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YEAR-END SUMMARY OF COMMON MARKET ACTIVITIES, 1966

1967

Crisis Resolved

WASHINGTON, D.C., January 6 -- 1966 saw the EEC recover from the most serious crisis of its nine-year existence which arose in July, 1965 when France marched out of the EEC's Council of Ministers in protest against Commission proposals for the financing of the common agricultural policy. By the end of January, 1966, differences were patched up between France and her five Community partners, the Federal Republic of Germany, Italy and the Benelux countries. But the seven-month crisis took its toll by delaying the deadline for the establishment of a full customs union by a year to mid-1968 instead of mid-1967. Nonetheless, the EEC remained 18 months ahead of the original treaty timetable and the ending of the crisis enabled substantial progress in two key areas; the common agricultural policy and EEC participation in the Kennedy Round.

Internal Progress

On January 1, 1966, the eighth intra-Community tariff cut since 1958 brought internal duties on industrial goods down to one-fifth their original level. For agricultural goods, duties were down to 35 per cent of their former level for "liberalized" goods (those for which common prices and intervention measures have been agreed upon) and for other agricultural goods, duties were at 40 per cent of the original level.

The EEC Council decided in July to make an additional five per cent cut in internal customs duties on manufactured goods effective July 1 of this year, and abolish these duties altogether on July 1, 1968, eighteen months ahead of the schedule foreseen by the Rome Treaty. The Council also decided to apply a single tariff on imports from outside the EEC on that date.

At the end of February the Council issued a directive on freedom of establishment, whereby nationals of member countries engaged in various professions would enjoy the rights of carrying on business and making their living equal to those of their host country's citizens. The Council also

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issued a similar directive on freedom to supply services in a self-employed capacity in the utilities field.

The foreign ministers of the Six met in December as national representatives to discuss the merger of the executives of the three European communities, the European Coal and Steel Community, the European Economic Community, and the European Atomic Energy Community; but the year ended without agreement on the membership or timing of the unified executive branch's establishment. At present each community has its own separate executive -- Commissions for the EEC and Euratom and a High Authority for the ECSC.

In September the Consultative Committee on the free movement of workers within the Community began to examine problems connected with the EEC's first medium-term economic program, covering 1966-1970. This program would provide guidelines for member states to follow in budgetary, monetary and fiscal policies, wage and price levels, research and development spending and medium-term investment. Such policies, if uncoordinated could give rise to unforeseen movements of workers and investment capital.

In October the Council instituted a system of stabilizing prices and coordinating imports of certain processed agricultural products. The Council adopted a resolution on subsidization of various agricultural exports to third countries when EEC prices exceed those on the world market.

Business Practices Regulated

In the course of the year the Commission, the EEC executive body, presented the Council with proposals on a wide range of competition and cartel matters. Draft regulations were completed on submitting bids for public works projects and on technical standards for farm vehicles; drafts were drawn up on governmental subsidies and on alignment of standards for measuring devices. Proposals to align legislation on pharmaceuticals were sent to the Council, and national tax experts discussed harmonization of direct taxation among the six members.

Economic and Financial Policy

In 1966, the Council received draft directives on collection of statistical data and on consultation about capital movements. The draft of the medium-term economic program was submitted to the Council in April; work began on a revision, and debate took place in the Council just before Christmas without, however, leading to any final decision.

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In June, experts met to launch an EEC consumer survey program, and in July recommendations were issued from the Council on making national statistics comparable.

Timetable for Common Agricultural Policy Completed

The past year was highlighted by the completion of the common agricultural policy. In May, a timetable for establishing common agricultural prices and support mechanisms was set to apply up to July 1, 1968. In July, the Council adopted basic regulations to apply to vegetable oils and fats; further regulations applied to the fruit and vegetable market and the basic principles of market organization for sugar. Common prices were set for milk and dairy produce, beef and veal, rice, sugar, oil seeds, olive oil, fruits and vegetables. These were to come into effect at various stages between November 1, 1966 (olive oil) and July 1, 1968 (sugar).

