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Report

to the Consultative Assembly of the Council of Europe

EUROPEAN
ECONOMIC
COMMUNITY

I

The extension of the European Community
Europe's economic and political responsibilities
in the world

II

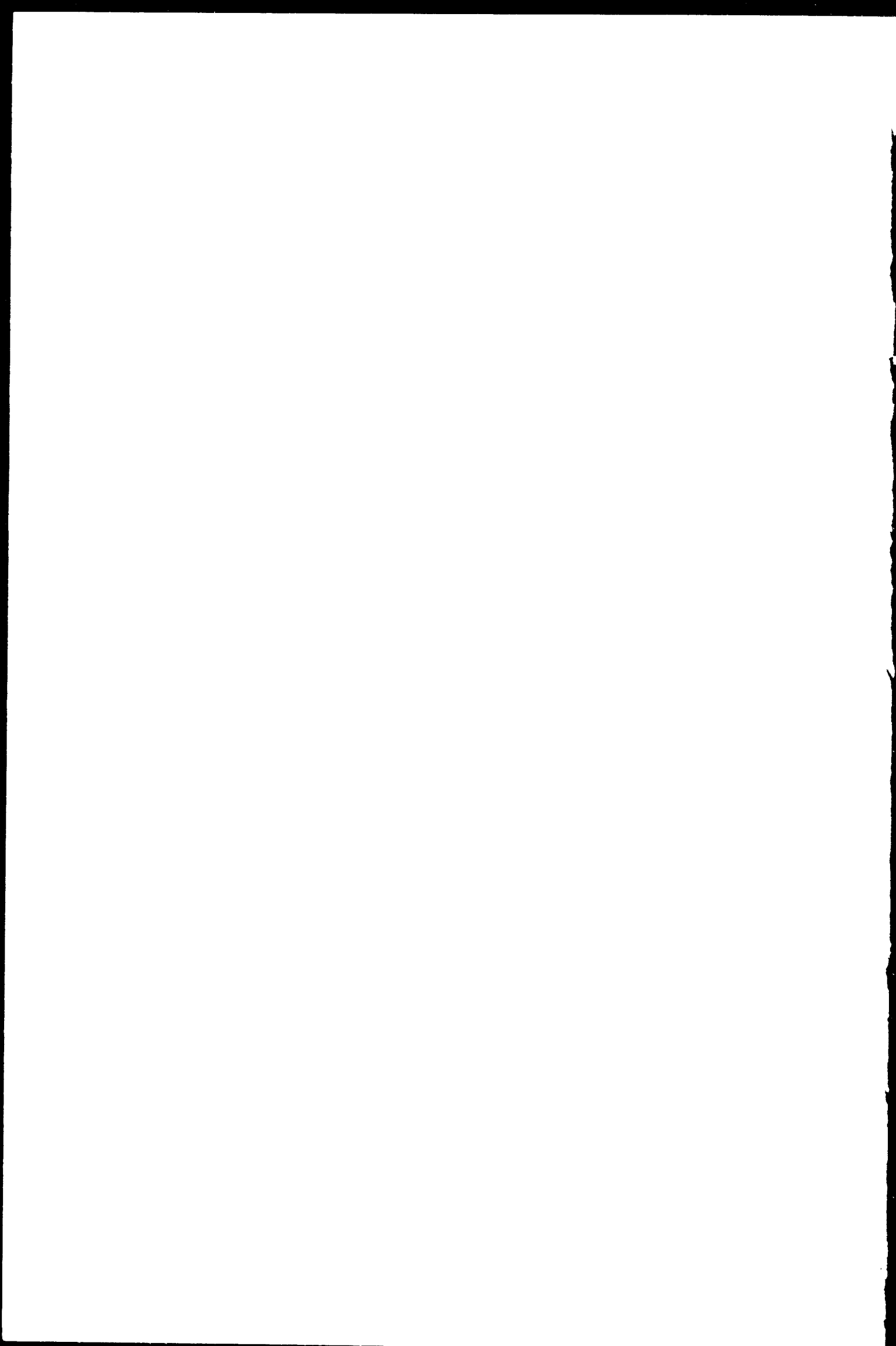
The activities of the European Parliament from
1st May 1965 to 30th April 1966

Rapporteur : Mr. Diomède Catroux

SECRET

ENGLISH EDITION *

* This translation must not be treated as an official text. Readers are reminded that the official texts exist only in the Dutch, French, German and Italian languages.



