can make a few introductory points :

1. What should be the fate of balances at present held in foreign currencies by the central banks? No sudden decision should be taken. The solution should be sought without haste, in view of the debtor and creditor countries'

need for security and in order to avoid causing a considerable contraction in the volume of international liquidity.

2. What would in future be the means used to create the additional international liquidity that will be made necessary by the expansion — and we hope it will be rapid — of trade of every kind between the countries of the free world if, as is probable, the production of gold should prove insufficient? We do not think there should be an increase in the price of gold, since this might undermine confidence in national currencies. The creation of additional international liquidity should be done on the basis of agreed criteria and amounts, so as to exclude the maintenance over lengthy periods of disequilibria in the balance of payments, except in the case of developing countries, which could cover their deficits by means of long-term capital imports.

I should be disappointing you if I did not say a few words on the role that the Community can and must play in solving the problems I have been speaking about. Its role is already a considerable one. I refer again to our Monetary Committee's recent report.

It states that "at the end of 1964, outstanding drawings on the IMF totalled \$2 622 million. Of this total, \$857 million was financed by IMF sales of gold, while of the balance of \$1 765 million, \$1 437 million — more than 80 % — was in the form of drawings on Community currencies".

The Community's opportunity for action at world level would be considerably enlarged if its own monetary unity were reinforced. This is already a reality, but it may still be called in question again. I quote the Monetary Committee once more :

"It (the Monetary Committee) concluded that progressive integration within the EEC, and particularly the tendency for the respective prices of a growing number of products to settle at much the same level throughout the Community, will make devaluation or revaluation increasingly difficult and unlikely. The establishment of a single agricultural market will strengthen this trend, However, the Committee considers that even so it would still be possible for a State to adjust the exchange rate of its currency, should this prove necessary in order to safeguard, for example, the smooth working of the Common Market itself."

This description of the present situation corresponds to the facts. Our task is now to ensure that devaluation or revaluation, which today are only difficult and unlikely, shall become impossible and useless.

The Executive Commission is already at work on this. It is seeking a solution along several lines at the same time, realizing that in each of them decisions will have to be taken which together will form an indivisible whole. At this stage I shall do no more than indicate the lines we are following :

1. We are seeking, on the basis of methods already used last year to deal with economic imbalances, to intensify co-ordination of the economic

and financial policies pursued in the Member States by endeavouring to work out common norms for such matters as budgetary policy, credit policy and, as soon as possible, incomes policy.

2. We are seeking to achieve complete unity as regards capital movements, whether for long-term or short-term investment.

3. We aim at harmonizing progressively the instruments of monetary policy.

4. We are seeking to strengthen the solidarity of Member States in the matter of international liquidity reserves and their co-operation in international monetary operations, until the day when the reserves of each country can be considered as part of a single reserve.

The movement towards monetary union is essential for the Community itself, and also for the future of the international monetary system, for if monetary cohesion reaches the point where the Common Market is looked upon from the outside as a single unit, the search for international equilibrium will be simplified by a reduction in the number of decision-taking centres and by the opportunities stemming from partnership among equals.

Later I propose to make a statement to the Parliament on the action programme the Commission is to adopt in order to achieve the aims I have just summarized.

I. The Commission's proposals on financing the common agricultural policy and replacing Member States' financial contributions by the Community's own resources

Important proposals on these matters were submitted by the Commission to the Council on 31 March 1965 ⁽¹⁾.

Council Regulation No. 25 makes the Community responsible for the financing of its common agricultural policy through the European Agricultural Guidance and Guarantee Fund, but it makes explicit provisions for common financing only for the first three years. A decision will therefore have to be taken before the end of this period as to how the common agricultural policy is to be financed during and after 1965/66. In its decision of 15 December 1964, the Council invited the Commission to submit proposals before 1 April 1965. The Commission accordingly submitted to the Council on 31 March 1965 proposals for:

- i) A new regulation on the financing of the common agricultural policy;
 - ii) Arrangements for replacing the financial contributions of Member States by the Community's own resources;
 - iii) Amendments to Articles 201 and 203 of the EEC Treaty (institutional and budgetary matters);
- and a general report on the financing of the common agricultural policy.

The adoption of these proposals, which are not confined to agricultural matters and are intended to make the Community financially autonomous, will mark an important and decisive step forward towards European integration, inasmuch as the Community will then have financial resources of its own and its expenditure will be governed by decisions taken at Community level, in which the European Parliament will play an important part.

a) Proposal for a regulation on the financing of the common agricultural policy

The Commission considers that — in accordance with the principle stated in Article 2(2) of Regulations No. 25 — the introduction of the single market system on 1 July 1967 will involve common financing of refunds on exports to non-member countries and of measures to regulate markets under the common organization, since such expenditure is the financial consequence of agricultural policy decisions taken by the Community as a whole. Arrangements must therefore be made to enable the Guarantee Section of the Fund to finance measures other than those provided for in Regulation No. 25, should such measures be decided upon under the common organization of markets.

⁽¹⁾ See Supplement to this Bulletin.

The Commission also considers that if they are to be regarded as the responsibility of the Community as a whole the measures to be financed will have to be based, at the single market stage, on precise and comprehensive Community rules, particularly as regards commercial policy. Since refunds on exports to non-member countries, measures taken to regulate markets and other measures are to be financed in their entirety by the Community, methods of seeing that such expenditure conforms to Community rules will have to be worked out.

Financing of the common agricultural policy through the European Agricultural Guidance and Guarantee Fund (the "Fund") will be built up, after 1 July 1965, in two stages:

- i) From 1 July 1965 to 30 June 1967, the transitional system provided for in Articles 3 to 8 of Regulations No. 25 will be maintained;
- ii) From 1 July 1967, the single market system provided for in Article 2 of Regulation No. 25 will be in operation.

During the transition period, the contribution of the Fund (Guarantee Section) is fixed at four sixths of eligible expenditures for 1965/66 and at five sixths for 1966/67.

The expenditure of the Fund will be covered by contributions determined according to the following scales:

	1965/66	1966/67
	%	%
Belgium	7.96	7.96
Germany	32.35	30.59
France	32.35	30.59
Italy	18	22
Luxembourg	0.22	0.22
Netherlands	9.12	8.64

At the single market stage the Fund (Guarantee Section), acting in accordance with Community rules, will finance refunds on exports to non-member countries, measures taken to regulate markets, and other measures decided by the Council by qualified majority on a proposal from the Commission.

Probably by the time the single market system comes into effect Community financing will be on a considerably larger scale than at present. For 1964/65 Community financing has been extended to dairy produce, beef and veal, rice, and oils and fats sectors, where the eligibility rules have yet to be settled, and last December the Council decided, "in a spirit of solidarity among the Member States", to extend Community financing to the fruit and vegetables sector on 1 January 1966, durum wheat on 1 July 1967, and to tobacco as soon as possible.

When Community financing gets into its stride (from 1 July 1967), such expenditure may reach about 1 000 million units of account for market operations.

If the Commission's proposal is adopted, expenditure by the Guidance Section of the Fund (which finances operations connected with the guidance of agricultural production, the adaptation and improvement of production and marketing conditions and the development of outlets) will run at about one third of the total for the Guarantee

Section. However, to avoid excessive fluctuations from year to year, this expenditure must be at least equal to the average appropriations of the two preceding years. On this basis, about 300 million units of account would therefore have to be allotted each year to the Guidance Section of the Fund ⁽¹⁾.

b) Proposals for a regulation replacing the financial contributions of Member States by the Community's own resources

Regulation No. 25 lays down that, when the single agricultural market comes into effect, the proceeds of agricultural levies shall accrue to the Community. The Commission considers that, in view of the degree of market integration that will be attained on 1 July 1967, it is important that, with effect from this date, the proceeds from levies and duties on imports from non-member countries should accrue to the Community as revenue in its own right, since the place where the levies and duties are collected and the place where imports are consumed will be less and less likely to lie within the same member country. In fact, the prior conditions laid down under the Treaty, by Regulation No. 25 and by the decision of 15 December will then all be fulfilled. (Article 201 of the Treaty explicitly allows for the possibility of revenue accruing from the common customs tariff to be paid to the Community.)

The replacement of Member States' financial contributions by the Community's own resources appears desirable for various reasons: if the Community is to develop smoothly, the removal of obstacles to intra-Community trade cannot be confined to agricultural produce. If there is to be a coherent economic policy, not only agricultural levies but also customs duties on industrial products will have to be abolished on 1 July 1967, as the Commission has already proposed.

Proposed scales of contributions

Thus a problem which confronts all customs unions now arises for the Community: the place where levies and customs duties are collected will correspond less and less with that at which the imported goods are consumed.

The Commission has therefore made its proposals on the financing of the common agricultural policy part of the whole financial and institutional balance that must be ensured as the integration of the Community progresses. It is, moreover, advisable that there should be a gradual transition from the system under which contributions are paid by the Member States to the Community budget to the stage when the Community will have its independent revenue.

Different scales are used to calculate the financial contributions of Member States to the Community budget: for instance, there is one scale for the operational budget of the EEC, another for the Social Fund and another for the Agricultural Fund.

⁽¹⁾ Apart from such expenditure, Community compensation to Germany, Italy and Luxembourg, as agreed upon by the Council last December, will total 44 million units of account for the period 1967-70. The Commission has so far reserved its position with regard to the possibility of such compensation being financed out of the independent resources of the Community mentioned above.

The Commission has made estimates of the percentages of total expenditure for 1967 which each State will have to pay according to these different scales. These percentages or weighted scale are estimated as follows: Belgium 8.14 %, Germany 29.88 %, France 29.79 %, Italy 22.88 %, Luxembourg 0.21 %, Netherlands 9.10 %.

For the year 1967 the Commission proposes maintaining this weighted scale. The budget will be reckoned in two equal parts:

- i) During the first half-year on the basis of financial contributions from the Member States;
- ii) During the second half-year on the Community's own resources.

For this second half-year Member States will pay to the Community the agricultural levies and a part of the customs duties collected in their respective territories. However, the total amount of such payments will be equal for each State to its contributions in the first half-year. The Commission will then note the percentage of the proceeds of levies and customs duties left in the hands of each Member State. During the following four years (1968-71), the percentage of receipts remaining with the Member States will be reduced by one fifth each year. In this way all the revenue from levies and customs duties will accrue to the Community after 1 January 1972. (If in 1967, for example, a country has to allot 60 % of its total receipts from customs duties and levies to the Community, that country will have to pay 68 % in 1968 (60 + 1/5 of 40, 76 % in 1969 and so on.)

Total revenue from levies and customs duties is estimated at 2 300 million units of account. It will go to the Community budget and be used to finance without distinction any expenditure provided for. The total expenditure which the Community will have to meet if the Commission's proposals are adopted is estimated at 1 237 million units of account for 1967 and at 1 758 units of account for 1968. Budget receipts and expenditure must be balanced.

c) The institutional aspects (amendments to Articles 201 and 203) are dealt with in a third proposal.

In addition to amendments to Article 203 (budget procedure), the Commission considers it advisable also to provide for an amendment to Article 201 to be operative in the future (and hence not applicable to the approval of the independent revenues referred to in the present proposals). It seems logical for wider powers of control over the budget to be accompanied by wider powers to determine the Community's revenues.

With regard to Article 201, the Commission's proposal provides only a limited increase in the Parliament's powers at the present stage. The Commission considers that, when the Parliament is elected by direct universal suffrage in accordance with Article 138(3), the power to create independent revenues for the Community, which at present rests with the Member States (Article 201, third paragraph), would have to be completely transferred to the Community.

With regard to Article 203, the Commission's proposal takes into account the ideas put forward by the Parliament itself on 12 May 1964 when adopting the report presented by M. Vals on behalf of the Budget and Administration Committee, and

also the arrangements suggested by the Government of the Netherlands and other Governments during discussions in 1963/64. The Commission has sought to introduce an arrangement effecting a certain balance between the powers of the Parliament, the Council and the Commission. Thus amendments made by the Parliament to the draft budget prepared by the Council will be deemed to be approved unless the Council, within a stipulated time-limit (20 days), modifies them by a large majority (five members). If, however, the Council and the Commission agree on changes to the Parliament's proposals, they can be adopted by a smaller majority (four members).

The proposal stipulates that:

"The Commission shall study the conditions under which the financial contributions of Member States provided for in Article 200 may be replaced by independent Community revenue.

For this purpose, the Commission shall submit proposals to the Council, which shall refer them to the Assembly.

The Council, acting by unanimous vote, shall adopt the necessary provisions. Nevertheless, it may decide such provisions by qualified majority if the Assembly has rendered an opinion supporting the Commission's proposals by a two-thirds majority of the votes cast constituting an absolute majority of its members.

The provisions adopted by the Council must be approved by the Member States according to their respective constitutional rules, until such time as the members of the Assembly are elected in the manner provided for in Article 138(3) of the Treaty".

The proposed amendment to Article 203 lays down that:

"The financial year shall run from 1 January to 31 December inclusive.
[...]

The preliminary draft budget shall be laid before the Council by the Commission not later than 15 September of the year preceding that to which it refers. The Commission shall at the same time transmit the preliminary draft budget to the Assembly.
[...]

The draft budget shall be laid before the Assembly not later than 15 October of the year preceding that to which it refers".

This new budget procedure, like that proposed in Article 201, would be a step towards full budgetary powers for the European Parliament, which it will exercise when elected by direct universal suffrage.

The President of the Commission informed the Parliament, at its session of 22-26 March 1965, that the Commission intended to submit proposals to the Council in the near future on financing the Common agricultural policy and independent revenue for the Community. The Parliament adopted a resolution approving the principle that the proceeds of agricultural levies and duties on imports from non-member countries should accrue to the Community but urging that the burdens should be fairly shared. The creation of independent revenue for the Community should be conditional upon transfer to the European Parliament of power to fix revenue and expenditure.

II. Internal activities

INTERNAL MARKET

Tariff quotas

1. On 29 and 30 March 1965 ⁽¹⁾ the Commission, acting under Article 25(3) of the Treaty, authorized the following tariff quotas for imports from non-member countries:

Member State	Tariff heading	Description of product	Quant. (m.t.)	Duty	Period
Germany	ex 03.01 B I a 2	Herrings (<i>clupea harengus</i>) and sprats (<i>clupea spratus</i>), fresh, chilled or frozen	85 000	nil	16.6.65 to 14.2.66
Germany	ex 03.01 B I c	Dog-fish (<i>squalus acanthias</i>), fresh, chilled or frozen	3 000	3 %	1.4.65 to 31.3.66
Germany	ex 03.02	Coalfish (<i>pollack</i>), salted only, for canning	1 300	7 %	1.4.65 to 31.3.66
Germany	ex 03.01 B I c	Cod, coalfish (<i>pollack</i>), haddock and Norwegian rosefish, fresh, chilled or frozen Black halibut, fresh, chilled or frozen	10 500	nil	1.8. to 31.12.65
				2.2 %	
Germany	ex 07.01 P II a	Chanterelles	3 500	4 %	1.4.65 to 31.3.66
Germany	88.08 B II	Myrtle berries	6 000	4.5 %	1.4.65 to 31.3.66
B.L.E.U.	ex 16.05	Certain crabs and shrimps, for canning	90	3 %	1.4.65 to 31.3.66
Italy	17.03 B II	Cane sugar molasses the dry extract of which contains less than 63 % sucrose, the manufacture of coffee substitutes	2 800	0.7 %	1.4.65 to 31.3.66
Italy	ex 01.02 A II	Certain bulls, cows and heifers	3 000 head	1.8 %	until 31.12.65

2. On 30 March 1965 ⁽²⁾ the Commission, acting under Article 25 (2 and 4) of the Treaty, extended until 30 September 1965 the tariff quota granted to Italy until 31 December 1964 for imports from non-member countries of ethylbenzene for the manufacture of synthetic rubber (ex Heading 29.01 D II of the CCT).

⁽¹⁾ See official gazette of the European Communities, No. 78, 7 May 1965 and No. 61, 10 April 1965.

⁽²⁾ See official gazette, No. 61, 10 April 1965.

FREE MOVEMENT OF PERSONS

Freedom of establishment and freedom to supply services

Freedom of establishment in forestry

3. On 8 April 1965 the Commission submitted to the Council of Ministers a proposal for a directive on freedom of establishment and freedom to supply services as self-employed persons in forestry. Before adopting the directive, which is done by qualified majority, the Council must refer it to the Economic and Social Council and the European Parliament.

At the same time the Commission proposed that the time-table contained in the General Programmes should be amended, the date originally envisaged for liberalizing these activities being brought forward so that they will not lag behind the services in agriculture liberalized on 14 December 1964 by the Directive 65/1 (1). The adoption of this amendment must be by unanimous vote.

The directive covers activities in Groups 021 and 022 of the International Standard Industrial Classification (ISIC), i.e. forestry, which includes dealings connected with property and with all forestry work required to bring a stand to the age when it can be felled (e.g. gathering and preparation of seed, care of saplings in nurseries, work on plantations, conservation and management), and felling, roughing down and sale of timber. The directive does not apply to trade in other forest products, the supply of services in horticulture, work in infrastructure, or sawmills.

The restrictions to be lifted are those that prevent beneficiaries from supplying services or setting up in business on the same terms and with the same rights as nationals of the host country, and those resulting from administrative practices that have the effect of discriminating against the beneficiaries in favour of nationals. Member States will ensure that beneficiaries operating on their territory enjoy the same rights as their own nationals to loans, aids, subsidies and normal tax reliefs. They will have the right to join trade or professional associations and, if they set up business in the host country, to be placed on the trade register.

Member States will be required to lift any restrictions on the movement or residence of the beneficiaries in accordance with Council Directive No. 64/220 of 25 February 1964 (2).