In May, the Council adopted regulations covering the financing of the common agricultural policy's intervention measures up to December 31, 1969. From July 1 of this year, total expenses will be met from Community funds.

The Commission was directed in May to submit its Kennedy Round proposals on cereals; by July the directive was extended to cover most other agricultural products.

Finally, the Commission allocated the second agricultural development aid installment from the European Agricultural Guidance and Guarantee Fund, the institutional heart of the common agricultural policy. The allocation, amounting to \$17 million, covered 97 projects aimed at improving agricultural methods in Community countries. The Commission also allocated the second installment of funds for agricultural price support operations and export subsidy programs. This amounted to \$50.7 million.

Transport

The Council received memoranda on international navigation of the Rhine and on the regulation of inland water freight generally. The Council also had before it proposals on standards for commercial road vehicles, a rate system for commercial transport, a quota system for Community motor freight, abolition of double motor vehicle taxation and the abolition of discriminatory transport conditions.

Recommendations on Social Benefits

The Commission submitted a draft regulation to the Council on coordinating social security benefits applicable to wage-earners and their

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families removed from one member country to another. This would affect the many Italians, for example, who are working in Germany. Recommendations on maternity benefits and a common definition of disablement were referred to the European Parliament and to the Economic and Social Committee for discussion and suggestions.

The Commission issued recommendations on the development of vocational guidance, compensation for occupational diseases and medical supervision of hazardous occupations. From January to September the Commission granted more than \$500,000 from the European Social Fund.

Relations with Associated African States

Action continued to implement the Yaoundé Convention, which provides for consultations on the state of Association between the EEC and its Associated African partners, most of whom are former French colonies. The European Development Fund carried on its operations and financed a large number of development schemes in the Associated Countries. Nine countries submitted projects for aid to diversification and nine for aid to production. Respectively, \$54 million and \$48 million were granted for these projects. The Community financed 165 projects, involving \$338 million, for the benefit of the Associated States and offered 1800 scholarships for the 1965/66 academic year.

In July, the EEC signed an Association Agreement with Nigeria, the first English-speaking African country to establish treaty links with the Community. This marked another new step in EEC relations with developing countries.

External Relations Play Dominant Role in Second Half

The latter part of 1966 was devoted to external relations, following the internal consolidation of the first half.

Work resumed on Austria's application for an arrangement with the Community, and in December a schedule was agreed upon for the removal of duties on manufactured items. In January, further sessions will address agricultural questions.

In October, Israel joined the list of countries seeking formal association with the Community, and by the end of the year the Council authorized the Commission to begin exploratory talks.

The Six discussed their position toward Morocco, Tunisia and Algeria. Formal negotiations had already begun with Morocco and Tunisia, but a mandate

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for wider talks was not expected before the first part of this year. Negotiations with the East African countries of Kenya, Tanzania and Uganda also resumed.

The Council considered a Commission report on possible terms for a link with Spain and sent it to the Permanent Representatives, a group of ministerial deputies who serve in an advisory capacity to the Council on all facets of the EEC's activities, for further consideration.

British interest in EEC membership revived in 1966, and after several months of soundings, Prime Minister Harold Wilson voiced the United Kingdom's firm intention to join the Community in a November 10 speech in Parliament.

Earlier in the year, the contact group between the Commission and the Latin American countries concluded its second round of meetings, and a joint memorandum set out measures to promote the development of trade between the two areas.

Throughout the year, work was concentrated on the Kennedy Round. In April, the Council gave directives for the continuation of discussions on chemicals and aluminum. On July 13-14, it approved directives for the Commission to complete the EEC offers for paper, paper pulp, aluminum and its derivatives and completed the EEC terms of reference for a world cereals arrangement. The July agricultural offers were tabled August 1. Sugar, fats and oils caused considerable difficulty and no mandate could be achieved by the end of the year.

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