CONSULTATIVE ASSEMBLY
OF THE
COUNCIL OF EUROPE

1st July 1966

Doc. 93

REPORT

*to the Consultative Assembly
of the Council of Europe
on the activities
of the European Parliament*

- I. *The extension of the European Community
Europe's economic and political
responsibilities in the world*
- II. *The activities of the European Parliament
from 1st May 1965 to 30th April 1966*
(Rapporteur: Mr. Diomède CATROUX)

The report to the Consultative Assembly of the Council of Europe on the activities of the European Parliament from 1st May 1965 to 30th April 1966 is available in a separate French edition. It is also published by the Secretariat of the European Parliament (19 a, rue Beaumont, Luxembourg) in German, Italian and Dutch.

In accordance with Rule 51 of the Rules of Procedure, the Committee of Chairmen, on 12th May 1966, appointed Mr. Catroux as Rapporteur to prepare the annual report to the Consultative Assembly of the Council of Europe on the activities of the European Parliament.

By agreement between the Bureaux of the European Parliament and the Consultative Assembly, the Rapporteur was asked to give special attention, at the beginning of his report, to the subject chosen for the joint meeting of the two Assemblies, viz.: "The extension of

ASSEMBLÉE CONSULTATIVE
DU
CONSEIL DE L'EUROPE

1^{er} juillet 1966

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RAPPORT

*à l'Assemblée Consultative
du Conseil de l'Europe
sur l'activité du Parlement Européen
du 1^{er} mai 1965 au 30 avril 1966*

- I. *L'élargissement de la Communauté européenne
Les responsabilités économiques et politiques
de l'Europe dans le monde*
- II. *L'activité du Parlement Européen du 1^{er} mai 1965
au 30 avril 1966*
(Rapporteur: M. Diomède CATROUX)

Le rapport à l'Assemblée Consultative du Conseil de l'Europe sur les activités du Parlement Européen du 1^{er} mai 1965 au 30 avril 1966 a été publié séparément sous la forme d'une brochure unilingue en français. En outre, les services du Parlement Européen (19 a, rue Beaumont, Luxembourg) en ont publié des éditions en allemand, en italien et en néerlandais.

the European Community. Europe's economic and political responsibilities in the world".

At its meeting on 29th June 1966, the Committee of Chairmen unanimously approved Mr. Catroux's draft report for transmission to the European Parliament.

Present :

Bureau of the European Parliament :

Mr. Poher, President ;
MM. Kapteyn, Battaglia, Vendroux,
Furler, Wohlfart, Berkhouwer, Carboni and
Metzger, Vice-Presidents.

Chairmen of Committees :

MM. Pedini, Boscary-Monsservin, Blaisse, Mrs. Elsner, MM. Carcassonne (Substitute : Mr. Thorn), Deringer, Vals and Catroux.

Chairmen of Political Groups :

Mr. Illerhaus, Chairman of the Christian Democrat Group ; Mrs. Strobel, Chairman of the Socialist Group ; Mr. Pleven, Chairman of the Liberal and Allied Group ; Mr. Terrenoire, Chairman of the European Democratic Union.

The report was approved by the European Parliament at its sitting on 1st July 1966 and transmitted to the President of the Consultative Assembly by the President of the European Parliament. It is to be discussed at the Joint Meeting of the European Parliament and the Consultative Assembly of the Council of Europe to be held on 23rd and 24th September 1966.