Participation of firms in the execution of building work for governments

4. At its session of 22-26 March 1965, the European Parliament adopted a resolution on the EEC Commission's proposals to the Council for two directives:

- i) Concerning the participation of firms in the execution of building work for governments, their local or regional authorities and other public bodies;
- ii) On the co-ordination of procedures for the conclusion of public works contracts.

The Parliament welcomed these proposals, adding in its comments that the first directive would be more effective if both directives were to enter into force simultaneously but that its adoption should not be delayed should there be any difficulty over adopting the second.

(1) See official gazette No. 1, 8 January 1965.

(2) See official gazette No. 56, 4 April 1964.

The Parliament found the system of quotas provided for in the first of the two directives complicated and unwieldy, and suggested that it should either be omitted altogether or else simplified considerably. It also proposed, in the interests of small communes, that the directive on the co-ordination of procedures for public works contracts should not apply to contracts of less than 1 000 000 u.a. Extracts from the resolution are given in the Annex.

COMPETITION

Approximation of legislation

Administrative obstacle to trade: pharmaceutical legislation

5. The broad outlines of a draft directive on the advertising of medicinal preparations were presented at an information meeting with the professional organizations concerned, held in Brussels on 12 February 1965. The proposals met with general approval.

The Committee of Medical Experts, meeting in Brussels on 23 February 1965, discussed restrictions to be imposed on the advertising of medicinal preparations recommended for the treatment of certain diseases. A draft Community list of such diseases was drawn up.

A scientific committee has worked out a draft list of permitted colouring matters for use in medicinal preparations, on which a draft directive has been prepared.

Postal services and telecommunications

6. The Working Party on postal services and telecommunications held its first meeting in Brussels on 24 March 1965. The heads of the relevant government departments in the Member States were present. The new group held a preliminary discussion on its programme and methods of work, notably with respect to rates and charges.

The Working Party examined a proposed directive relating to the alignment of postal rates for letters not exceeding 20 grammes and postcards. It also discussed the preparation of a second directive to harmonize scales of letter rates by weight. This is an essential prerequisite for the alignment of postal charges.

Two sub-groups have been set up, one on postal problems and the other on matters connected with telecommunications, to assist the Commission's staff in this field.

Taxation

7. Meetings of the Standing Committee of heads of revenue departments

Harmonization of excise duties: The Standing Committee of heads of revenue departments met on 2 February 1965 to consider the question of excise duties within the

EEC. It agreed that the Commission's staff, assisted by government experts, should define the aims to be achieved by the harmonization of excise duties, and that these aims should then be examined by Working Party No. III. The Standing Committee has asked the Working Party to establish an order of priority for the harmonization of these duties.

8. *Harmonization of turnover taxes*: At its meeting in Brussels on 25 February 1965, the Standing Committee of heads of revenue departments gave its opinion on the draft of a second directive on implementing procedures for a common added-value tax system ⁽¹⁾. The draft was submitted to the Council by the EEC Commission on 14 April 1965, as stipulated in Article 3 of the draft first directive for the harmonization of turnover tax legislation. ⁽²⁾

Revision of countervailing charges on imports into Belgium and drawbacks on exports

9. In accordance with the decision on prior consultation taken by the representatives of the member Governments in the Council of Ministers on 21 June 1960, the Belgian Government informed the Commission of the changes it proposes to make in its increases of transmission tax on imports and in drawbacks on exports.

These modifications were examined by Working Party No. II at a meeting in Brussels on 18 March 1965. The Working Party considered whether the new Belgian measures were compatible with the decision of 21 June 1960 and with Articles 95-97 and 102 of the Treaty. The discussion will be continued at a later meeting.

Profit taxes

10. Working Party No. IV, which is studying profit taxes, met in Brussels on 24 March 1965 to resume its examination of the taxation of distributed profits. With a view to possible reduction of the total taxation on dividends, the Working Party made a detailed comparison of the system of dual rates with that of tax credits. A document has been prepared and will be incorporated in a more general report on company taxation.

International taxation

11. Working Party No. V ("International taxation"), meeting on 16 and 17 March 1965, completed the first part of its study of the feasibility of a multilateral convention on the basis of the OECD's model convention for the avoidance of double taxation with respect to direct taxes.

The experts reached complete agreement on a large number of special problems that will arise when the present bilateral agreements on double taxation with respect to

⁽¹⁾ See Bulletin 3-65, Ch. II, sec. 12.

⁽²⁾ See Supplement to this Bulletin.

direct taxes are replaced by a multi-lateral convention. Certain problems in this transition that the Working Party was not able to solve, or at least not completely, will be considered at the next meeting, which is to be held at the end of May 1965 to prepare a report to the Standing Committee of heads of revenue departments.

ECONOMIC AND FINANCIAL POLICY

Debate in the European Parliament on the economic situation in the EEC

12. On 23 March 1965 M. Van Campen, on behalf of the Economic and Financial Committee, presented a report to the European Parliament on the economic situation and medium-term economic policy in the EEC.

In presenting his report, M. Van Campen made reference to the address given by M. Marjolin on 19 January 1965 ⁽¹⁾, on which the report was largely based.

After reviewing the various causes of the rise in prices (higher prices of primary products, lack of competition, wage increases, drift to the towns, rising demand from non-member countries, etc.), M. Van Campen said that the balance of payments had steadied in spite of higher prices and costs.

On the topical question of international monetary reform, the speaker said that a higher gold price might cause grave social and economic disturbances; it would be better to improve the gold exchange standard system by making the creation of international liquidity subject to special conditions. He supported the Commission's attempt to form a monetary union among the Six, particularly as the establishment of uniform agricultural prices would in practice create a closer link between the currencies of Member States.

On the subject of the EEC's medium-term economic policy, M. Van Campen confined himself to comments on the creation of a modern economic structure, vocational training and social policy, scientific and technological research, regional policy and incomes policy.

The debate was opened by Mme Elsner (Germany, Socialist), speaking for the Economic and Financial Committee, who said that international monetary problems were so complex and delicate that they should be left to the experts and not treated as political issues.

M. Dichgans (Germany), for the Christian Democrat group, opposed this view, saying that it was impossible to conceive of a financial policy divorced from political considerations. Investment in Europe by non-member countries, particularly America, should not be curbed but encouraged, for history showed that, when an economy was sound, foreign capital was ultimately supplanted by national capital. The aim should be not to erect obstacles but to take the right steps to eliminate the causes of tension.

On behalf of the Socialist group, M. Nederhorst (Netherlands) spoke against the monetary reform suggested by the French President; gold reserves would not be large

(1) See Editorial to Bulletin 3-65.

enough, and gold production would not be able to keep pace with the development of international trade.

He and the other members of the Socialist group welcomed the statement on social problems made by M. Marjolin in January, for M. Marjolin's views on wages and housing coincided with their own. They also approved what the Commission was doing with regard to incomes policy.

After confirming the view of general business trends he had put forward in January, M. Marjolin presented a new report on the economic situation and answered the questions on monetary matters that had been addressed to him in the course of the debate.

M. Marjolin made no significant changes to his January forecasts, except to say that the gross product of the Community would increase by 3.5 % in volume over 1964, and not by 4 % as stated in January.

The international monetary system, said M. Marjolin, had been unsatisfactory for several years, and ways must be found of remedying its anomalies ⁽¹⁾.

Other speakers were: M. Battaglia (Italy, Liberal), M. De Block (Belgium, Socialist), M. Sabatini (Italy, Christian Democrat), M. Burgbacher (Germany, Christian Democrat), M. Pedini (Italy, Christian Democrat).

A resolution was passed ⁽²⁾.

Economic situation in the Community

13. At its meeting on 10 November 1964, the EEC Council, after discussing a communication from the Commission regarding the effects of the recommendation made on 15 April 1964 ⁽³⁾, had decided to re-examine the economic situation in the early spring of 1965.

At its session of 29-30 March 1965, the Council accordingly held a broad exchange of views on recent economic trends in the Community as a whole and on possible developments in 1965. The Council then adopted a further recommendation to be addressed to the Member States, proposed by the Commission under Article 103(2) of the Treaty.

This recommendation, which will be published in the official gazette of the European Communities, urges the Member States to keep their short-term economic policies in 1965 in line with the recommendation of 15 April 1964, taking into account various changes made necessary by business trends in certain Member States.

The Council recommends the following changes:

Italy: The Council approves the policy of stimulating domestic demand defined by the Italian authorities in accordance with the conclusions reached at its meeting on

⁽¹⁾ See Editorial to this Bulletin.

⁽²⁾ See Annex.

⁽³⁾ See official gazette No. 64, 22 April 1964.

10 November 1964. With regard to budgetary policy, Italy is the only Member State in which government expenditure within the country may exceed the 1964 level by more than 5 % in 1965.

Demand must be stimulated, but in such a way as to check the rise of unit production costs.

Demand in both the public and private sectors should be expanded by developing investment expenditure: public authorities should be induced to invest more, and investment by public and private undertakings should be encouraged, particularly by fiscal means; housing and other forms of construction in general should be encouraged; steps should be taken to make bank advances more easily available.

On the other hand, great care should be taken with the growth of public authorities' expenditure on consumption and with government transfer expenditure, the effect of which is to stimulate private consumption; the Council recommends that new expenditure of a recurrent nature should be avoided, as also any increase of such expenditure.

Budget and Treasury deficits should be financed by ordinary means, without recourse to the bank of issue.

The steps taken to stimulate the economy should, however, be revised immediately, should there be any danger of further increases in prices and costs.

France: Tax measures designed to encourage investment in private industry have just been introduced. To the same end, similar measures limited in scope could in future be taken with regard to credit.

Belgium: The restrictions on certain investments by public authorities, on investment by firms and on building, which were imposed in 1963 and 1964, could be cautiously eased.

Luxembourg: There could be a similar easing of restrictions on certain investments by public authorities and by firms.

Germany: The growth of domestic demand continues to outrun that of supply. Germany is therefore advised to follow the recommendation of 15 April 1964.

Short-term economic policy

14. The Short-term Economic Policy Committee met on 24 and 25 March 1965, under the chairmanship of M. Pérouse. The Committee discussed the economic prospects for the remainder of 1965 and the short-term economic policies pursued or envisaged by Member States. It took note of the Commission's proposal to the Council for a recommendation to the Member States.

In an opinion addressed to the Commission, the Committee expressed itself broadly in favour of the proposed recommendation.

Committee of experts on economic trends

15. The Committee of experts on economic trends held its first quarterly meeting of 1965 on 9 March, when it considered the present economic situation in the

Community and future prospects. With a few minor reservations, the national experts accepted the analyses and forecasts of the Commission's staff, which were that economic expansion in the Community as a whole would continue and that inflationary tendencies in certain Member States would further recede.

Medium economic policy

16. The Medium-term Economic Policy Committee met on 5 March 1965, M. Langer presiding.

M. Kervyn de Lettenhove, Chairman of the Group of Experts on medium-term forecasts, presented a report on the provisional projections arrived at by the experts, after which the Committee discussed their preliminary conclusions.

The Committee then took stock of the progress made on employment policy. M. Levi Sandri presented a report on vocational training. The Committee decided the composition of a working party on incomes policy, whose terms of reference had already been approved, and gave initial consideration to the procedure for studying problems connected with a policy for science.

Free movement of capital

17. At its meeting of 29 and 30 March 1965, the Council held an exchange of views on a proposal of the Commission for a third directive in pursuance of Article 67 of the Treaty.

It will be remembered that the aim of the first and second directives was to eliminate obstacles to the free movement of capital arising from exchange regulations in the Member States.

The third directive will abolish between the Member States any discriminatory laws or regulations governing the issue, placing, introduction on national stock exchanges or acquisition of securities by financial establishments of other Member States.

The Council asked the Permanent Representatives to continue the study of these matters in the light of the views expressed at the meeting.

COMMON AGRICULTURAL POLICY

Council

18. At its session of 15-17 March devoted to agriculture, the Council formally adopted implementing regulations concerning pigmeat and cereals.

The Council also approved in principle certain proposals for regulations on milk products, cereals, eggs and poultry.

Other matters discussed in the Council were the regulation amending Article 11(2) of Regulation No. 23 (fruit and vegetables), the proposal for a regulation on the

gradual establishment of a common organization of sugar markets, and the proposal for a regulation setting up an information service on farm incomes and conduct of business.

Further details of proceedings in the Council at this session are given in the following sections.

Common organization of agricultural markets

Cereals

19. The Commission has issued Regulation No. 17/65/CEE, amending Regulation No. 178/64/CEE laying down the amount of and conditions for granting denaturing premiums for wheat and rye ⁽¹⁾. Member States are now authorized to increase these payments to take account of technical costs, but only up to 1.90 units of account per metric ton of wheat or rye.

On 10 March 1965 the Commission adopted a regulation temporarily maintaining the abatement established by Regulation No. 105/64/CEE and No. 172/64/CEE of the levy on imports of husked rice ⁽²⁾. This regulation requires non-producing Member States to reduce the levy on husked rice imported from non-member countries before 1 September 1965 by an amount fixed by the Commission.

By Regulation No. 23/65/CEE the Commission amended Annex I to Regulation No. 104/64/CEE in respect of coefficients of equivalence applicable to certain types of rice ⁽³⁾.

During the session of 15-17 March 1965 the Council formally adopted a decision authorizing Italy to waive the provisions of Regulation No. 19 as regards the fixing of intervention prices for durum wheat, having regard to the aid granted to durum growers by the Italian Government ⁽⁴⁾. This decision authorizes Italy to fix intervention prices for durum for 1964/65 at a figure, including aid, between 90 and 105 % of the corresponding target price.

On 23 March 1965 the Commission adopted a regulation laying down criteria for fixing the cif prices of cereals, flour, groats and meal ⁽⁵⁾.

On 26 March the Commission adopted a regulation concerning the refund on certain exports of processed products derived from rice and other cereals ⁽⁶⁾. This amends the rates of refunds for rolled or flaked oats and potato starch laid down in Regulation No. 162/64/CEE and extends this regulation until 30 September 1965.

On the same date the Commission adopted a regulation concerning import and export licences and the advance fixing of levies and refunds on certain classes of compound

⁽¹⁾ Commission Regulation No. 17/65/CEE, official gazette No. 35, 4 March 1965.

⁽²⁾ Commission Regulation No. 22/65/CEE, *ibid.*, No. 39, 11 March 1965.

⁽³⁾ Commission Regulation No. 23/65/CEE, *ibid.*

⁽⁴⁾ Council Decision No. 65/156/CEE, *ibid.*, No. 48, 25 March 1965.

⁽⁵⁾ Commission Regulation No. 37/65/CEE, *ibid.*, No. 49, 25 March 1965.

⁽⁶⁾ Commission Regulation No. 38/65/CEE, *ibid.*, No. 50, 29 March 1965.

animal feed ⁽¹⁾. This regulation extends a number of provisions in Regulation No. 102/64/CEE concerning compound feed coming under Regulation No. 19 to cover compound feed coming under Regulation No. 13/64/CEE.

By Regulation No. 43/65/CEE, the Council extended until 30 June 1965 the system instituted by Regulation No. 156 with regard to flour and starch of manioc and other roots and tubers originating in the associated African States ⁽²⁾.

Lastly, the Council extended until 30 September 1965 Regulation No. 142/64/CEE concerning refunds to starch producers ⁽³⁾.

P i g m e a t

20. On 26 February the Commission adopted a regulation amending Regulation No. 97/63/CEE on procedure for the issue of import licences for certain pigmeat products ⁽⁴⁾. This regulation modifies the provisions relating to forfeit of the surety for fulfilment of the undertaking to import.

On 16 March the Council adopted a Commission proposal for a regulation fixing the levies on imports from non-member countries of pigs, pigmeat and pigmeat products for the second quarter of 1965 ⁽⁵⁾. Under this regulation the levies on imports of these products fixed by Regulation No. 119/64/CEE and amended by Regulation No. 187/64/CEE will remain unchanged for products imported between 1 April and 30 June 1965.

On the same date the Council adopted a regulation extending for a second time, until 31 March 1966, Regulation No. 85/63/CEE on sluice-gate prices and supplementary amounts and transitional arrangements for cuts of pork and prepared or preserved pigmeat products ⁽⁶⁾.

On 29 March the Commission adopted a regulation adjusting the sluice-gate prices for pigs, pigmeat and pigmeat products imported between 1 April and 30 June 1965 ⁽⁷⁾.

B e e f

21. The Commission adopted on 26 March a regulation amending Article 5 of Regulation No. 150/64/CEE concerning the system of refunds on exports of beef and veal to non-member countries ⁽⁸⁾. Under this amendment the maximum refund for products mentioned in Article 5 of the earlier regulation will remain in force beyond 31 March 1965.

⁽¹⁾ Commission Regulation No. 40/65/CEE, official gazette No. 50, 27 March 1965.

⁽²⁾ Council Regulation No. 43/65/CEE, *ibid.* No. 51, 30 March 1965.

⁽³⁾ Council Regulation No. 44/65/CEE, *ibid.*

⁽⁴⁾ Commission Regulation No. 18/65/CEE, *ibid.* No. 35, 4 March 1965.

⁽⁵⁾ Council Regulation No. 35/65/CEE, *ibid.* No. 48, 25 March 1965.

⁽⁶⁾ Council Regulation No. 36/65/CEE, *ibid.* No. 48, 25 March 1965.

⁽⁷⁾ Commission Regulation No. 47/65/CEE, *ibid.* No. 51, 30 March 1965.

⁽⁸⁾ Commission Regulation No. 39/65/CEE, *ibid.* No. 50, 29 March 1965.