CONTENTS

I

POLITICAL SECTION

	<i>Page</i>
Extension of the European Community. Europe's economic and political responsibilities in the world	2
I. Introduction	2
II. Requirements for extension of the Community	3
III. Requirements regarding scientific and technological co-operation in Western Europe	8
IV. The Community's repercussions on world trade and its responsibility in world politics	13
V. Conclusion : Unity of action and division in action	16

II

DOCUMENTARY SECTION

Activities of the European Parliament from 1st May 1965 to 30th April 1966	17
<i>Chapter I — Political situation</i>	
1. EEC budgetary matters	17

2. The crisis of the European Economic Community	21
3. Problems of Community law	25
4. Working conditions of the European Parliament	27

Chapter II — Association and external relations of the Community

1. Association with Greece and Turkey ...	28
2. Association with the African States and Madagascar	30
3. EEC's external economic relations	35

Chapter III — Supervision of the activities of the Communities

1. 13th general report on the activities of ECSC	40
2. 8th general report on the activities of EURATOM	43
3. 8th general report on the activities of EEC	45

Chapter IV — Activities of the Communities in the economic, social and cultural fields

1. Economic and financial policy	48
2. Agricultural policy	50
3. Energy policy	59
4. Transport policy	59
5. Internal market problems	63
6. Activities in the social field	77
7. Health protection	88
8. Cultural co-operation	91

POLITICAL SECTION

***Extension of the European Community
Europe's economic and political
responsibilities in the world***

I. INTRODUCTION

- Events clearly show that the future of the European Economic Community depends on :
 - the development of economic and social relations among the six member States, which are gradually establishing — sometimes

after a long and difficult process of adjustment — a fundamental concordance of interests ;

— the repercussions of this development on the outside world and the fresh problems of adjustment to which these in turn give rise for the member States, the other countries of Western Europe, and the rest of the world ; and

— the conditions imposed upon the Community by world economic policy and world economic structures.

2. Confronted with these factors, the European Parliament has set itself the task of keeping under review the problems which already exist, or will shortly arise, for the Community in its external relations. The challenge confronting the Community in this respect has recently become apparent in two important sectors :

— In Western European countries which are not yet Members of the Community it is now possible to discern shifts of opinion which may lead to applications for membership — as has always been the European Parliament's wish. One of the causes of this "wind of change" is the growing awareness of the immediate requirements stemming for Europe as a whole from the development of technology and research. The recent efforts, both inside and outside the Community, to improve co-operation in these fields could effectively contribute towards an expansion of the Community, or at any rate towards the establishment of closer relations between the Community and the outside world. At all events, they are a heartening sign of a growing understanding of Europe's common interests.

— For some years now the Community has been increasingly obliged to contend with the effects which its economic, commercial and political weight inevitably has on world trade and politics.

II. Requirements for extension of the Community

3. The encouraging signs which fortify the European Parliament in seeking a political discussion with the Consultative Assembly of the Council of Europe on possibilities of extending the Community have appeared both within the Community itself and, to some extent, in other

countries of Western Europe. The present situation clearly contains economic disadvantages which, although their importance may be assessed in different ways, may well become more accentuated. Although the effects of the parallel existence of EEC and EFTA cannot be gauged with any precision, the size of the problem becomes apparent when it is considered how far the interpenetration of trade relations has gone in Western Europe, even between the member countries of these two associations. In 1964, 30 per cent of the EFTA countries' imports came from the Community, compared with only 18.4 per cent from their own partners. In the same year, 27 per cent of their exports went to EEC, as against only 22 per cent to their own partners. For certain EFTA countries the proportion was even much higher.

4. It is possible that in the coming years the effects of the parallel existence of the two associations will become more, and not less, marked. Success in the Kennedy Round may remove some of the trade problems now facing the two groups — and here the Community should have its contribution to make, now that it has overcome its crisis and agreement has been reached in the Council of Ministers. But this will eradicate only some of the trade policy problems and not the structural difficulties. In the final analysis, the present situation reduces the prospects of economic growth for all the countries of Western Europe, including those of EEC.