The upper and lower limits of guide prices for beef and veal for the year beginning 1 April 1965 were published in the official gazette dated 6 March 1965 ⁽¹⁾. These limits had been fixed by the Council at the session of 22-24 February 1965 ⁽²⁾. In the meantime all Member States but Germany fixed their guide prices for beef and veal for 1965/66 as follows:

Guide prices for beef and veal fixed by Member States for 1965/66

(per 100 kg live weight)

	Germany	Belgium	France	Italy	Luxembourg	Netherlands
Fat cattle						
National currency	240	3 000 ^(a)	287	37 500	3 000	212.50
Units of account	60	60 ^(a)	58.132	60	60	58.702
Calves						
National currency	336	3 900	402	51 563	4 250	285
Units of account	84	78	81.425	82.501	85	78.729

^(a) Price on which guide price is based, excluding seasonal factors.

Milk and milk products

22. On 2 March the Council adopted a regulation amending the system of intra-Community trade in sweetened condensed milk ⁽³⁾. In view of the special conditions obtaining for sweetened condensed milk, the new regulation brings the price of the sugar in sweetened condensed milk for export to the level of the price of sugar for direct consumption in the exporting Member State.

On the same date the Council adopted a regulation fixing the levies on imports of processed cheeses into Luxembourg ⁽⁴⁾. This specifies that the levy on Luxembourg imports of processed cheeses should be equal to the levy on Belgian imports of these products. The Commission adopted a corresponding regulation limiting the maximum amount of refund on exports of processed cheese to Luxembourg to the maximum amount of refund on exports of these products to Belgium ⁽⁵⁾. These two regulations were based on Article 233 of the Treaty, following the establishment of a common market in processed cheeses between Belgium and Luxembourg.

⁽¹⁾ Council Regulation No. 20/65/CEE, official gazette No. 36, 6 March 1965.

⁽²⁾ See Bulletin No. 4-65, Ch. II, sec. 15.

⁽³⁾ Council Regulation No. 21/65/CEE, official gazette No. 36, 6 March 1965.

⁽⁴⁾ Council Regulation No. 26/65/CEE, *ibid.* No. 43, 16 March 1965.

⁽⁵⁾ Commission Regulation No. 27/65/CEE, *ibid.*

By Regulation No. 28/65/CEE the Commission decided that for 1965/66 the standard amounts levied on imports of certain milk products from Member States should be the same as in 1964/65 ⁽¹⁾.

The Commission also extended until 31 October 1965 Article 2 of Regulation No. 156/64/CEE concerning the fixing of free-at-frontier prices for milk and milk products in intra-Community trade ⁽²⁾.

Lastly, on 26 March the Commission adopted two regulations and a decision modifying in the light of experience the system of refunds on exports of certain milk products to non-member countries:

a) Regulation No. 41/65/CEE on refunds on exports of certain milk products to non-member countries, rescinding Regulation No. 165/64/CEE ⁽³⁾. This regulation relates to the general system of refunds; it has been found necessary to avoid altering the maximum refund too frequently.

b) Regulation No. 42/65/CEE on refunds applicable to exports to non-member countries of milk products subject to a derived levy, rescinding Regulation No. 185/64/CEE ⁽⁴⁾. This brings the system of refunds for products subject to a derived levy established by Regulation No. 185/64/CEE into line with the amendments made by Regulation No. 41/65/CEE;

c) Decision No. 65/164/CEE fixing the supplementary amount refundable on exports of certain cheeses to non-member countries ⁽⁵⁾. This decision has the same object as the two regulations mentioned above but relates to cheeses bound in GATT.

On 29 March the Council adopted a regulation concerning prices in the milk and milk product sector for 1965/66 ⁽⁶⁾. These provisions, which will enable Member States to fix sluice-gate prices, are valid for the marketing year 1965/66 beginning 5 April 1965 (except in Germany, where it will begin on 12 April 1965 because of the lengthy parliamentary procedure needed to fix the target price). The national target prices fixed by the Member States are given below.

On the same date the Council adopted a regulation changing the dates on which the 1965/66 milk year is to begin ⁽⁷⁾. This provides for the 1964/65 milk year to end on 11 April 1965 and the following milk year to begin on 12 April 1965 in Germany; the corresponding dates for the other EEC countries are 4 and 5 April 1965.

On the same date the Commission adopted a regulation amending the annexes to Regulation No. 157/64/CEE concerning the adjustments and corrections to be made in fixing the free-at-frontier prices of milk and milk products ⁽⁸⁾.

⁽¹⁾ Commission Regulation No. 28/65/CEE, official gazette

⁽²⁾ Commission Regulation No. 29/65/CEE, *ibid.* No. 43, 16 March 1965.

⁽³⁾ Commission Regulation No. 41/65/CEE, *ibid.* No. 50, 29 March 1965.

⁽⁴⁾ Commission Regulation No. 42/65/CEE, *ibid.*

⁽⁵⁾ See Commission Decision No. 65/164/CEE, *ibid.* No. 55, 3 April 1965.

⁽⁶⁾ Council Regulation No. 46/65/CEE, *ibid.*, No. 51, 30 March 1965.

⁽⁷⁾ Council Regulation No. 45/65/CEE, *ibid.*

⁽⁸⁾ Commission Regulation No. 48/65/CEE, *ibid.* No. 52, 31 March 1965.

Lastly, the Commission adopted a regulation amending the annex to Regulation No. 192/64/CEE on arrangements for intervention on the butter market in France ⁽¹⁾.

National target prices per 100 kg of milk of 3.7 % fat content for 1965/66

	Germany DM/u.a.	Belgium Bfrs./u.a.	France FF/u.a.	Italy Lit./u.a.	Luxembourg Lfrs./u.a.	Netherlands Fl./u.a.
National currency	38	492.70	42	6 435	495	32
Units of account	9.500	9.854	8.5075	10.296	9.900	8.8398

Eggs and poultry

23. On 1 March the Commission decided to reduce by 0.025 u.a./kg the supplementary amount applicable to imports of poultry eggs in shell from Bulgaria, Czechoslovakia, Denmark, Hungary, Rumania and Sweden. With effect from 6 March the supplementary amount was therefore 0.175 u.a./kg ⁽²⁾.

On the same date the Commission increased by 0.025 u.a./kg the supplementary amount applicable to imports of slaughtered hens and chickens from non-member countries. From 6 March to 14 March 1965 the amount was 0.150 u.a./kg ⁽³⁾, but since the offer prices of non-member countries continued to fall, the Commission had to adopt a further regulation fixing supplementary amounts to take effect on 15 March. For hens and chickens, plucked, drawn, with head and feet, and for chickens plucked, drawn, without head or feet but with heart, liver and gizzard, the amount was fixed at 0.175 u.a./kg, and for hens and chickens plucked, drawn, without head, feet, heart, liver or gizzard, at 0.100 u.a./kg ⁽⁴⁾.

By Regulation No. 25/65/CEE the Commission increased the supplementary amount for liquid or frozen poultry egg yolks by 0.125 u.a./kg to 0.250 u.a./kg with effect from 15 March ⁽⁵⁾.

The Commission adopted a regulation adjusting and fixing sluice-gate prices for poultry eggs and for live and slaughtered poultry, and fixing the levies on imports from non-member countries of poultry eggs in shell, live poultry not exceeding 185 grammes in weight and slaughtered poultry for the period 1 April - 30 June 1965 ⁽⁶⁾.

⁽¹⁾ Commission Regulation No. 49/65/CEE, official gazette No. 52, 41 March 1955.

⁽²⁾ Commission Regulation No. 15/65/CEE, *ibid.*, No. 34, 3 March 1965.

⁽³⁾ Commission Regulation No. 16/65/CEE, *ibid.*

⁽⁴⁾ Commission Regulation No. 24/65/CEE, *ibid.* No. 41, 12 March 1965.

⁽⁵⁾ Commission Regulation No. 25/65/CEE, *ibid.*

⁽⁶⁾ Commission Regulation No. 50/65/CEE, *ibid.* No. 53, 31 March 1965.

Fruit and vegetables

24. On 15 and 16 March, in connection with the regulation amending Article 11(2) of Regulation No. 23 (fruit and vegetables), the Council further discussed the problem of products with duties bound in GATT. It was hoped that this point would be settled at the session of 8 April.

Sugar

25. At its session of 15-17 March the Council discussed the Special Committee for Agriculture's progress report, dealing chiefly with production targets and structural and natural differences, and asked the Committee to continue its work on this subject. The Council proposed to resume discussion on matters of principle concerning the future organization of the sugar market at its next session.

Competition

26. On 12 March the Commission, which is required by the Treaty to examine all aids granted by Member States, gave its ruling on a Sicilian Bill on the use of the National Solidarity Fund for the period 1 July 1960 - 30 June 1966. This Bill contains provisions affecting both industry and agriculture. The Commission raised no objection to the entry into force of the proposed measures, which may be considered compatible with the Common Market under the waiver of Article 92(3). However, the Commission asked the Italian Government to supply the necessary information for it to follow how this outline law was applied.

On 22 March the Commission decided to raise no objection either to the national provisions already in force or to the similar measures notified by the Trentino-Alto Adige region with a view to increasing the funds available to the region's medium- and long-term credit institution and its agriculture section. Nevertheless, the Commission asked for a report on the implementation of the proposed financial provisions at the end of each financial year.

Lastly, on 23 March the Commission decided to raise no objection to Italian Bill No. 518 being passed into law. This provides for the consolidation of holdings and the reorganization of farm structures, the development of productive holdings and the intervention of development agencies in the setting up of farms; but the Italian Government was asked to supply information regularly on certain points. It was also asked to ensure that there was no discrimination as regards the origin of machinery purchased with the help of subsidies.

In addition, however, the Commission, by virtue of Article 6 of Council decision dated 4 December 1962 on the co-ordination of agricultural structure policies⁽¹⁾, rendered a formal opinion on the Italian Bill and on this occasion examined in detail certain essential points in the Government's future farm structure policy.

(1) Official gazette No. 136, 17 December 1962.

COMMON TRANSPORT POLICY

The Council

27. The Council devoted a session on 9 March 1965 to transport matters. A considerable step forward towards a common transport policy was the adoption in principle of a directive on the standardization of rules for the issue of licences for road haulage between Member States and of a decision on the harmonization of certain provisions affecting competition in rail, road and inland waterway transport.

Standardization of rules for the issue of licences

28. The directive on the standardization of these rules will simplify and unify the administrative formalities which must be complied with by hauliers operating between Member States. It ensures that from 1 January 1966 licences required for international transport of goods by road may be issued by the authorities of the State in which the vehicle to be used for this purpose is registered.

Harmonization of provisions affecting competition

29. The decision on this matter is highly important because of its manifold implications, and because the Council has set definite dates for putting into effect the relevant measures of common policy.

A time-table has been fixed for the following measures:

I. In the field of taxation:

- i) Abolition of double taxation on motor vehicles;
- ii) Standardization of arrangements for duty-free entry of fuel in vehicle fuel tanks;
- iii) Standardization of bases for calculating vehicle tax;
- iv) Adjustment of tax systems applying specifically to freight transport on own account and for hire or reward;
- v) Inclusion of transport services in the future general system of turnover-taxation.

II. In the field of State intervention:

- i) Maintenance of public service obligations only in so far as is necessary to ensure that transport services are provided;
- ii) Compensation by uniform methods for financial burdens resulting from such obligations as are maintained and from rate and fare reductions made for reasons of social policy;
- iii) Normalization of railway accounts and financial compensation necessitated by normalization;

- iv) Progressive harmonization of rules governing financial relations between railways and States in order to make the railways financially autonomous;
- v) Drawing up of system of aids to transport having regard to the special aspects of the sector.

III. In the social field:

- i) Levelling upwards of provisions applicable to working conditions in transport by rail, road and inland waterway;
- ii) Unification of regulations concerning the composition of crews;
- iii) Harmonization of regulations on working hours and time off;
- iv) Harmonization of overtime regulations;
- v) Institution of an individual log-book to check the observance of rules on working conditions.

Institution of a Community quota

30. The Council examined further the regulation on the institution of a Community quota and on the adjustment of bilateral quotas for the transport of goods by road between the Member States. After approving the regulation in principle, the Council agreed that it should take effect from 1 January 1966, on condition that by that date an agreement should have been reached on the organization of the transport market, especially in respect of rate fixing.

The procedure favoured by the Council differs appreciably from that of the Commission's proposal, according to which bilateral quotas should be abolished progressively and replaced by the Community quota, road hauliers holding licences being allowed to operate freely anywhere in the Community. To permit some supervision of capacity, however, the Council's scheme provides for the participation of the Commission in negotiations on the adjustments and, where necessary, the changes to be made in bilateral quotas.

Fixing of rates

31. A representative of the Commission addressed the Council on this subject, saying that the Commission's proposal on a rate-bracket system would be maintained and suggesting various ways of overcoming the deadlock caused by the opposition of one Member State to the introduction of such a system for Rhine shipping. The Council welcomed these suggestions and decided to hold a meeting on 6 May in order to examine them.

Railways

32. The Council agreed to take up certain questions concerning the railways. This would be done at an early date so that the work could be finished by the end of the current year.

The Commission was asked to submit a paper on the subject to the Committee of Permanent Representatives by the end of March 1965.

The Commission accordingly submitted a draft programme of meetings to study rail transport questions, suggesting that these should be examined from their general aspect and from the angle of their inter-relationship, without going into technical details.

The work in hand will nevertheless go ahead, in particular the implementation of the Council's decision on harmonizing the terms of competition, which is dealt with in section 27 above.

In these circumstances, the proposed meetings should be of great interest.

Weights and dimensions of road vehicles

33. The Council discussed the proposal for a directive on weights and dimensions of commercial road vehicles operating between Member States and on certain additional technical requirements applicable to such vehicles.

The discussion will be resumed at the session on transport to be held in June.

Statements by the Commission

34. Lastly, the Council heard three statements by the Commission:

- i) A statement concerning the implementation of the Council's Decision of 21 March 1962 establishing a procedure for prior examination and consultation with respect to certain laws and regulations contemplated by Member States in the transport sector.
- ii) A statement on the plan to set up an International Union for the Navigation of the Rhine.

It was agreed that the Member States should take no decision regarding this plan before discussing it in the Council.

- iii) A statement concerning the proposal for a decision implementing Article 4 of Council Decision No. 64/389/CEE of 22 June 1964 concerning a survey of infrastructure costs in transport by rail, road and inland waterway.

It was agreed that if, after examination by the Committee of Permanent Representatives, an agreement were reached on the proposal, it should be submitted at the next Council meeting for adoption before 30 April 1965.

Reference to European Parliament

International passenger transport by road

35. At its sitting of 23 March 1965 the European Parliament rendered an opinion on the proposal for a Council regulation concerning the introduction of common rules for international passenger transport by road.

The Parliament approved the Commission's proposal, subject to certain amendments and additions, in particular the introduction of a clause dealing with passenger transport by road on own account.

Community action in the field of transport infrastructure investment

36. At its sitting of 23 March 1965 the Parliament also rendered an opinion on the proposal for a Council directive on Community action in the sphere of transport infrastructure investment.

The Parliament proposed the following amendments to the Commission's draft:

That pipelines should fall within the scope of Community measures in so far as they compete with other forms of transport; that the procedure for information and consultation on investment projects be extended to pipelines; that government infrastructure projects be regularly examined at Community level; that the Council should decide, not later than three years from the promulgation of the directive, which lines of communication, existing or contemplated, shall be recognized as of Community interest.

The Parliament also urged that Community action in this field should have regard to the requirements of regional policy.

Implementation of Articles 79 and 80

37. At a meeting held on 4 March 1965 with delegates of the German Government and the German railways, the rates applicable to transport to and from seaports (Seehafentarife) were examined once again.

Some of these tariffs will in the near future be abolished and others revised to bring them into conformity with Treaty provisions.

Weights and dimensions of road vehicles

38. The Italian Government referred to the Commission, in accordance with the Council's Decision of 21 March 1962 establishing a procedure for prior examination and consultation with respect to certain laws and regulations contemplated by Member States in the field of transport, a Bill at present before the Chamber of Deputies amending on certain points the current provisions relating to the weight of road vehicles.

As the object of the Bill is to bring Italian regulations into line with the proposal submitted to the Council by the Commission, the latter expressed its approval.

SOCIAL POLICY

Vocational training

39. The Advisory Committee on Vocational Training held a plenary session on 19 March 1965. M. Levi Sandri, Vice-President of the Commission and Chairman of the Committee, spoke of the important part to be played by vocational training in medium-term economic policy.

The Committee unanimously agreed that training is an essential factor of economic development, but also emphasized its social aspects, for training should go beyond economic considerations and aim primarily to satisfy the aspirations and aptitudes of the individual.

The Committee then addressed to the Commission its comments on two programmes in the field of common training policy, one of a general nature and the other relating to agriculture. In particular the Committee suggested priorities for the steps to be taken.

The Committee is of the opinion that rapid training programmes and retraining schemes must in general be planned as part of medium-term economic policy and regional development policy.

Social security for migrant workers : Administrative Committee

40. At its 63rd session, held in Brussels on 17, 18 and 19 March 1965, the Administrative Committee for the Social Security of Migrant Workers concluded its discussions on the application to seamen of Regulations Nos. 3 and 4 on social security for migrant workers. It also gave further consideration to a general revision of these regulations.

Social security

Survey of special systems of social security

41. The first meeting of independent experts appointed to study special systems of social security was held in Brussels on 25 February 1965.

The experts decided on the scope and content of the survey and the various aspects (legal, demographic, financial) to be dealt with in examining each system. They also agreed upon working methods and decided to begin with a report on special systems in France and Italy.