The negotiations of the Treaty of Rome was originally, as we know, open to all. The responsibility for joining in was accepted by all European countries. The United Kingdom ultimately made its political choice by deciding not to accede to the Treaty and a number of other European countries followed suit. The alternative they chose was the establishment of a free trade area based on principles and rules significantly different from those of the Common Market.

This division is not a natural situation, but the ill effects for the future of Europe are seen to be much more serious politically than commercially.

This realisation has led to a search for ways and means of discussing, and if possible,

removing the obstacles which frustrated the first attempt to expand the Community, in 1962-63. The search is going on both inside and outside the Community. The circumstances which once hampered the negotiation of Britain's entry now seem to have altered. In Britain itself, joining the Common Market and the conditions for joining are once more a major subject of public discussion ; the same applies to the other countries of Western Europe.

5. This state of affairs is due to political and commercial developments and particularly to the very marked shift in the trade of the EFTA countries. Their trade with the EEC countries is developing faster than their trade amongst themselves and with the rest of the world (a fact which may belie the harm said to have been caused by the creation of EEC). This trend is particularly strong in the case of Britain. EEC's share in Britain's exports rose from 14 per cent in 1958 to over 20 per cent in 1964 — little less than the 27 per cent share of the whole Commonwealth in the same year. As far as trade is concerned, Britain is clearly turning back to the Continent, and the trend seems likely to become further accentuated, since large sectors of the British economy are being attracted by the possibilities which the Common Market offers. These prospects are in the interests of both Britain and the Community. It is noteworthy that the introduction of the 15 per cent surcharge did not provoke any retaliation by the Community for the sake of European interests in general, even though it gave British exports a considerable advantage over EEC exports, which were heavily penalised on the British market, particularly in certain sectors.

6. Many of the European Parliament's reports and resolutions in recent years have been concerned with the hopes connected with extension of the Community and the conditions for such extension. Because the matter is once more under discussion, I should like to draw attention to the specifically political factors on which the success of possible negotiations depends.

The European Parliament has made a detailed study of the reasons why the desired expansion of the Community cannot be achieved

without acceptance of the principles and objectives set out in the basic treaties. I have the feeling that this view has in the meantime met with, if not approval, then greater understanding outside the Community too.

However, the obligation to accept the treaties in their letter and spirit leads to widely differing conclusions : one is that a way should be found of adopting the Community's principles as a whole and that transitional and exceptional arrangements should be made for certain special cases, the other that membership will not be possible for a long time yet and that temporary measures to secure a rapprochement should be sought.

It must be realised here that temporary measures are not lasting solutions and that each assumption gives rise to different political consequences, both for the Community and for its partners in negotiations. It is in relation to these implications and consequences that the desire to build a bridge between EEC and EFTA must be considered ; the same applies to the intention to establish a large free trade area comprising EFTA and EEC.

7. However, as the European Parliament has always maintained, a mere free trade arrangement is not only incompatible with the objectives of the Treaty of Rome ; it does not meet the political or economic needs of Western Europe. As far as economic policy is concerned, it has been found that in areas with a high level of technical and industrial development and commercial intensity free trade rules do not have the same integrating effect as economic union. Promotion of growth and the utilisation of cost advantages do not become possible on any large scale or over any prolonged period until economic policy is aimed at creating uniform conditions of competition. EFTA itself, after believing that a simple trade and customs arrangement (one which excludes agriculture) could be applied among its Members, is becoming increasingly aware that it is also necessary to harmonise economic policies in certain sectors.

In view of the large-scale manipulations by States (a world-wide phenomenon), agricultural problems cannot be solved through trade measures but only through comprehensive harmonisation or common planning of agricultural policy — as has recently been agreed in EEC.

It must be stressed that the establishment of a mere free trade area would cancel out one of the main advantages of the Community's existence, namely, the stabilising influence it can exert on world economy. The fact that the USA's economic recessions of 1959-60 did not — like previous recessions — have repercussions in Europe and gather strength there, but spent their force in Europe (which had a stabilising effect on the American economy) was directly due to the existence of the Community as an organ of economic policy. Here is proof of the Community's effectiveness as an instrument of common policy.

Similarly, Italy's recession in 1964 was quickly brought under control by the Italian Government, effectively supported by the Commission's recommendations.

There is no doubt that none of this would have been achieved if the Community had been a mere free trade association.

8. In the first eight years of its life, the Community has contributed towards large-scale development of world trade. As was, and is, the purpose of such a system of close co-operation, the primary beneficiaries have been the Community's member countries themselves. Between 1958 and 1964, commodity trade among the Community countries rose by 168 per cent (the increase in 1964 was 16 per cent); in the same period world trade, other than EEC's internal trade, rose by only 50 per cent. This has also contributed towards a considerable increase in the trade of non-member countries with EEC, far exceeding the average trade increase. Between 1958 and 1964, imports from the rest of the world rose by 66 per cent.

If Europe were to become a large free trade area, there would be a further concentration of trade in a region which already has the most intensive trade in the world, without there being any certainty of its exerting the same stabilising effect on world economy as EEC has so far done. The Community could and can counteract the increase in what have been called the "world economy costs" through a variety of measures, in particular through a common trade policy. A free trade area could not do this.

The differences between EFTA and EEC do not therefore lie simply in their

institutional forms, nor in their procedures for determining the common will; they lie in the scope and expediency of their economic policies.

On this basis, EFTA and EEC are not comparable, and the image of a bridge which simply has to be built across two solid piers is inaccurate.

This, of course, implies no criticism of EFTA, whose Members can point to considerable success in their co-operation. Moreover, the EFTA countries have recently become increasingly conscious of the interdependence of these problems. Financial circles in particular show a growing awareness of the difficulties inherent in mere free trade solutions and plans are afoot to deal with them by establishing closer relations in sectors where economic policy also plays a part.

Nor would I in any way claim that the rules and procedures adopted by the EEC countries were perfect or the only ones possible. In particular — and this will be gone into again — careful attention will have to be given to the conditions under which the Community can expand successfully. It should not be forgotten, however, that the development of the Communities has produced a state of affairs as important as the original acceptance of the principles of the Community. What might have been a suitable subject for negotiation ten years ago — and I am thinking of more general matters too — is no longer so.

9. The different natures of EFTA and EEC, the differences between their significance in matters of economic policy and their effectiveness also show up their expediency as political instruments in Western Europe in a very different light. Of course, the establishment of a free trade area or of an economic union cannot guarantee unification of the member States' policies in other sectors (if there was any doubt about this, the Community's two crises, in 1962-63 and last year, would certainly have dispelled it).

But the political situation in a community of the kind existing among the Six is different from that in a free trade area, chiefly in regard to the scale of the problems which the member States have to solve jointly and to the continuity, or at least the need for continuity,

which is as it were part and parcel of the whole matter of the institutional structure. Without the jurisdiction of the States in foreign policy and defence policy being affected, the material basis of their mutual relations undergoes a profound change, particularly as economic union progresses. It is not only the basis of effective solidarity among the nations which improves. The requirements of a common economic policy, and particularly of a common trade policy, cannot be assessed independently of problems of defence and foreign policy, which must also be a matter of common concern. It is important, I think, to go into one or two of the problems involved.

The existence of economic union has been in very large measure the political reason for efforts to expand the Community. After the breakdown of negotiations for Britain's entry, the European Parliament emphasised that "according to statements by British political leaders, it was the obvious political nature of the Community which motivated Britain's decision to seek membership of the Community".