Survey of the economic repercussions of social security

42. On 22, 23 and 24 March 1965 the independent experts appointed to study the economic repercussions of social security held a meeting which was also attended by representatives of the ECSC High Authority and the Statistical Office of the European Communities.

The experts concluded their examination of five papers on study methods which they had begun at their February meeting (1).

Industrial health and safety

43. On 2 and 3 March 1965 the seventh meeting of heads of government departments responsible for industrial health and safety was convened by the Directorate-General for Social Affairs.

Proposals were discussed for directives on the alignment of laws and regulations relating to dangerous substances and to the design, inspection and approval of components of steel scaffolding.

Views were also exchanged on closer co-operation between Member States in the event of major accidents in industry, in particular the mines.

Housing for workers

44. At its session of 26 March 1965, the European Parliament rendered an opinion on the proposal for a Commission recommendation on housing for workers moving within the Community.

After saying that the question must be considered in the wider context of public housing, which is left to the individual States, the Parliament welcomed the recommendation as a first step and hoped to see further effective action taken.

Exchanges of young workers

45. The Commission has undertaken to promote and publicize the first Community scheme to encourage exchanges of young workers and on 9 March 1965 held an exploratory meeting with employers' representatives to enlist their co-operation in such exchanges.

The meeting was attended by observers from the member Governments and from the European Secretariats of the Committee of Agricultural Organizations in the EEC (UNICE), the Union of Industries of the European Community (COPA), and the ICFTU.

Commenting on the exchange scheme for 1965, M. Levi Sandri, Vice-President of the Commission and Chairman of the meeting, called upon employers to overcome their diffidence over taking on trainees, especially foreign trainees, and to try to make available the desired number of places. M. Levi Sandri added that these exchanges were important both for the furthering of European integration and for the long-term interests of the employers themselves.

(1) See Bulletin 4-65, Ch. II, sec. 30.

In the ensuing discussion, attention was called to the importance of young persons working on their own account being eligible for exchanges in the same way as wage-earners, and the advisability of increasing subsidies to organizations concerned with the welfare of trainees.

Manpower problems in the Community in 1965

46. The draft report prepared by Commission staff on manpower problems in the Community in 1965 was discussed on 15 March 1965 by economic experts and officials from Ministries of Labour in the Member States and again on 25 March by the Working Party on manpower of the Consultative Committee set up by Regulation No. 15.

This discussion threw light on the measures taken or contemplated by the Member States to attain a more balanced employment situation and promote steady expansion. Various ways were suggested of developing Community collaboration to this end.

III. External relations

GATT

Trade negotiations

47. After numerous unofficial contacts and consultations with the countries concerned, the Trade Negotiations Committee met on 18 March and reached some important decisions regarding procedure for the rest of the negotiations.

As regards the negotiations on agriculture, the Committee worked out a method of negotiation whereby specific offers on individual products would be tabled by participating governments relating to all relevant elements of support or protection. A time-table was adopted according to which:

- a) Negotiations on cereals would be resumed in the Cereals Group on 17 May 1965 on the basis of specific proposals to be tabled by 26 April;
- b) Offers for all other products were to be tabled by 16 September, and discussions to identify the relevant elements of support or protection would begin on 3 May 1965.

The Committee adopted the following plan for the participation of less-developed countries:

- a) These countries must give notice by 15 April 1965 of their readiness to table on 1 August a statement of the offers they will make as a contribution to the aims of the negotiations;
- b) This notification will entitle them to present exceptions lists for products of particular export interest to them;
- c) Less-developed countries having tabled a statement of their proposed contributions will then be recognized as participants in the negotiations.

During this meeting the Committee also laid down procedure for the participation of certain other countries.

Greece was recognized as a full participant in the negotiations, having offered as its contribution a commitment to align its duties on the common customs tariff by virtue of the Association Agreement with the EEC.

Spain and Portugal will be regarded as participating fully in the negotiations from the date on which they table their offers, now being prepared.

Countries now in the process of acceding to the General Agreement have been asked to notify the date and basis on which they intend to table their offers. These countries are Argentina, Iceland, Ireland, Tunisia, United Arab Republic and Yugoslavia.

Poland was asked to table an offer on the understanding that it would then be recognized as a participant.

Czechoslovakia was recognized as a full participant on the basis of the offer tabled on 16 November 1964.

Finally, the Committee instructed the Tropical Products Group to continue its work on the elaboration of procedures and arrangements for dealing with these products in the trade negotiations.

As for the industrial negotiations, the Committee considered that bilateral contacts begun after the justification procedure should be pursued for some time yet before the steps needed to resume multilateral discussions were taken. The bilateral talks in which the Community delegation is engaged are proving very useful in pin-pointing the problems involved and seeking solutions.

Session of GATT Contracting Parties

48. The Commission was represented at the twenty-second annual session of the Contracting Parties, held in Geneva from 2 to 26 March 1965.

Among the points discussed were the following:

Information given by the Commission representative on the implementation of the Treaty of Rome

49. Following what has become almost a tradition since the Treaty of Rome came into force, the Community, on its own initiative, reported on items of interest to the Contracting Parties concerning the progress of the EEC and the implementation of the Treaty. This statement, made by the representative of the Commission, included a general commentary on trade with non-member countries and reviewed progress made since the twenty-first session in bringing about customs union, common policies and some aspects of development policy.

The ensuing discussion was somewhat brief, in contrast to previous occasions. Only two representatives of developing countries took the floor to express their anxiety about recent developments in their trade with the Community and its future prospects.

Report of Working Party on the Association of Turkey with the EEC

50. The report prepared by this Working Party in September 1964 ⁽¹⁾ was discussed in plenary session.

The delegates of Turkey and those of France (representing the Community) emphasized in turn that the Agreement was based on the principles of Article XXIV(4), relating to customs unions and free-trade areas, and gave an assurance that the Contracting Parties would be supplied with all information on the implementation of the Association Agreement that might interest them. Several Contracting Parties expressed themselves satisfied with this assurance, saying that at this stage it would be better to draw no

(1) See Bulletin 11-64, Ch. II, sec. 47.

conclusions but to follow developments under the Agreement while reserving the right to revert to the matter at a later date.

Three delegations, however, maintained that the Association Agreement did not satisfy the requirements of Article XXIV of the General Agreement and that it should therefore be submitted in accordance with the waiver procedure provided for in Article XXV. They thought the question should be referred back to the Working Party. One delegation insisted in particular that there should be an examination, in the light of the General Agreement's provisions on customs duties in customs unions, of the problems arising from Turkey's recent increase in customs duties for which negotiations under Article XXVIII were in progress.

After much controversy the Contracting Parties took note of the divergent views on the compatibility of the Association Agreement with Article XXIV of the General Agreement and decided to keep the question on the agenda on the understanding that it would only be re-examined if one of the Contracting Parties considered this useful. In addition, there would be multilateral consultations with Turkey under Article XXII to study this increase in the Turkish customs tariff.

Report by Committee II (agricultural policy)

51. The Contracting Parties examined the report submitted by Committee II following consultations in the Committee during February 1965 on the changes made in farm policy by the United States, the United Kingdom and the EEC. The Contracting Parties gave particular attention to the results of the consultations with the Community concerning the regulations on milk products, beef and rice under the common agricultural policy.

Some delegations reiterated the misgiving which they had already expressed in the working group about the "discretionary" powers that the regulations conferred on Community institutions, the export refunds (which some delegations regarded as subsidies), the isolation of the Community's agricultural market through the operation of the levy, and the difficulties caused by variations in the levies, more particularly for exporters in remote countries. Several delegates said that the consultations could not be regarded as concluded and that discussions would have to be resumed when the effects of the regulations had made themselves felt.

Certain delegations again insisted that the agricultural part of the Kennedy round should enable non-member countries to compete with Community production for a reasonable share of the EEC market.

The Commission representative replied that, in spite of the repeated apprehensions of non-member countries, since 1958 the overall balance of the EEC's agricultural and industrial trade had been favourable to non-member countries and that the Community's trade deficit had increased very considerably in recent years. The "discretionary" powers of the Community institutions were merely the equivalent of powers that could be exercised by all the Contracting Parties to intervene in trade by appropriate action — in particular, safeguard measures. As regards the EEC position on export refunds, he reminded the Contracting Parties that normally these refunds were only repayments of levies on imported materials and that for the rest the Community would abide by the terms of the General Agreement. Lastly, the Community's attitude to the

consultations on the three commodities in question was that they should be regarded as concluded, but the Community would continue, as in the past, to follow the procedures laid down for Committee II.

The Contracting Parties finally adopted the report of Committee II, which by special decision was made public.

Report of the Committee on Trade and Development

52. The Committee on Trade and Development, set up by the Contracting Parties when the new chapter of the General Agreement for the benefit of the under-developed countries was signed ⁽¹⁾, held several meetings in Geneva during the session. The Committee submitted a report to the Contracting Parties, which was adopted. The Commission is represented on this Committee.

The Committee decided on procedure for examining reports made in pursuance of Article XXXVII(2) in the new chapter, under which a report must be made to GATT on any case where effect is not being given to the commitments in favour of less-developed countries accepted under Article XXXVII(1). The Committee also decided that the Contracting Parties should be asked to report on any measures they might take in pursuance of the other provisions of this article.

Several working groups were set up, one of them at the instigation of the Associated African States represented at the session; this was a working group on international commodity problems, which will study measures to stabilize the prices of primary products at equitable and remunerative levels. Among the other working groups was one set up to examine the effect of preferences among less-developed countries in promoting their trade.

BILATERAL RELATIONS

Austria

53. Negotiations with the Austrian Government were opened in Brussels on 19 March 1965. The Austrian delegation was led by M. Bock, the Minister for Foreign Affairs. M. Bock spoke of the special problems with which Austria is faced, and indicated the main points on which his Government hoped to reach agreement with the Community. The negotiations will be resumed on 22 April.

The Council's instructions to the Commission had concerned the following points:

- i) Removal of restrictions on trade between the Community and Austria;
- ii) The system of trade between Austria and non-member countries;
- iii) Harmonization of Austrian policies with those of the Community;
- iv) Institutions.

(1) See Bulletin 4-65, Ch. III, sec. 53.

Lebanon

54. An Agreement on trade and technical co-operation between the European Economic Community and its Member States, on the one hand, and Lebanon, on the other, was initialled on 9 March 1965 by M. Di Martino, the leader of the Community delegation, and M. Sadaka, the Ambassador, who is head of the Lebanese mission to the EEC and led the Lebanese delegation.

This is the first Agreement on trade and technical co-operation reached by the Community and Member States with a non-member country.

Content of the Agreement

55. i) Reciprocal application of the most-favoured-nation clause in its widest form (i.e. including also semi-tariff and non-tariff measures);

ii) Co-operation between the contracting parties with a view to co-ordinating action taken by Member States in the field of technical assistance to Lebanon. Such action would include.

a) The sending of specialists to Lebanon;

b) Technical training for Lebanese nationals in the EEC;

c) The preparation of studies on the development of Lebanon's resources;

d) Provision of technical equipment.

For this purpose a joint working party on technical co-operation, composed of representatives of the Member States, the Commission and Lebanon, will be set up to examine Lebanon's requests and the implementation of the plans adopted.

iii) A Joint Committee will be set up, with members representing the Community and Lebanon, whose task will be to see that the commercial provisions of the Agreement operate satisfactorily and to study trade developments.

A protocol on oranges, and a declaration of intent concerning credit insurance for exports of the Six to Lebanon, are annexed to the Agreement.

The Agreement will run for three years and is renewable.

Algeria

56. The Commission transmitted to the Council its final report on the exploratory talks with Algeria, giving the Council a broad view of the prospects for relations between the Community and the three Maghreb countries.

Israel

57. On 29 March 1965, a parliamentary delegation from Israel led by M. Moshé Dayan, a former Minister, had talks with members and officials of the Commission.

At its session of 22 to 26 March, the European Parliament adopted a resolution on relations between the Community and Israel, based on an interim report presented by M. Moro on behalf of the External Trade Committee.

In its resolution, the Parliament reaffirmed that mutual interests could only be fully satisfied if Israel were associated with the European Community under Article 238 of the Rome Treaty. The full text of this resolution is given in the annex.

Latin America

58. The Commission noted with satisfaction the intention of the Permanent Secretariat for the general Treaty of Central American Economic Integration to open a liaison office with the Community in Brussels. The Secretariat's plan had been explained verbally to M. Hallstein, the President of the Commission, by the Secretary-General of the above organization, Dr. Pedro Abelardo Delgado, during his visit in the early summer of 1964. Exchanges of views took place on several occasions, and the President recently sent Dr. Delgado a letter assuring him of the Commission's co-operation with the work of the new office. The Secretariat's representative is expected to arrive in Brussels shortly.

East African countries (Kenya, Uganda and Tanzania)

59. Having been given a mandate to negotiate by the Council at its session of 12 to 13 October 1964, the Commission opened negotiations with a joint delegation representing the Governments of Kenya, Uganda and Tanzania. These initial talks were held from 1 to 8 March 1965.

The three countries are negotiating for the establishment of relations with the EEC in accordance with the second formula of the declaration of intent adopted by the Member States when the Convention of Association was signed at Yaoundé; this provides for the conclusion of an association agreement involving mutual rights and obligations.

The Commission's delegation at the negotiations was led by M. van der Lee, Director in the Directorate-General for Overseas Development, and the African delegation by M. Kiano, the Kenya Minister of Commerce and Industry, assisted by M. Lubowa, the Uganda Minister of Commerce and Industry, and M. Mwambungu, Principal Secretary at the Tanzanian Ministry of Commerce and Co-operatives.

The negotiations will be resumed in June 1965.

Missions of non-member countries (March 1965)

60. On 4 March 1965 the President of the Commission, M. Walter Hallstein, received H.E. Ambassador José Nunez Iglesias who presented his letters of credence as the new head of the Spanish mission to the EEC.

The EEC gave its *agrément* to the appointment of H.E. Ambassador Manuel A. Duran-Barrera as the new head of the Dominican mission to the Community.

RELATIONS WITH INTERNATIONAL ORGANIZATIONS

Western European Union (WEU)

61. The WEU Council of Ministers held its quarterly meeting in Rome on 9 and 10 March 1965, M. Fanfani, the Italian Foreign Minister, presiding. As on previous occasions, the Commission was invited to take part in the discussions on European economic questions. It was represented by M. Rey and M. Colonna di Paliano, members of the Commission.

Speaking of the situation in the EEC in 1964, M. Rey drew attention to the Community's successes, particularly in the sphere of common agricultural and economic policy. He also expressed the Commission's satisfaction at the recent British decision to reduce the import surcharge imposed in October 1964 from 15 to 10 %. Many other problems were discussed in which the British authorities had always shown a great interest, such as the creation of a European patent, the position of insurance companies established within the Community, and future relations between the EEC and EFTA. On the latter subject, M. Rey informed the members of the Council of the Commission's efforts to work out a practical method of co-operation between its departments and those of the EFTA Secretariat.

Economic Commission for Africa (ECA)

62. The EEC Commission took part in the 7th session of the Economic Commission for Africa, which was held in Nairobi, Kenya, from 9 to 23 February 1965. During this session, the Commission's representative, speaking on behalf of the EEC, summarized the experience gained by the Community in connection with aid granted by the European Development Fund.

The session was mainly concerned with two subjects: relations between the Economic Commission for Africa and the Organization for African Unity, and economic integration in Africa.

THE COMMUNITY AND THE DEVELOPING COUNTRIES

OECD

Commercial policy

63. OECD's Trade Committee met at the beginning of March 1965 to study the guiding principles worked out by the World Conference on Trade and Development for development aid in the context of commercial policy. On the basis of working party reports it also discussed the attitude to be taken towards international trade in primary products, and towards the granting of preferences to the developing countries for semi-finished and finished goods. The institutional aspects of the new United Nations bodies, and of co-operation between them and GATT, FAO, etc., were carefully co-ordinated.

Development policy

64. The Development Assistance Committee (DAC), on which the Commission is represented, studied the recommendations of the World Conference on Trade and Development regarding the financial aspects of development assistance. It is attempting, with success, to harmonize the terms on which such aid is provided by the industrial countries. A detailed report on the financial assistance given by the industrial countries and the Community to the developing countries during the period 1956-63 was drawn up by this Committee, and has been published.

Economic policy

65. OECD has prepared a report on the influence of wage differences on the mobility of labour, and a report on agricultural problems seen from the point of view of general economic growth. In addition, it has published a new version of the liberalization code for invisible transactions, revised in the light of the latest developments.

OECD has decided to replace the Turkish credits from the European Fund, which will reach their redemption date within the next few years, by new credits extending up to 1972. Concurrently with the efforts of the consortium, of which the EEC Commission is a member, Turkey's overall indebtedness has been appreciably reduced by the European Monetary Agreement.

New directives have been issued within the OECD Industry Committee, with a view to future co-operation in matters of investment policy and economic expansion in branches of industry or industrial areas that are at present stagnating.

Technical assistance

66. At its session of 29-30 March 1965, the EEC Council examined the second report by the Technical Assistance Group set up on 19 October 1960 to encourage co-operation between the Member States and the EEC Commission and arrive at common solutions to particular problems arising in technical assistance to the developing countries.

In approving this report, the Council agreed to certain changes in the former arrangements for exchange of information within the Community on matters of technical assistance.

IV. The Community and the Associated States

ASSOCIATION OF GREECE WITH THE COMMUNITY

67. The EEC-Greece Association Committee held its 21st meeting on 26 March 1965. It resumed the study of a draft report to the Association Council on harmonization of the agricultural policies of the Six and Greece. This work was to be continued at a further meeting in Athens on 13 April.

The Committee also considered the details of the EEC regulation amending certain provisions of Regulation No. 23 (fruit and vegetables) as regards countervailing charges applicable to certain agricultural products.