This "political nature" means, of course, the Community's influence over the member States' ability to seek agreement in fields other than the purely economic sector, and it is in no way belied by the Community's recent crisis; on the contrary, it is all the more evident. There are serious differences of opinion on the actual *substance* of a common policy and on how it should be organised. However, there is unanimity among the member States on the fact that economic union *continues to make broader agreement of this kind among them both necessary and possible*.

10. There may be interim solutions to the difficult problems arising in part from the parallel existence of EFTA and EEC, and I follow in the tradition of firm resolve which the European Parliament has always reflected and am strongly in favour of any efforts which promise an improvement in that regard. It is not the purpose of this report to make practical proposals on this subject. The aim of the discussion can only be to give an insight into the political implications and conditions of these problems. And here, too, I am in agreement with the view repeatedly expressed by the European

Parliament that these interim solutions and improvisations cannot produce a satisfactory state of affairs unless the partners first agree on their purpose. The real need now is for fresh action based on a specific idea, that of the unity of Western Europe, which is the condition for putting an end to the present division and enabling Europe to fulfil its proper task in world politics.

If the new action to be initiated is to achieve the desired objective, each side's hopes, fears and conditions must be plainly stated. Meaningful negotiations cannot be resumed — as the British political leaders, too, have made very clear — unless realistic agreement is first reached on the principles.

Such realism, which I feel exists both inside and outside the Community, will provide a better basis for negotiations.

11. Some of the problems which the accession of other countries involves are very varied. In recent years the European Parliament has made a study of the economic features and grave preoccupations of the neutral countries, and indicated a line of action. Each case is different, and it is perhaps not always necessary, as it may have seemed in 1962, to make the success of other negotiations conditional on Britain's entry.

Politically, however, British membership remains, of course, the most important stage in the desired expansion of the Community. If the question is settled satisfactorily for all parties concerned, there is no doubt that solutions can also be found for other European countries and the Mediterranean periphery, through a system of association or some other formula. It is precisely for this reason that the fact of Britain's "waking up to Europe" and the parallel events in the Community countries, seem so encouraging to the European Parliament.

12. The existence of a minimum number of conditions and prerequisites which must be satisfied if the effort is to be made, let alone be successful, is becoming increasingly clear. These are now the bases of the discussion:

(A) The extended Community cannot be a kind of free trade area; it must be an economic union on the pattern of EEC;

(B) The agricultural arrangement, which goes far beyond the scope of a free trade arrangement, is an essential part of any extension of the Community ;

(C) EEC's methods and institutions have generally proved their worth. In any event they can be improved and supplemented, in certain respects, but not substantially altered.

My feeling that there are signs of a favourable turn in the question of the Community's extension is based primarily on the broad identity of views that exists on these three points, at least among an increasing section of public opinion in Britain, in certain EFTA countries and in the Community countries. Moreover, it is gratifying that the discussion on the exact scope and content of the compromises aimed at has begun in so decided a manner. This applies just as much to the minimum conditions laid down in the Community countries as to the special requests and wishes insisted on by the possible candidates for membership of the Community.

13. In Britain the public discussion seems to have led to a rather different assessment of what is required and what is to be feared. It is of paramount importance for the member States and for the shaping of the Community that there should be a true picture on this side of the Channel of Britain's hopes and difficulties, viz. :

(a) What effects on Commonwealth relations might be unacceptable to Britain ?

(b) How might membership of the Community affect freedom of action in foreign policy ?

(c) How will relations with the other EFTA countries be affected ?

(d) To what extent will the national economic system be able to adjust itself to the new conditions created by membership ?

(e) How could British agriculture adjust itself to the EEC agricultural policy ?

14. Other points regarded as very important in Britain are :

(f) How will the reform of the agricultural financing system affect the balance of payments ?

(g) What will be the effects on the prices of consumer goods ?

This list, which is by no means exhaustive, can now, it seems, be revised, as there is a growing feeling that a rational solution is possible for each of these questions and that none of them obliges Britain to demand fundamental revision of EEC's constitution as a prior condition.