Other current problems connected with the Association were also discussed, in particular the matter of quotas.

68. At its session of 22-26 March 1965, the European Parliament, after considering the question of co-operation between the European Parliament and the Parliaments of European States associated with the Communities, decided to set up a "Parliamentary Association Committee", and suggested to the Greek Parliament that this Committee should have 30 members: 15 appointed by the European Parliament and 15 by the Greek Parliament in accordance with their respective rules of procedure.

ASSOCIATION OF AFRICAN STATES AND MADAGASCAR WITH THE COMMUNITY

Application of the Assistance Convention

69. The financing agreement relating to the first annual tranche of the programme of aid to production in Chad was signed in Brussels on 2 March 1965.

On 9 March 1965 the Commission approved a proposal for the first annual tranche of the five-year programme of aid to production in Senegal.

This five-year programme amounts to 8 248 million Frs. CFA (about 33 413 000 u.a.), consisting of 4 474 million Frs. CFA (18 125 000 u.a.) for structural improvements and 3 774 million Frs. CFA (about 15 288 000 u.a.) for price support measures. In addition a general allocation of 3 280 million Frs. CFA (13 287 000 u.a.) is made for diversification projects in agriculture and industry which will be submitted to the European Development Fund as and when they are drawn up (1).

On 25 March 1965, the European Development Fund Committee approved the financing of the second tranche of the programme of aid to production in the Central African Republic.

(1) For the first year, aid to production under Senegal's five-year programme amounts to 2.590 million Frs. CFA (about 10 486 000 u.a.) and concerns groundnuts exclusively.

At the request of the Government of Madagascar, a technical assistance mission has been sent to that country by the EEC Commission to draw up the five-year programme of aid to production.

Visit to the Commission

70. On 22 March the Commission's staff received a delegation from Upper Volta led by M. Edouard Yameogo, the Minister of Economic Affairs. Various financing projects that have been submitted to the European Development Fund were discussed with the delegation.

Mission to Rwanda and Burundi

71. M. Hendus, Director-General for Overseas Development, went to Rwanda and Burundi on an official mission from 1 to 10 March 1965. First he represented the EEC Commission at the meeting of the Joint Committee of the Parliamentary Conference of the Association held in Kisenyi (Rwanda) from 1 to 5 March. He then met the President of the Republic of Rwanda, the President and Vice-President of the National Assembly of that country and several high officials, in order to discuss the various projects submitted by Rwanda to the European Development Fund. With the same end in view, he continued his mission in Burundi, where he was received in audience by the King and took part in a working session presided over by the Prime Minister.

EUROPEAN DEVELOPMENT FUND

Famine relief in Somalia

72. On 9 March 1965 the EEC Commission decided to finance, through the European Development Fund, emergency aid to the population of Somalia, stricken with famine as a result of the drought of 1964. At its 6th meeting held on 25 and 26 February 1965, the EDF Committee had approved this grant, which was proposed under urgent procedure. The amount of the aids is 1 785 000 Somali shillings or about 250 000 u.a.

On 26 December 1964, the Prime Minister of Somalia had addressed an appeal to the Heads of Governments of States having diplomatic relations with Somalia, and a request for extraordinary aid was submitted to the EEC Commission on 5 January 1965.

The aid granted by the EEC will be used for the purchase and distribution of food and pharmaceutical products and for the purchase of road tankers to transport water to remote centres.

Financing decisions approved

73. With the approval of the Fund Committee, the EEC Commission decided to finance nine projects through the second EDF, totalling 25 794 000 units of account. The projects and programmes concerned are as follows:

- i) Aid to production in Senegal: first annual tranche of 2 590 million Frs. CFA or some 10 492 000 u.a. This first tranche (which is devoted exclusively to groundnuts) is part of the five-year programme of aid to production and diversification in Senegal approved by the Commission in accordance with Article 28 of Protocol No. 5 to the Yaoundé Convention.
- ii) Building of the Afgoi-Baidoa road in Somalia: 34643000 Somali shillings or some 4 850 000 u.a. This belongs to a complex road project, in three parts, to be financed jointly by the International Development Association (IDA), a specialized affiliate of the World Bank, the European Development Fund, the United Nations Special Fund and the Governments of Somalia. The part financed by the EDF covers 22 % of the total cost of constructing the 220 km road, the cost of supervising the work, the purchase of maintenance equipment and the construction of buildings and workshops for the road services. The preliminary technical survey and the preparation of a call for tenders, also the EDF's responsibility, are financed separately out of funds for technical assistance. This road project is part of Somalia's five-year development plan and will benefit a population of some 220 000 in the important agricultural area of Central Somalia situated between Bur-Acaba, Baidoa and Dinsor.
- iii) Building of the Nouakchott-Rosso road in Mauritania: 795 million Frs. CFA or some 3 220 000 u.a. This is also an important road project to be financed jointly by the IDA, the EDF and the Mauritanian Government. The construction of this 200 km. road, together with the Kaédi-Kiffa road and the Nouakchott wharf (financed through the first EDF), means that Mauritania will no longer be entirely dependent on Senegal for supplies; it will encourage the development of a trade infrastructure proper to Mauritania, and will appreciably reduce the distance and the cost involved in transporting goods to Rosso for distribution in east Mauritania.
- iv) Construction of the Scialambot-Genale-Goluen road in Somalia: 11 207 000 Somali shillings or some 1 569 000 u.a. The road from Afgoi to Scialambot, which was financed through the first EDF, will be extended as far as Goluen by building one asphalted section and two unmetalled roads crossing the Genale farmlands, which have a population of 42 000. This project will make it possible to transport produce from the area to the ports of Merca and Mogadishu throughout the year. It is one of the steps being taken to lower the cost price of bananas from Somalia.
- v) School building in Mauritania: 291 350 000 Frs. CFA or some 1 180 000 u.a. This programme, which covers the building and equipping of primary and secondary classrooms, living quarters for teachers, and offices and storerooms, follows an initial programme of schoolbuilding financed through the first EDF. It represents a further effort on the part of Mauritania to expand its educational system and reach the level of school attendance aimed at for 1966 in the development plan.
- vi) Building of four secondary schools in Congo (Brazzaville): 200 million Frs. CFA or some 810 000 u.a. The project follows a first instalment of eight secondary schools built under the first Fund. The twelve schools financed by the two Funds are needed because of the pressure on secondary education in a country where school attendance is among the highest in Africa (76 %). The project will make it possible to decentralize secondary education by providing a secondary school in the chief town of every department but one.

vii) Purchase of two dredgers for Congo (Leopoldville): 480 million Congolese francs or some 3 200 000 u.a. The two large modern dredgers, capable of moving 3 million cubic metres a year, are needed to keep clear a fairway in the river Congo, where for 50 km. its course tends to change owing to shifting sandbanks, and for the ports of Boma, Ango-Ango and Matadi. The cost includes the crews to be provided by the builder of the dredgers for the year covered by the builder's guarantee.

viii) Building of a health centre at Foubouni in the Comoro Islands: 55 million Frs. CFA or some 223 000 u.a. The project, which will benefit some 30 000 inhabitants in the south-east of the Great Comoro covers the building of a dispensary, a 30-bed ward, a 12-bed maternity wing and three dwelling units. This is the first investment project in an overseas territory to be approved under the second Fund.

ix) Famine relief in Somalia: 1 785 000 Somali shillings or some 250 000 u.a. See above, sec. 70.

These recent decisions of the EEC Commission bring the commitments authorized under the new EDF since the entry into force of the Yaoundé Convention on 1 June 1964 to a total of 65 172 000 units of account.

Financing decision under the first EDF

74. The EEC Council approved the project for the construction of the Kralendijk-Sorobon road in the Netherlands Antilles for a total of 567 000 u.a. The commitment provisionally undertaken by the Commission has thus been confirmed.

Signature of two joint-financing agreements

75. On 29 March M. Rochereau, a member of the EEC Commission and President of the Overseas Development Group, and Mr George Woods, President of the International Bank for Reconstruction and Development, signed two agreements in Washington on the joint financing of two investment projects:

i) The building of the Nouakchott-Rosso road in Mauritania; the total cost is 10 020 000 u.a., of which 3 220 000 u.a. will be provided by the EDF as a grant, 100 000 u.a. by the Government of Mauritania, and 6 700 000 u.a. by the IDA in the form of a 50-year loan;

ii) The building of the Afgoi-Baidoa road in Somalia; this will cost 14.2 million u.a., of which more than 5 million u.a. will be borne by the EDF, 6.2 million u.a. by the IDA, over 2 million u.a. by the UN Special Fund, and 700 000 u.a. by the Government of Somalia.

These are first joint-financing agreements between the EDF, IDA and UN Special Fund.

Agreement with the ILO

76. An agreement on mutual information was concluded between the EEC Commission and the ILO. This will concern requests for technical assistance received by the International Labour Office, and requests to the European Development Fund for finance for projects that include vocational training.

Financing approved by the Commission at 31 March 1965
(Second Fund)

Amount in u.s.

<i>I. Aid to production</i>	
Cameroon	2 694 000
Chad	1 916 000
Central African Republic	1 750 000
Niger	939 999
Dahomey	1 027 000
Senegal	10 492 000
	Total 18 818 000
<i>II. Technical Assistance (TA)</i>	
General allocation for studies	8 000 000
General allocation for direction and supervision of work	4 000 000
TA Gabon	811 000
	Total 12 811 000
<i>III. General technical co-operation</i>	
Scholarships	2 917 000
In-service training	217 000
Information programme	225 000
TA Congo (Léopoldville)	1 440 000
TA Somalia	1 064 000
	Total 5 863 000
<i>IV. Investment projects</i>	
Rwanda	1 888 000
Burundi	160 000
Cameroon	6 158 000
Chad	810 000
Niger	2 005 000
Mauritania	5 757 000
Somalia	6 419 000
Congo (Brazzaville)	810 000
Congo (Léopoldville)	3 200 000
Comoro Islands	223 000
	Total 27 430 000
<i>V. Emergency aid</i>	
Somalia	250 000
	Grand total 65 172 000

V. Institutions and organs

THE PARLIAMENT

The Parliament was in session from 22 to 26 March 1965. M. Duvieusart was re-elected President by acclamation. MM. Fohrmann, Battaglia, Furler, Vendroux, Kreyszig, Brunhes, Rubinacci and Kapteyn were elected Vice-Presidents.

M. Duvieusart paid tribute on behalf of the Parliament to the memory of the late Sir Winston Churchill.

On behalf of the Commission, M. Rochereau addressed the Parliament on trade between the EEC and developing countries, more especially the Associated African States and Madagascar. The time was ripe, said M. Rochereau, to apply simultaneously a concerted policy of stabilizing, or even raising, commodity prices and a policy of gradually opening the industrialized markets to semi-finished and manufactured products from the developing countries. He went on to discuss the commercial effects of the tariff preferences which the AASM enjoy over other developing countries in trade with the EEC and noted that these States derived real advantage from these measures only if (a) the preferences were reflected in an expansion of the EEC markets and not in wider profit margins for exporters or distributors of AASM products and (b) exporters competing with AASM did not reduce their own prices to an equivalent extent and thus neutralize the competitive advantage enjoyed by the AASM thanks to the preferences.

M. Rochereau's final remarks concerned the problem of the trade deficit of the AASM.

The debates at this session and the resolutions adopted concerned the business situation and the Community's economic policy, co-operation between the European Parliament and the Parliaments of the Associated States, common commercial policy, (1) Community action in the field of transport infrastructure investment and the introduction of common rules for international passenger transport by road, the housing of workers in the Community and countervailing charges on certain goods derived from the processing of agricultural products.

Debate on M. Martino's second report concerning European political union

A report was presented on behalf of the Political Committee by its Chairman, M. Edoardo Martino (Italy, Christian Democrat), concerning problems relating to the political unity of Europe.

An interim report on the most urgent problems was presented at the January session (2) and the present report was drawn up in the light of the proposals and amendments submitted at that time. It referred particularly to the resolution standing in the

(1) For text of this resolution see Annex.

(2) See Bulletin 3-65, Ch. V.

names of MM. Pleven, Dehousse, Vanrullen, Poher and Vendroux and to the amendments thereto.

M. Martino commented on the principal points of his report: on the one hand, the quest for a federal structure which would permit the establishment of a joint authority with adequate powers in the basic sectors of culture, foreign policy and defence, and on the other, the place of the political union in the Atlantic Alliance, i.e. the question of partnership between Europe and the United States. M. Martino remarked that paradoxically the only result for the Parliament of the merger of the Executives had been to reduce its powers. Nevertheless, it remained a strongly positive element in the general process of the building of Europe.

On behalf of the Christian Democrat Group the first speaker, M. Furler (Germany) said that the issue was not so much of finding a formula for political union as of progressively extending the Community method and principles to the fields of foreign policy, defence and culture in turn. He advocated a stage-by-stage approach to a common standpoint in these fields, where present concepts varied greatly and often had no point in common. He recalled that the European Economic Community was an eminently political process. What was called political union "should not be a roof preventing the sun from penetrating into the edifice but one of the two wings which complete this edifice". Finally he stressed the need to widen the Parliament's powers not only in budgetary matters but also, and more especially, in legislation.

Speaking for the Socialist Group, M. Kapteyn (Netherlands) discussed external policy. He pointed to the Community's divisions and weaknesses, mentioning as an example the lack of unity among the Six at the World Conference on Trade and Development and in their relations with the Arab countries.

M. Kapteyn further considered that, even if united with Great Britain and even if the Scandinavian countries were included, Europe should never aspire to play the role of an independent third force, since such an attitude in reality implied a non-existent choice: either Europe was on the side of the West or it was not.

Referring to the common commercial policy, he emphasized that the Eastern countries could not be expected to recognize the common tariff if the Europeans themselves continued to go their separate ways in commercial policy. The Socialist Group had remained faithful to the concept of Europe on which the Treaties were based, a Europe open to all who accepted the Treaties and Community decisions after an indispensable period of adaptation.

M. Berthoin (France), who spoke for the Liberal Group, was struck by the fact that the many economic agreements were not followed by positive results in the building of a democratic Europe.

However, the decisive happenings in the agricultural sphere would make a solution of the practical problems and the implementation of new joint decisions essential, so that whichever way one turned the political unity of Europe was an overriding and urgent need.

The speaker stressed the part which the European Parliament would have to play in solving these great problems which conditioned our common future.

On behalf of the UDE Group, M. de Lipkowski (France) sketched the main lines of a joint doctrine on foreign policy and defence, two essential spheres in which the future of Europe was undecided.

Thus Europe's vocation and personality must be clearly defined, for the abandonment of sovereignty imposed by the Treaty had not yet led to any definite concept, and this was the sole cause of the many difficulties met with so far.

Turning to Europe's attitude towards the United States, M. de Lipkowski said that it was impossible to establish a true partnership between these two which could respect both the European and the Atlantic idea.

The French member expressed his conviction that Europe could only be built if it were completely free, particularly in relation to America: "We have to show a certain European 'will to live' if we are to exist", he said, "Atlanticism, which means especially the interests of the United States, does not encourage the development of Europe's personality but even runs counter to it".

After analysing at length the chief aspects of international policy, M. de Lipkowski concluded by reminding his listeners that France, which so far had made every effort to give shape to European diplomacy, could not carry on such a diplomacy in isolation or pursue and attain the objectives it had chosen by its own resources alone. It therefore hoped to count on the understanding and aid of its partners.

MM. Hallstein, Margulies and Del Bo spoke in succession on behalf of the three Executives.

For the EEC Commission, M. Hallstein said that great progress had been made with customs union. He disagreed with certain of M. de Lipkowski's arguments, particularly with his objection to a "monolithic" structure for the West. He further affirmed that the Americans' words corresponded with their deeds and that for them the political integration of Europe was not an alternative to the partnership on a footing of equality they desired with Europe but a precondition of that partnership. The President of the Commission then mentioned the new prospects opened up to the EEC by the coming merger of the Executives, after which he gave details of the recent decisions on the financing of the agricultural policy ⁽¹⁾.

M. Margulies then spoke for the Euratom Commission and M. Del Bo on behalf of the High Authority of the ECSC. The first stressed those aspects of the future European union which concerned scientific culture and research, while the second made a critical analysis of schemes for political union as they had been formulated. He regretted in particular that such schemes did not stem from a treaty — as was the case with the existing Communities — but from voluntary co-operation between the Governments, i.e. from an "organization" and not an institutional system.

A broad discussion, in which the speakers were numerous, followed between the European Democratic Union Group (M. de Lipkowski and M. de la Malène) and representatives of all the other political groups.

The debate touched on certain institutional problems and the role of the European Parliament (M. Dehousse), cultural problems (M. Seifriz, Germany, Socialist) and partnership between Europe and the United States. On this last point there were various reactions to the concept of the UDE Group, which favoured a balance between Europe and the United States to avoid leaving the settlement of world problems to the two super-powers.

(1) See Ch. I.

On the other hand numerous speakers held that Europe would be reduced to impotence as long as it remained divided and pointed out that, although the Socialist, Christian Democrat and Liberal Groups did not have identical views on all outstanding problems, they were nevertheless all in agreement on a European "constituent pact".

The debate issued in a resolution which is given in the Annex.

President's report on the activity of the Councils during the year

On 25 March 1965, M. Couve de Murville, French Minister of Foreign Affairs and President of the Councils, presented a report on the activity of the Councils during the past year.

M. Couve de Murville spoke on three main subjects:

- i) Progress in establishing the Common Market and the decision taken on agricultural matters. The Six were studying the possibility of attaining customs union by July 1967 (instead of 1970) if agricultural Europe had come into being by that date.
- ii) External relations. M. Couve de Murville said that the Community had devoted close attention to preparations for the Kennedy round. He reviewed various developments in the Community's external relations: the Yaoundé Convention, which came into force on 1 June 1964; the Association Agreement with Turkey (1 December 1964); the trade Agreements signed between EEC and Iran, Israel and the Lebanon. Finally, he mentioned the negotiations in progress with Austria, Spain, Nigeria, East Africa and the Maghreb countries and the initial contacts with Yugoslavia.
- iii) Institutional problems, in particular the strengthening of the European institutions. The merger of the institutions decided on at the beginning of March was a reform of decisive importance: "It will strengthen the European institutions and rationalize their activities, since there will be a single Commission and a single Council of Ministers... but above all it is the key to a much more far-reaching operation: the amalgamation of the Communities themselves, i.e. of the Treaties of Rome and Paris".

Opening the debate on behalf of the Christian Democrat Group, M. Illerhaus (Germany) regretted that the President of the Councils had said nothing of the various prospects open to the EEC. Considerable efforts would have to be made in the agricultural, transport and fiscal spheres and also in the matter of social policy and common commercial policy. Turning to institutional question, M. Illerhaus considered it urgent to broaden the powers of the European Parliament, particularly in financial matters.

M. Dehousse (Belgium), speaking for the Socialist Group, particularly regretted that M. Couve de Murville's statement had not included a political section. He mentioned the following problems: the need for trade union representation in the future unified Executive; the impossibility for the European Parliament to work efficiently in three widely separated cities; the unacceptable delay in the transport sector, and the anachronism of creating new institutions for air transport (Air Union) at the very time when the merger was in the offing.

On behalf of the Liberal Group, M. Berkhouver (Netherlands) pointed on the one hand to the urgent need for a joint approach by the Six to foreign policy and on

the other to the shortcomings of the merger as decided on by the Councils. He was sceptical of the progress and improvements expected from a merger conceived in this way, which would do nothing to increase the efficiency of the institutions and which neglected to strengthen the powers of the Parliament.

Speaking for the European Democratic Union Group, M. Vendroux said on the contrary that he was satisfied with the work of the Councils, which should not be automatically held responsible for difficulties and refusals to act stemming from the application of the existing Treaties or their shortcomings. In an optimistic summing up, M. Vendroux declared his confidence in the future of the building of Europe on the lines on which it had been begun.

On behalf of the Christian Democrat Group, M. Pedini (Italy) spoke of energy policy and M. Posthumus (Netherlands), for the Socialist Group of the powers of the Parliament and political integration.

M. Couve de Murville replied to the questions put. He emphasized that the sobriety and academic nature of his report (which was not a speech) were due to the fact that it was a joint text of the Six prepared in co-operation by officials of the EEC Governments.

After touching on the subject of political union, the President of the Councils went into some detail on the following points: the Geneva World Conference, economic union, the merger and the powers of the European Parliament.

The Parliament adopted several other resolutions:

- a) Concerning relations between the Community and Israel;
- b) Concerning the composition of the Parliamentary Committee for association with Greece;
- c) On certain aspects of the financial organization of the EEC;
- d) Concerning procedure for examining the General Reports on the activities of the European Communities;
- e) Incorporating the opinion of the European Parliament on the EEC Commission proposals to the Council concerning:
 - i) A first directive on the participation of entrepreneurs in tenders for building work for the state, local authorities and other public bodies;
 - ii) A decision concerning amendments to be made to the General Programmes for the removal of restrictions on freedom of establishment and freedom to supply services;
 - iii) An initial directive to co-ordinate procedures for the award of public works contracts;
- iv) Changing the number of members of the Research and Cultural Affairs Committee of the European Parliament;
- v) Concerning the settlement of the accounts of the European Parliament for the financial year 1964.

THE COUNCIL

161st session

The 161st session of the Council, which dealt with transport matters, was held on 9 March 1965 under the chairmanship of M. Jacquet, the French Minister for Public Works and Transport.

Details of the Council's discussions will be found in Chapter II, section 27 to 34.

162nd and 163rd sessions

The 162nd and 163rd sessions of the Council, devoted primarily to agricultural matters, were held on 15, 16 and 17 March 1965 with M. Ferrari Aggradi, Italian Minister of Agriculture, in the chair in place of M. Pisani, who was unable to attend.

The following matters were discussed:

Sugar: The Council called on the Special Committee for Agriculture to continue its work on the basis of a Commission survey of sugar production and consumption trends in the Community.

Refund to starch producers: Acting on a Commission proposal, the Council again extended, from 1 April to 30 September 1965, the regulation extending and adjusting the limits on refunds to starch producers.

Eggs for hatching and live poultry: The Council agreed in principle on two regulations. The first concerns the quantity of feed-grain to be assumed in calculating the levy on eggs for hatching and live poultry not exceeding 185 grammes in weight. The second lays down the sluice-gate prices for eggs for hatching and live poultry not exceeding 185 grammes in weight.

Information Service: On the basis of a report from the Special Committee for Agriculture, the Council discussed in detail certain key problems connected with the proposal for a regulation setting up an Information Service on farm accounts and incomes in the EEC. The Special Committee was requested to continue its work along the lines suggested during the discussions.

Products from the Associated African and Madagascar (AASM)

The Council approved the proposed regulation concerning the system applicable to certain processed products originating in the AASM and the Overseas Countries and Territories. The Committee of Permanent Representatives will decide on the arrangements for consultations with the AASM; to this end, the Council extended until 30 June 1965 the system provided for in Regulation No. 156 for flour and starch of manioc and other roots and tubers originating in the AASM.

Fruit and vegetables: Within the framework of the regulation amending Article 11(2) of Regulation No. 23 (fruit and vegetables), the Council gave further consideration to the problem of products bound in GATT, and hoped to conclude its discussions on this subject at its session of 8 April 1965.

Milk products: The Council fixed threshold prices for the entire range of milk products on the basis of national target prices. The German delegation accepted the decision *ad referendum* in view of the lengthy parliamentary procedure involved in fixing the target price in Germany.

These arrangements will be applicable during the 1965/66 marketing year beginning 4 April 1965 (12 April 1965 in Germany).

Miscellaneous: The Council formally adopted the following two regulations:

- i) Regulation fixing the levies on pigs, pigmeat and pigmeat products imported from non-member countries between 1 April and 30 June 1965 (see Chapter II, section 20);
- ii) Regulation extending until 30 June 1965 Regulation No. 85 concerning the determination of sluice-gate prices and of surcharges and establishing transitional arrangements for cuts of pork and pigmeat preparations and preserves.

The Council formally adopted the decision authorizing Italy to waive the provisions of Regulation No. 19 as regards the fixing of market intervention prices for durum wheat (see Chapter II, section 19).

164th session

The 164th session of the Council was held on 29 and 30 March 1965 under the chairmanship of M. Giscard d'Estaing, the French Minister of Finance and Economic Affairs.

The following matters were discussed:

Technical assistance: The Council examined the second report of the Technical Assistance Group set up by the decision of 19 October 1960 (see Chapter III, section 66).

Harmonization of turnover taxes: The Council examined and discussed the Commission's modified proposal for a Council directive concerning the harmonization of turnover tax legislation in the Member States.

It was decided to resume the discussion on this subject after the Commission had submitted a proposal for a second directive on the structure and operation of the common added-value tax system (see Chapter II, section 8).

Proposal for a third directive in pursuance of Article 67 of the Treaty: The Council discussed a Commission proposal for a third directive on the implementation of Article 67 of the Treaty (see Chapter II, section 17).

The trade cycle in the Community: On the basis of a Commission proposal under Article 103(2) of the Treaty, the Council adopted a new recommendation to the Member States on the trade-cycle policy to be followed until the end on 1965 (see Chapter II, section 13).

The European Investment Bank and its possible role in joint operations: At its session of 3 and 4 February 1964, the Council decided to study the question of the European Investment Bank's contributing to the financing of joint operations.

It was noted that certain possibilities for such action were open to the Bank under the terms of reference assigned to it by the EEC Treaty.

Adoption of regulations: The Council formally adopted regulations in the four Community languages:

- a) Appointing a later date for the opening of the 1965/66 milk marketing year;
- b) Regarding price measures in the milk and milk products sector for the 1965/66 marketing year;
- c) Prolonging the arrangements made by Regulation No. 156 with regard to flour and starch of manioc and other roots and tubers originating in the Associated African States and Madagascar;
- d) Extending until 30 September 1965 Regulation No. 142 concerning refunds to starch producers.

These regulations had been provisionally approved at the session of 15-17 March.

THE COURT OF JUSTICE

Cases pending

Case 12/65⁽¹⁾: (Commission official v. Commission)

On 26 February 1965, a Commission official filed a suit seeking reclassification in Grade L/A 4 step 8.

Case 16/65⁽²⁾: (Firma C. Schwarze, Bremen v. Einfuhr- und Vorratsstelle für Getreide und Futtermittel, Frankfurt/Main).

On 26 February 1965 the Hessisches Finanzgericht, Kassel, applied for an interlocutory ruling on the interpretation of Article 173 and 190 of the EEC Treaty and of Articles 2 and 3 of Council Regulation No. 19.

Rulings

Case 31/64⁽³⁾: (Sociale Voorzorg v. W.H. Bertholet)

Case 33/64⁽³⁾: (Betriebskrankenkasse der Heseper Torfwerk GmbH v. Van Dijk).

These were applications by Netherlands tribunals for an interlocutory ruling on the interpretation of Council Regulation No. 3 concerning social security for migrant workers.

⁽¹⁾ See official gazette No. 43, 16 March 1965.

⁽²⁾ Ibid., No. 59, 8 April 1965.

⁽³⁾ Ibid., No. 46, 22 March 1965.

On 11 March 1965, the Court of Justice, accepting the opinion of the EEC Commission, gave the following ruling:

"The provisions of Article 52(1) of Regulation No. 3 concerning social security for migrant workers (official gazette dated 16 December 1958, pp. 561 sqq.) are already applicable before the Member States concerned conclude the bilateral agreement referred to in paragraph 2 of the said article;

The said provisions are applicable to a worker who, by virtue of the legislation of one Member State, is drawing one of the benefits listed in Article 2 of Regulation No. 3 for injuries, whether or not related to this employment, sustained in another Member State, and is entitled to claim compensation therefor against a third party in the latter State;...".

THE MONETARY COMMITTEE

The Monetary Committee held its 69th session on Friday 5 March 1965 with M. van Lennep in the chair. As part of its periodic review of the situation in Member States, the Committee examined the monetary and financial situation in France. Its conclusions have been submitted to the Commission and the Council.

At the request of the Commission, the Committee discussed the question of improving economic statistics in the Member States, taking note of an opinion on the same subject by the Short-term Economic Policy Committee. The Monetary Committee went on to adopt an opinion for submission to the Commission.

Finally, the Committee discussed two drafts of an opinion for submission to the Council concerning the definition of the unit of account for uniform cereal prices in the EEC. It was decided that a final draft would be distributed and deemed approved failing comment.

ADMINISTRATIVE AFFAIRS

Budget matters

At its session of 1 and 2 March 1965, the Council, in pursuance of Article 206 of the Treaty, took note of the report of the Committee of Control on budget administration for 1962, and gave the Commission a discharge in respect of the execution of the ordinary and supplementary budgets of the EEC for that year.

On 2 April 1965 the Commission forwarded to the Committee of Control, in pursuance of Article 206 of the Treaty and of the regulation on the rendering and auditing of accounts, the budget accounts for 1964 and the balance sheet of the Community at 31 December 1964.

Revision of salary scales

On 10 July 1964, the EEC and Euratom Commissions, by agreement with the ECSC High Authority, submitted a proposal for a revision of salary scales and allowances for the staff of the Communities.

This proposal which was supported by the European Parliament and the Court of Justice of the European Communities, was examined by the Councils on 1 March 1965. The Councils decided to increase the salary scales, but to a less extent than the three Executives had requested. Basic pay before deduction of tax was increased in general by 4 %; staff in the lower grades received an additional increase of 1 %, and staff in grades A1 and A2 an extra 3 %. Certain allowances were increased slightly. In addition, staff in the lowest grades receive a special temporary flat-rate allowance. These arrangements are retrospective to 1 January 1965.

Staff movements

M. Pierre Malvé has been appointed Head of the extra-European Division in the General Affairs Directorate of the Directorate-General for Agriculture.

M. Maurice Barthélémy has been appointed Head of Division 4 (matters relating to the various products) in the Directorate for Markets in Crop Products in the Directorate-General for Agriculture.

The Commission has accepted the resignation of M. Willem van Slobbe, Executive Assistant to M. Mansholt, Vice-President of the Commission, to take effect from 1 May 1965.

The Commission conferred on M. van Slobbe the title of honorary director by virtue of Article 54 of the Statute of Service.

MISCELLANEOUS

Address by Professor Walter Hallstein in London

On Thursday 25 March 1965 Professor Hallstein gave an address to the British Institute of International and Comparative Law in London on "The Commission, a new factor in international life".

Address by M. Lambert Schaus in Cologne

On 26 March 1965 M. Lambert Schaus, member of the EEC Commission, addressed the Transport Institute of Cologne University on "Intervention and self-restraint by public authorities in the field of transport".

The speaker dealt with his subject from the angle of European economic integration and defined his attitude to current problems of the Community's transport policy.

Visits of members of the Commission to non-member countries

From 2 to 5 April 1965 M. Sicco L. Mansholt, Vice-President of the EEC Commission, was in Senegal on an official visit at the invitation of the President of the Republic, M. Léopold Sédar Senghor. During his stay M. Mansholt had meetings with President Senghor, with the Ministers of Trade, Planning, Finance and Rural Economy, and with the President of the Economic and Social Council.

M. Lionello Levi Sandri, Vice-President of the EEC Commission, visited Israel on the invitation of the Government of that country. During his stay, which lasted from 31 March to 7 April 1965, M. Levi Sandri met members of the Israeli Government, in particular the Minister of Foreign Affairs, Madame Golda Meir, union leaders and personalities in the political and economic world. He also visited a number of social and economic projects.

M. Jean Rey, the member of the Commission with special responsibility for external affairs, visited the United States from 27 March to 6 April 1965. In Washington M. Rey had meetings with various personalities in the State Department in order to examine current aspects of relations between the Community and the United States. In Los Angeles M. Rey took part in a symposium arranged by the Arrowhead Centre.

On the invitation of the Greek Government, M. Lambert Schaus, member of the EEC Commission, visited Greece from 10 to 18 April 1965.

During his visit M. Schaus met M. Stephanopoulos, Vice-President of the Council of Ministers and Minister of Co-ordination, and other members of the Greek Government. M. Schaus examined on the spot problems facing Greece and the Community under the Association Agreement, in particular transport matters.

The European Communities at Montreal World Exhibition 1967

The EEC Commission, the ECSC High Authority and the Euratom Commission have decided to participate jointly in the 1967 World Exhibition to be held in Montreal. Their exhibits, housed in a single pavilion, will illustrate the progress made by the three Communities towards European unification.

Symposia on current European affairs

The Bruges College of Europe held its annual symposium on 8, 9 and 10 April 1965 on the subject of "Incidence and Application of Community Law in National Law". The symposium was attended by a number of European and international personalities, the closing session being presided over by M. Jean Rey, member of the EEC Commission and President of the Administrative Council of the College of Europe.

On 28, 29 and 30 April 1965 the Liège Institute of European Legal Studies held its first symposium on the technical aspects of the merger of the Communities. M. F. Dehousse, President of the Institute, took the chair and the following subjects were dealt with:

- a) "Merger of the Communities" by M. G. van Hecke, Professor at the Faculty of Law, Louvain University;
- b) "Merger of the Institutions and Authorities" by M. P. Pescatore;
- c) "Merger of legal processes" by Dr. P. Mathijssen, adviser in the Legal Service of the European Executives.

Meetings on energy matters at Cologne University

On Thursday 25 and Friday 26 March the Energiewirtschaftliches Institut of the University of Cologne held a number of meetings on the subject of energy with M. Burgbacher, member of the European Parliament, in the chair.

The agenda included:

- a) "The objectives of economic and competition policy in the Common Market up to the end of the transition period", by M. Verloren van Themaat, Director-General for Competition at the EEC Commission;
- b) "The role of competition in energy policy in the Common Market" by Professor Th. Wessels, Director of the Energiewirtschaftliches Institut, Cologne;
- c) "The political significance of a common energy policy in European integration" by M. Lapie, President of the Inter-Executive Working Party on Energy;
- d) "Price and rate policy in the gas and electricity sectors of the Community" by Professor Destanne de Bernis, "Institut Economique et Juridique de l'Energie" of the University of Grenoble;
- e) "Price policies in the Community coal and oil markets" by M. R. Regul, Deputy Director-General at the High Authority;
- f) "Protective measures (customs duties, charges and quotas) or subsidies as instruments of an energy policy" by M. F. Hellwig, member of the High Authority.

ANNEX

RESOLUTIONS OF THE EUROPEAN PARLIAMENT

Resolution concerning the EEC Commission's report of 19 January 1965 on the economic situation in the Community

The European Parliament,

Having taken note of the EEC Commission's report of 19 January 1965 on the economic situation in the Community,

[...]

Stresses that despite the measures taken by the Member States the price increases in 1964 were still too large, as are also those to be expected in 1965;

Considers it necessary that the stabilization policy, which has already shown good results, should be continued, but that care should be taken to see that productive investments are maintained at an adequate level;

Considers it essential, as long as excessive strains persist in the economies of the Member States :

a) That public revenues and expenditures should be kept in balance in accordance with the decision of the Council of Ministers of 14 April 1964;

b) That an appropriate monetary policy should be followed so as to promote internal balance and a balanced payments situation;

c) That an incomes policy adapted to social and economic realities should be pursued;

Urges that the Community, by a balanced trade-cycle and structural policy, should make a constructive contribution towards a better functioning of the international monetary system;

Considers that for the Community itself the final objective of integration in the economic and monetary fields should be

monetary union between the Member States;

Agrees with the EEC Commission that cyclical problems must be considered from the angle of the Community's future medium-term economic policy and that in this context an active policy regarding competition has an essential part to play;

Emphasizes that the EEC economic policy is indissolubly linked with a progressive social policy and that in making plans for medium-term development this link must be maintained;

Stresses the need for a rapid improvement of economic and social infrastructure, for which provision should be made from public funds;

Strongly urges that an incomes policy should be pursued by which the fruits of economic expansion may be equitably shared;

Hopes that the EEC Commission will put forward before the end of this year :

a) A draft programme for medium-term economic development covering also its social aspects;

b) Detailed proposals on regional policy;

c) Measures to promote the movement of capital between the member countries with a view to the creation of a large European capital market;

d) Proposals for the development of monetary co-operation between the Member States;

[...]

Resolution on problems relating to European political unity and Europe's place in the Atlantic Alliance

The European Parliament,

[...]

Confirming its resolution of 20 January 1965 (1) on problems relating to the political unity of Europe;

Endorsing the concept of an Atlantic Alliance between equal partners;

Recalling the declarations made and undertakings given by the Heads of State or Government at the close of their meeting on 18 July 1961,

1. *Reaffirms* that progress towards the political unity of Europe must be made without further delay by giving effect to the letter and spirit of the Treaties of Paris and Rome in their entirety, and by a speedier development of the unification process, culminating in a federal and democratic Europe;

2. *Stresses* the need to confer on the powers for the building of a democratic election by direct universal suffrage;

3. *Affirms* that a federal system is inconceivable without a common foreign policy

and the joint defence of Europe as an equal partner of the United States in the Atlantic Alliance;

4. *Emphasizes* the importance in the cultural field of a Community policy to promote scientific and cultural co-operation and the early implementation of the provisions laid down for the foundation of a European University;

5. *Urges* that a start should be made on the speeding up of European unification in the fields of culture, foreign policy and defence by holding periodic meetings of Heads of State or Government, of Ministers for Cultural Affairs, of Ministers for Foreign Affairs and of Ministers of Defence, provided always that the aims of the Treaties of Paris and Rome are safeguarded and that neither the results of the integration process now under way nor the machinery or powers of the Communities or of the existing institutions are in any way jeopardized;

6. *Hopes* that other European States, accepting the political commitments of the Treaties of Paris and Rome, will associate themselves with the efforts being made to build a federal and democratic Europe.

(1) Official gazette No. 20, 6 February 1965, p. 326/65

Resolution on relations between the Community and Israel

The European Parliament,

[...]

Believing it necessary to strengthen and improve relations between the European Community and Israel;

Considering that the effective presence of the Community in this part of the Mediterranean basin may help to improve economic relations between neighbouring countries in the area and thus promote the establishment of a durable peace;

1. *Reiterates* that mutual interests can only be satisfied by the association of Israel with the European Community under Article 238 of the Treaty of Rome;

2. *Calls on* the EEC Commission to give its support in the meantime, notably in

the Mixed Commission set up by the commercial Agreement of 4 July 1964, to any initiative designed to further the development of relations between the European Community and Israel so as to reach an agreement wider in scope which will promote the association of Israel with the Community;

3. *Reiterates* its request, already expressed on 13 May 1964, that any agreements concluded in the future with non-member countries exporting oranges should not lead, in respect of EEC imports of this commodity, to arrangements discriminating against Israel;

4. *Urges* the Community to take practical steps to promote the organization of citrus fruit production and trade in the Medi-

terranean basin and to encourage the consumption of citrus fruits in the Community;

5. *Recommends* the adoption of measures to resolve the problems arising in "outwards processing traffic" between the Community and Israel;

6. *Also recommends* that the requirements of Israel as regards exports to the Commu-

nity of agricultural products of importance to the Israeli economy should be duly taken into account;

7. *Calls on* the Commission of the European Economic Community to promote and support a fuller participation of the Community in the industrial development of Israel;

[...]

Resolution on the progressive introduction of the common commercial policy

The European Parliament,

[...]

a) With regard to progress in establishing a common commercial policy

1. *Deplores* the dilatory treatment of the proposals made in this field by the EEC Commission to the Council of Ministers, which has jeopardized the execution of the programme of work on the common commercial policy adopted on 25 September 1962 and that of the Action Programme for the Second Stage;

2. *Strongly urges* the Council of Ministers to assume its political obligations with regard to the Community in the near future by adopting the proposals which have been laid before it by the Commission;

3. *Looks to* the Commission to press forward energetically its work on the preparation of the common commercial policy and in particular to submit to the Council of Ministers in the near future an adjusted time-table of the various measures provided for;

4. *Believes* that substantial progress towards a uniform commercial policy is an absolute necessity;

5. *Considers* that there is no object, in this matter, [...] in settling only questions of procedure as a preparatory stage, leaving the content of the common commercial policy until later, believing it preferable to deal with these matters concurrently;

b) With regard to current problems of commercial policy

[...]

8. *Believes* that the lack of Community legislation on protection weakens the Community's position in the Kennedy round, and considers it essential for the Council to take the necessary decisions to give the Community a mandate identical to that of its trading partners to deal with all outstanding questions;

9. *Discounts* the possibility of the problem of EEC-EFTA relations solving itself by large tariff cuts in GATT;

[...]

12. *Urges* the Community to adopt a common attitude on commercial policy vis-a-vis the developing countries;

[...]

c) With regard to the various EEC Commission proposals

[...]

15. *Welcomes* the presentation by the EEC Commission, under the programme announced on 25 September 1962, of proposals relating to liberalization measures, relations with Japan, relations with the state-trading countries and commercial protection measures, and calls on the Commission to present as soon as possible and in any case before the end of 1965 its proposals concerning quota restrictions, export aids and the promotion of exports, the alignment of export restrictions and the conversion of bilateral into Community agreements;

16. *Considers* it extremely important that the various proposals should be fitted into an overall programme, for the various stages of which a time-table should be established; [...]

17. *Regrets* that the Commission has been impelled by the negative attitude of the Council of Ministers to abandon its original aims in the field of liberalization and confine itself to a minimum programme;

18. *Believes* that the gradual conversion of existing national quotas into Community during quotas should be put in hand now, the transition period, the administration of the quotas remaining decentralized; [...]

19. *Agrees* with the EEC Commission that the harmonization of the commercial policies of the Member States with regard to Japan is a matter of extreme urgency;

20. *Shares* the EEC Commission's views on the urgency of Community commercial protection and deems it necessary to take action not only against dumping practices distorting competition but against the

whole range of abnormal practices pursued by non-member countries;

d) In respect of objections to the introduction of a common commercial policy

22. *Would* vehemently oppose any plan whereby progress in the field of common commercial policy would be conditional upon certain results being attained in other fields of economic or political integration;

23. *Considers* that it would be illusory for the Member States to believe that they will derive substantial advantages from maintaining independent powers over those fields of commercial policy not yet subject to Community authority, and is convinced that, on the contrary, an effective commercial policy cannot be pursued successfully, in the present world situation, except by the Community as such.

[...]

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 16 March and 3 April 1965

EUROPEAN PARLIAMENT

Written questions and replies

N° 94 de M. Vanrullen à la Commission de la CEE. Objet : Conséquences politiques de la création d'une force nucléaire multilatérale (No. 94 by M. Vanrullen to the EEC Commission : Political consequences of the creation of a multilateral strike force	No. 45	19. 3.65
N° 109 de M. Verdeling à la Commission de la CEE. Objet : Les arrangements pris dans le cadre du Conseil (No. 109 by M. Vredeling to the EEC Commission : Arrangements made by the Council	No. 45	19. 3.65
N° 114 de M. Deringer à la Commission de la CEE. Objet : Article 85 paragraphe 3 du Traité de la CEE — Exemptions par catégories (No. 114 by M. Deringer to the EEC Commission : Article 85(3) of the EEC Treaty — block exemptions	No. 45	19. 3.65
N° 122 de M. Armengaud à la Commission de la CEE. Objet : Charges fiscales en 1963 dans les pays de la CEE (No. 122 by M. Armengaud to the EEC Commission : Taxation in the EEC countries in 1963	No. 45	19. 3.65
N° 129 de M. Sabatini à la Commission de la CEE. Objet : Marché communautaire des œufs et de la volaille (No. 129 by M. Sabatini to the EEC Commission : The Community market in eggs and poultry	No. 45	19. 3.65
N° 130 de M. Pedini à la Commission de la CEE. Objet : Situation économique italienne (No. 130 by M. Pedini to the EEC Commission : The economic situation in Italy	No. 45	19. 3.65
N° 132 de M. Vredeling à la Commission de la CEE. Objet : Organisation du marché néerlandais des plantes ornementales (No. 132 by M. Vredeling to the EEC Commission : Organization of the Netherlands market in ornamental plants	No. 45	19. 3.65
N° 133 de M. Vredeling à la Commission de la CEE. Objet : Livraison de blé français au gouvernement chinois (No. 133 by M. Vredeling to the EEC Commission : Deliveries of French wheat to the Chinese Government	No. 45	19. 3.65
N° 135 de M. Troclet à la Commission de la CEE. Objet : Règlement n° 3 — Sécurité sociale des travailleurs migrants (No. 135 by M. Troclet to the EEC Commission : Regulation No. 3 — Social security for migrant workers	No. 45	19. 3.65
N° 126 de M. Vredeling à la Commission de la CEE. Objet : Industrie du soufre en Sicile (No. 126 by M. Vredeling to the EEC Commission : The sulphur industry in Sicily	No. 52	31. 3.65
N° 128 de M. Pleven à la Commission de la CEE. Objet : Politique commune des transports aériens (No. 128 by M. Pleven to the EEC Commission : Common air transport policy	No. 52	31. 3.65

N° 134 de M. Herr à la Commission de la CEE. Objet : Difficultés structurelles des agricultures italienne et luxembourgeoise (No. 134 by M. Herr to the EEC Commission : Structural difficulties in Italian and Luxembourg agriculture	No. 52	31. 3.65
N° 136 de Mme Strobel à la Commission de la CEE. Objet : Futur prix communautaire du lait et prix allemands du beurre et du fromage (No. 136 by Mme Strobel to the EEC Commission : The future Community milk price and butter and cheese prices in Germany	No. 52	31. 3.65
N° 139 de M. Carboni à la Commission de la CEE. Objet : Aqueduc de Pointe-à-Pitre — Gosier — Saint-François (No. 139 by M. Carboni to the EEC Commission: Pointe-à-Pitre — Gosier — Saint-François aqueduct	No. 52	31. 3.65

Open competitive examinations

Avis de concours général n° PE/10/C (secrétaires sténodactylographes de langue néerlandaise) [Notice of open competitive examination No. PE/10/C (Dutch language secretaries with shorthand and typing)]	No. 54	2. 4.65
Avis de concours général n° PE/11/C (dactylographes de langue néerlandaise) [Notice of open competitive examination No. PE/11/C (Dutch language typists.)]	No. 54	2. 4.65

COUNCIL AND COMMISSION

Regulations

Règlement n° 26/65/CEE du Conseil, du 2 mars 1965, portant fixation du montant des prélèvements pour les importations de fromages fondus au Luxembourg (Council Regulation No. 26/65/CEE of 2 March 1965 fixing the levies on Luxembourg imports of processed cheeses	No. 43	16. 3.65
Règlement n° 27/65/CEE de la Commission, du 15 mars 1965, limitant le montant maximum de la restitution applicable aux exportations de fromage fondu vers le Luxembourg (Commission Regulation No. 27/65/CEE of 15 March 1965 on the maximum amount of refund on exports of processed cheeses to Luxembourg	No. 43	16. 3.65
Règlement n° 28/65/CEE de la Commission, du 15 mars 1965, portant fixation des montants forfaitaires pour certains produits laitiers pour la campagne laitière 1965-66 (Commission Regulation No. 28/65/CEE of 15 March 1965 fixing the standard amounts applicable to certain milk products for the 1965-66 marketing year	No. 43	16. 3.65
Règlement n° 29/65/CEE de la Commission, du 15 mars 1965, modifiant la durée de validité de l'article 2 du règlement n° 156/64/CEE, portant réglementation de la fixation du prix franco frontière pour le lait et les produits laitiers (Commission Regulation No. 29/65/CEE of 15 March 1965 extending the validity of Article 2 of Regulation No. 156/64/CEE concerning the fixing of intra-Community free-at-frontier prices for milk and milk products	No. 43	16. 3.65
Règlement n° 30/65/CEE des Conseils, du 16 mars 1965, portant modification du statut des fonctionnaires et du régime applicable aux autres agents de la CEE et de la CEEA (Regulation of the Councils No. 30/65/CEE of 16 March 1965 amending the Statute of Service for officials and the rules applicable to other servants of the EEC and Euratom	No. 47	24. 3.65

Règlement n° 31/65/CEE des Conseils, du 16 mars 1965, portant fixation du montant et de la période d'attribution de l'indemnité forfaitaire temporaire visée à l'article 4 bis de l'annexe II au statut des fonctionnaires (Regulation of Councils No. 31/65/CEE of 16 March 1965 fixing the amount of the temporary standard allowance referred to in Article 4a of Annex VII to the Statute of Service and the period for which it is granted	No. 47	24. 3.65
Règlement n° 32/65/CEE des Conseils, du 16 mars 1965, portant modification des conditions et de la procédure d'application de l'impôt établi au profit de la Communauté en exécution de l'article 12 premier alinéa des protocoles sur les privilèges et immunités de la CEE et de la CEEA (Regulation of the Councils No. 32/65/CEE of 16 March 1965 amending certain conditions of liability for the Community income tax introduced in pursuance of Article 12, first paragraph, of the Protocols on the Privileges and Immunities of the European Economic Community and the European Atomic Energy Community	No. 47	24. 3.65
Règlement n° 33/65/CEE des Conseils, du 16 mars 1965, portant modification des coefficients correcteurs dont sont affectées les rémunérations et les pensions des fonctionnaires (Regulation of the Councils No. 33/65/CEE of 16 March 1965 altering the adjustment factors for pay and pensions of officials	No. 47	24. 3.65
Règlement n° 34/65/CEE des Conseils, du 16 mars 1965, portant modification des coefficients correcteurs dont sont affectées les rémunérations et les pensions des fonctionnaires en République fédérale d'Allemagne (Regulation of the Councils No. 34/65/CEE of 16 March 1965 altering the adjustment factors for pay and pensions of officials in the Federal Republic of Germany	No. 47	24. 3.65
Règlement n° 35/65/CEE du Conseil, du 16 mars 1965, portant fixation du montant des prélèvements envers les pays tiers pour le porc, la viande de porc et les produits à base de viande de porc, pour les importations effectuées entre le 1 ^{er} avril et le 30 juin 1965 (Council Regulation No. 35/65/CEE of 16 March 1965 fixing the levies on imports of pigs, pigmeat and pigmeat products from non-member countries for the period 1 April - 30 June 1965	No. 48	25. 3.65
Règlement n° 36/65/CEE du Conseil, du 16 mars 1965, portant deuxième prorogation de la durée de validité du règlement n° 85/63/CEE du Conseil relatif à la détermination des prix d'écluse et des montants supplémentaires et fixant des dispositions transitoires pour les découpes et les préparations et conserves à base de viande de porc (Council Regulation No. 36/65/CEE of 16 March 1965 further extending Council Regulation No. 85/63/CEE on sluice-gate prices and surcharges and transitional arrangements for pork cuts and prepared or preserved pigmeat products	No. 48	25. 3.65
Règlement n° 37/65/CEE de la Commission, du 23 mars 1965, fixant les critères en vue de la détermination des prix C.A.F. pour les céréales, farines, graux et semoules (Commission Regulation No. 37/65/CEE of 23 March 1965 laying down criteria for fixing the cif prices of cereals, flours, groats and meals	No. 49	25. 3.65
Règlement n° 38/65/CEE de la Commission, du 26 mars 1965, modifiant et prorogeant le règlement n° 162/64/CEE relatif à la restitution applicable à certaines exportations de produits transformés à base de céréales et de riz (Commission Regulation No. 38/65/CEE of 26 March 1965 amending and extending Regulation No. 162/64/CEE concerning the refund on certain exports of processed products derived from rice and other cereals	No. 50	29. 3.65

Règlement n° 39/65/CEE de la Commission, du 26 mars 1965, portant modification de l'article 5 du règlement n° 150/64/CEE relatif au régime des restitutions à l'exportation vers les pays tiers dans le secteur de la viande bovine (Commission Regulation No. 39/65/CEE of 26 March 1965 amending Article 5 of Regulation No. 150/64/CEE concerning the system of refunds on exports of beef and veal to non-member countries	No. 50	29. 3.65
Règlement n° 40/65/CEE de la Commission, du 26 mars 1965, relatif aux certificats d'importation et d'exportation ainsi qu'à la fixation à l'avance du prélèvement et de la restitution pour certaines catégories d'aliments composés (Commission Regulation No. 40/65/CEE of 26 March 1965 concerning import and export licences and the advance fixing of levies and refunds on certain classes of compound animal feed	No. 50	29. 3.65
Règlement n° 41/65/CEE de la Commission, du 26 mars 1965, concernant les restitutions à l'exportation de certains produits laitiers vers les pays tiers et portant abrogation du règlement n° 165/64/CEE (Commission Regulation No. 41/65/CEE of 26 March 1965 concerning refunds on exports of certain milk products to non-member countries and rescinding Regulation No. 165/64/CEE)	No. 50	29. 3.65
Règlement n° 42/65/CEE de la Commission, du 26 mars 1965, relatif aux restitutions applicables à l'exportation des produits laitiers à prélèvement dérivé vers les pays tiers et portant abrogation du règlement n° 185/64/CEE (Commission Regulation No. 42/65/CEE of 26 March 1965 concerning refunds on exports to non-member countries of milk products subject to a derived levy and rescinding Regulation No. 185/64/CEE)	No. 50	29. 3.65
Règlement n° 43/65/CEE du Conseil, du 29 mars 1965, prorogeant le régime prévu par le règlement n° 156 en ce qui concerne les farines et féculés de manioc et d'autres racines et tubercules originaires des Etats africains et malgache associés (Council Regulation No. 43/65/CEE of 29 March 1965 extending the system instituted by Regulation No. 156 with regard to flour and starch of manioc and other roots and tubers originating in the Associated African States and Madagascar	No. 51	30. 3.65
Règlement n° 44/65/CEE du Conseil, du 29 mars 1965, portant prorogation jusqu'au 30 septembre 1965 du règlement n° 142/64/CEE relatif à la restitution à la production pour les amidons et la fécule (Council Regulation No. 44/65/CEE of 29 March 1965 extending until 30 September 1965 Regulation No. 142/64/CEE concerning refunds to starch producers	No. 51	30. 3.65
Règlement n° 45/65/CEE du Conseil, du 29 mars 1965, modifiant la date du début de la campagne laitière 1965-66 (Council Regulation No. 45/65/CEE of 29 March 1965 appointing a later date for the opening of the 1965-66 milk year	No. 51	30. 3.65
Règlement n° 46/65/CEE du Conseil, du 29 mars 1965, concernant les mesures à appliquer en matière de prix dans le secteur du lait et des produits laitiers pour la campagne 1965-66 (Council Regulation No. 45/65/CEE of 29 March 1965 concerning price measures in the milk and milk products sector during the 1965-66 marketing year	No. 51	30. 3.65
Règlement n° 47/65/CEE de la Commission, du 29 mars 1965, adaptant et fixant les prix d'écluse pour les porcs, la viande de porc et les produits à base de viande de porc pour les importations effectuées entre le 1 ^{er} avril et le 30 juin 1965 (Commission Regulation No. 47/65/CEE of 29 March 1965 adjusting the sluice-gate prices for pigs, pigmeat and pigmeat products imported between 1 April and 30 June 1965	No. 51	30. 3.65

Règlement n° 48/65/CEE de la Commission, du 29 mars 1965, modifiant les annexes du règlement n° 157/64/CEE relatif aux ajustements et corrections à effectuer lors de la détermination des prix franco frontière dans le secteur du lait et des produits laitiers (Commission Regulation No. 48/65/CEE of 29 March 1965 amending the annexes to Regulation No. 157/64/CEE concerning the adjustments and corrections to be made in fixing the free-at-frontier prices of milk and milk products	No. 52	31	3.65
Règlement n° 49/65/CEE de la Commission, du 29 mars 1965, portant modification de l'annexe du règlement n° 192/64/CEE relatif aux modalités d'intervention sur le marché du beurre (Commission Regulation No. 49/65/CEE of 29 March 1965 amending the annex to Regulation No. 192/64/CEE on arrangements for intervention on the butter market	No. 52	31.	3.65
Règlement n° 50/65/CEE de la Commission, du 9 mars 1965, portant pour la période du 1 ^{er} avril au 30 juin 1965, adaptation et fixation du prix d'écluse pour les œufs de volailles vivantes et les volailles abattues et fixation des prélèvements envers les pays tiers pour les œufs de volailles en coquille, les volailles vivantes d'un poids n'excédant pas 185 grammes et les volailles abattues (Commission Regulation No. 50/65/CEE of 9 March 1965 adjusting and fixing sluice-gate prices for poultry eggs and for live and slaughtered poultry, and fixing the levies on imports from non-member countries of poultry eggs in shell, live poultry not exceeding 185 grammes in weight and slaughtered poultry for the period 1 April - 30 June 1965	No. 53	31.	3.65
Règlement n° 51/65/CEE de la Commission, du 1 ^{er} avril 1965, modifiant les normes communes de qualité de certains fruits et légumes (Commission Regulation No. 51/65/CEE of 1 April 1965 amending the common quality standards for certain fruit and vegetables	No. 55	3.	4.65
Règlement n° 52/65/CEE de la Commission, du 2 avril 1965, modifiant l'annexe du règlement n° 158/64/CEE en ce qui concerne le calcul forfaitaire des impositions intérieures perçues sur certains produits laitiers à l'importation en Belgique et au Luxembourg (Commission Regulation No. 52/65/CEE of 2 April 1965 amending the annex to Regulation No. 158/64/CEE as regards the calculation on a flat-rate basis of internal charges on imports of certain milk products into Belgium and Luxembourg	No. 55	3.	4.65

THE COUNCIL

Information

Remplacement d'un membre suppléant du Comité du Fonds social européen (Replacement of an alternate member of the Economic and Social Committee	No. 45	19.	3.65
Remplacement d'un membre du Comité économique et social (Replacement of a member of the Economic and Social Committee	No. 45	19.	3.65
Décision du Conseil, du 16 mars 1965, autorisant la République italienne à déroger aux dispositions du règlement n° 19 en ce qui concerne la fixation des prix d'intervention du blé dur (Decision of 16 March 1965 authorizing Italy to waive the provisions of Regulation No. 19 as regards the fixing of intervention prices for durum wheat	No. 48	25.	3.65

Décision du Conseil, du 29 mars 1965, portant prorogation et modification de la décision du Conseil du 4 avril 1962, prévoyant la perception d'une taxe compensatoire sur certaines marchandises résultant de la transformation de produits agricoles (Decision of 29 March 1965 extending the validity of and amending the Council Decision of 4 April 1962 providing for a countervailing charge on certain processed agricultural products)

No. 51 30. 3.65

THE COMMISSION

Directives and decisions

Décision de la Commission, du 16 février 1965, portant autorisation au royaume des Pays-Bas d'introduire un contingent tarifaire pour le plomb brut (Decision of 16 February 1965 authorizing the Netherlands to introduce a tariff quota for unwrought lead)

No. 44 18. 3.65

Décision de la Commission, du 16 février 1965, portant autorisation à la République fédérale d'Allemagne d'introduire un contingent tarifaire pour le plomb brut (Decision of 16 February 1965 authorizing the Federal Republic of Germany to introduce a tariff quota for unwrought lead)

No. 44 18. 3.65

Décision de la Commission, du 16 février 1965, portant autorisation au royaume de Belgique d'introduire un contingent tarifaire pour le plomb brut (Decision of 16 February 1965 authorizing Belgium to introduce a tariff quota for unwrought lead)

No. 44 18. 3.65

Décision de la Commission, du 16 février 1965, portant autorisation du royaume des Pays-Bas d'introduire un contingent tarifaire pour le zinc brut (Decision of 16 February 1965 authorizing the Netherlands to introduce a tariff quota for unwrought zinc)

No. 44 18. 3.65

Décision de la Commission, du 16 février 1965, portant autorisation à la République fédérale d'Allemagne d'introduire un contingent tarifaire pour le zinc brut, non allié (Decision of 16 February 1965 authorizing the Federal Republic of Germany to introduce a tariff quota for unwrought unalloyed zinc)

No. 44 18. 3.65

Décision de la Commission, du 15 mars 1965, portant rejet d'une demande d'autorisation de maintien en faveur de la Corse des dispositions des tarifs spéciaux de la Société nationale des chemins de fer français (S.N.C.F.) n° 3, chapitre 103 paragraphe II (transports de pommes de terre), n° 6, chapitre 103 paragraphe III (transports de bière) et autorisation du tarif n° 11, chapitre 103 paragraphe II (transports de ciment) [Commission Decision of 15 March 1965 refusing a request for authorization to maintain, in respect of consignments to Corsica, SNCF Special Tariffs No. 3, Chapter 103, paragraph II (potatoes) and No. 6, Chapter 103, paragraph III (beer) and authorizing Tariff No. 11, Chapter 103, paragraph II (cement)]

No. 49 25. 3.65

Décision de la Commission, du 26 mars 1965, portant fixation du montant supplémentaire qui peut être restitué à l'exportation de certains fromages vers les pays tiers (Decision of 26 March 1965 fixing the supplementary amount refundable on exports of certain cheeses to non-member countries)

No. 55 3. 4.65

Décision de la Commission, du 29 mars 1965, prorogeant la validité des décisions portant fixation du maximum des montants compensatoires à l'exportation de produits laitiers en provenance des Pays-Bas et du grand-duché de Luxembourg et du montant des subventions à l'importation de ces produits au Luxembourg et aux Pays-Bas (Decision of 29 March 1965 extending the validity of decisions fixing the maximum compensatory amounts for exports of milk products from the Netherlands and Luxembourg and the amount of subsidies for imports into the Netherlands and Luxembourg)	No. 55	3. 4.65
Décision de la Commission, du 29 mars 1965, portant fixation du maximum des montants compensatoires à l'exportation des produits laitiers en provenance des Pays-Bas et du montant des subventions à l'importation aux Pays-Bas (Decision of 29 March 1965 fixing the maximum compensatory amounts for exports of milk products from the Netherlands and the amount of subsidies for imports into the Netherlands)	No. 55	3. 4.65
Décision de la Commission, du 29 mars 1965, portant fixation du maximum des montants compensatoires à l'exportation du beurre en provenance du grand duché de Luxembourg et du montant de la subvention à l'importation du beurre au Luxembourg (Decision of 29 March 1965 fixing the maximum compensatory amounts for exports of butter from Luxembourg and the amount of subsidies for imports into Luxembourg)	No. 55	3. 4.65
Décision de la Commission, du 29 mars 1965, autorisant le royaume de Belgique à majorer le prix d'orientation fixé pour les gros bovins pour la campagne de commercialisation 1965-66 (Decision of 29 March 1965 authorizing Belgium to increase the guide price for fat cattle during the 1965-66 marketing year)	No. 55	3. 4.65

Delegations and missions to the Community

Missions of non-member countries (Spain)	No. 43	16. 3.65
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European Development Fund

Appel à la concurrence n° 401 relatif à la présélection des entreprises admises à participer à l'appel d'offres restreint qui sera lancé ultérieurement pour les travaux d'aménagement de la route Ségou-Bla-San en République du Mali (rappel de publication) [Call for candidatures No. 401 in connection with the pre-selection of firms to participate in the limited call for tenders to be issued later for improvement works on the Ségou-Bla-San road in Mali (second publication)]	No. 43	16. 3.65
Signature de trois conventions de financement (Niger et Tchad) [Signature of three financing agreements (Niger and Chad)]	No. 45	19. 3.65
Approbation d'investissements de caractère social (Antilles néerlandaises) (Approval of social investments in the Netherlands Antilles)	No. 45	19. 3.65
Approbation de projets et programme financés par le Fonds européen de développement (Sénégal, Somalie, Mauritanie, République du Congo, République démocratique du Congo, Archipel des Comores) [Approval of projects and programme financed by the European Development Fund (Senegal, Somalia, Mauritania, Congo (Leopoldville), Congo (Brazzaville), Comoro Islands)]	No. 45	19. 3.65

Complément à l'appel d'offres n° 403 (Addendum to call for tenders No. 403) No. 45 19. 3.65

Avis d'appel d'offres n° 406 lancé par la République togolaise (Call for tenders No. 406 issued by the Republic of Togo) No. 51 30. 3.65

Résultat de l'appel d'offres n° 396 (Result of call for tenders No. 396) No. 53 31. 3.65

Décision n° 56 du 7 octobre 1964, concernant l'interprétation de l'article 19 paragraphe (5) du règlement n° 3 relatif à l'octroi des prothèses, du grand appareillage et d'autres prestations en nature d'une grande importance [Decision No. 56 of 7 October 1964 on the interpretation of Article 19(5) of Regulation No. 3 concerning the provision of prosthetic appliances, major surgical aids and other major benefits in kind] No. 53 31. 3.65

Décision n° 57, du 27 octobre 1964, concernant l'interprétation de l'article 34 paragraphe (2) du règlement n° 3 et des articles 15 et 65 du règlement n° 4, relatifs aux majorations d'allocations de chômage pour charge de famille [Decision No. 57 of 27 October 1964 on the interpretation of Article 34(2) of Regulation No. 3 and Articles 15 and 65 of Regulation No. 4 concerning higher unemployment benefits for workers having dependants] No. 53 31. 3.65

EEC Administrative Committee for the social security of migrant workers

Communication conformément à l'article 19 paragraphe 3 du règlement n° 17 concernant trois notifications IV/A-01267, 01268 et 01269 [Communication under Article 19(3) of Regulation No. 17 concerning Notifications Nos. IV/A-01267, 01268 and 01269] No. 49 25. 3.65

Cartels and monopolies

Arrêt de la Cour (Deuxième Chambre) dans l'affaire 10-64 (M. René Jullien contre la Commission de la CEE) [Judgment of the Court (Second Section) in case 10-64 (M. René Jullien v. EEC Commission)] No. 43 16. 3.65

THE COURT OF JUSTICE

Judgments

Arrêt de la Cour dans l'affaire 31-64 : demande de décision préjudicielle, tendant à l'interprétation de certaines dispositions du règlement n° 3 du Conseil de la C.E.E., introduits par le Tribunal de première instance de Maastricht dans le litige entre la Caisse commune d'assurances "La Prévoyance Sociale", Bruxelles, et M. W.H. Bertholet (Judgment of the Court in case 31-64 : request for an interlocutory ruling on the interpretation of certain provisions of Council Regulation No. 3, submitted by the Court of First Instance at Maastricht *in re* "La Caisse commune d'assurances 'La Prévoyance Sociale'", Brussels, v. M. W.H. Bertholet) No. 46 22. 3.65

Arrêt de la Cour dans l'affaire n° 33-64 : demande de décision préjudicielle, tendant à l'interprétation de certaines dispositions du règlement n° 3 du Conseil de la CEE introduite par le Tribunal de première instance d'Assen dans le litige entre la Betriebskrankenkasse der Heseper Torfwerk GmbH, Meppen/Ems, et Madame Egberdina Van Dijk (Judgment of the Court in case 33-64 : request for an interlocutory ruling on the interpretation of certain provisions of Council Regulation No. 3 submitted by the Court of First Instance at Assen *in re* "Betriebskrankenkasse der Heseper Torfwerk GmbH, Meppen/Ems *v.* Madame Egberdina Van Dijk")

No. 46 22. 3.65

Communications

Recours introduit le 26 février 1965 par M. Fred Bauer contre la Commission de la CEE (affaire 12-65) [Suit filed by M. Fred Bauer *v.* EEC Commission (case 12-65)]

No. 43 16. 3.65

B. Issues of the agricultural supplement to the official gazette containing the tables appended to the Commission's decisions fixing cif prices, premiums to be added to levies, the amounts to be added or deducted in computing refunds for cereals, and free-at-frontier cereal prices

Supplement No. 11 of 24 March 1965

Supplement No. 12 of 31 March 1965

Supplement No. 13 of 7 April 1965

C. Recent publications of the European Community (1)

Non-periodical publications

8124

ETUDES — série agriculture

N° 16 — Problèmes relatifs à la qualité du blé tendre, de la farine et du pain dans les pays de la C.E.E. (deuxième partie)

[STUDIES — Agricultural series

No. 16 — Problems relating to the quality of soft wheat, flour and bread in the EEC countries (Part 2)

1965. 38 pp. (f,d,i,n) 9s.0d.; \$1.20; Bfrs. 60]

(1) The abbreviations after each title indicate the languages in which the documents have been published: f = French, d = German, i = Italian, n = Dutch, e = English.

8144

Publication spéciale « Droit d'établissement et services » Brochure N° 2
Directives du Conseil concernant la réalisation du droit d'établissement et de la libre
prestation des services.
(Situation au 31 décembre 1964)

("Freedom of establishment and freedom to supply services" Brochure No. 2
Council directives concerning freedom of establishment and freedom to supply services.
(Situation at 31 December 1964)
1965. 52 pp. (f,d,i,n) Limited distribution)

12262-1/VIII/64-F

Renseignements de base sur les Etats africains et malgache associés
Tome I : Données statistiques

[Background information on the Associated African States and Madagascar
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Fonds européen de développement (FED)
Situation mensuelle des projets en exécution

[European Development Fund (EDF)
Month-by-month situation of projects in hand
(up to 28 February 1965) (f) Limited distribution]

Periodical publications

4002

Notes and Graphs on the Economic Situation in the Community. Monthly. No. 4/1965.
Three bilingual editions: e/f, d/n, f/i. Price per issue: 3s.7d., \$0.50, Bfrs. 25. Annual
subscription: £1.16s.0d., \$5, Bfrs. 250.

2001*

The economic situation in the Community. Quarterly survey. No. 1/1965. (f,d,i,n,e). Price
per issue: 14s.3d., \$2, Bfrs. 100. Annual subscription: £2.10s.0d., \$7, Bfrs. 350.

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The Community business survey. Three issues per year. March 1965. (f,d,i,n,e). Price per
issue: 5s.0d., \$0.70, Bfrs. 35. Annual subscription: 14s.3d., \$2, Bfrs. 100.

5002

Bulletin des acquisitions. Bibliothèque de la Commission de la C.E.E. (List of recent
additions. Library of the Commission of the EEC). Monthly. No.2/1965. Free of charge.

D. Publications by the joint services of the three Communities

Joint Information Service

Publications by offices in capital cities

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The Hague : Europese Gemeenschap No. 70, April 1965

Paris : Communauté européenne No. 4, April 1965

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