Besides, not all the problems have the same weight. The Commonwealth problem does not seem insoluble, for broad agreement began to emerge during the negotiations. On agriculture, the British view has, to some extent and on certain matters, come closer to the fundamental conceptions of the common agricultural policy. Conversely, production subsidy arrangements which may, at the outside, be compared to deficiency payments have recently been introduced in the Community. The problems concerning the effect of membership on the cost of living in Britain could also probably be easily overcome if an adequate period of transition was considered acceptable. Much more important and serious are the problems which — paradoxically — were not directly touched on in the 1962 negotiations, namely :

(a) the international finance and payment problems, which are connected with the present position of the pound sterling, and

(b) the fundamental political developments in the problems of defence and European political union.

As the European Parliament pointed out at the outset, most of these preoccupations can be dealt with by means of a compromise. It should be possible to agree on a combination of (a) transitional arrangements which allow Britain sufficient time for adjustment and (b) certain exceptions to the rules. It should be considered, for example, whether a special medium-term arrangement can be devised for New Zealand exports, without upsetting the harmonious development of the Common Market.

The criterion for limiting any interim or special arrangements should be that they must

not result in abandonment of economic union in accordance with the principles of the basic treaties.

15. The problems arising from this situation are all the more soluble for the fact that the critical discussion over the last few years has made it clear that :

— Even at the time of the negotiations on Britain's entry, the supposed difference between Britain's external economy (regarded as being more open to world trade) and the external economy of certain member States was no longer of the same magnitude and has since become even less marked ;

— New factors have increased the need for European co-operation, particularly in technological and industrial development and research policy ;

— Western Europe has become more aware of its special position in the Atlantic Alliance and of its responsibility towards the rest of the world, particularly towards the countries of the southern hemisphere.

16. In considering the whole process which has led to this new assessment, I have the feeling that the decisive problems of this enterprise are only now appearing.

The aims of the Community are :

— to achieve, through the sharing of effort :

— economic rationalisation and greater advantages in the social, economic and political fields ;

— to facilitate, through economic unions, such political unity among the nations as may be necessary.

These aims are accepted by all the member States.

But it must be stressed that the more feasible economic union appears, the greater become the political differences that are connected not with economic union but with the political relations among the States in matters of external policy and defence.

17. The consequences of any trade agreement are not only economic. The accession of other countries, particularly Great Britain, would

change the internal political structure of the Community. These consequences are not merely incidental and discussion of them cannot be dismissed as unpermissible confusion of political and economic calculations. That is why the European Parliament considers that an open discussion of the effects of the Community's expansion on internal policy is urgently needed and that it is its duty to initiate such a discussion.

By virtue of their economic structures, the member countries have different interests in the shaping of the Community's economic and trade policy. The accession of Britain and other countries will alter the balance of agricultural and industrial producers, of countries oriented preponderantly towards world trade or towards internal trade. Equally, the balance of interests in the question of the prices of certain farm products might be affected.

These shifts of emphasis will not be removed from the calculations of the participating Governments and the other authorities by the mere fact that they are not the subject of a political clarification.

18. The same applies to the position of the Western European countries with regard to foreign defence and policy.

Even if the economic conditions of membership have to be negotiated, it should first be asked what problems will confront the expanded Community. The Community's influence on world trade would be even greater, its negotiating power in trade matters cannot yet be estimated : it can easily be seen that the combined force of the economy of Western Europe would make the problem of external effects not less but more urgent than it now is for EEC.

III. Requirements regarding scientific and technological co-operation in Western Europe

19. An economic union in accordance with the basic treaties offers practically all that is necessary to achieve the required objectives.

But it is in the nature of such a venture that not all sectors can immediately be given the attention they deserve. The European Parliament has repeatedly pointed to such imbalances in the Community's development. Especially important is the fact that one of the States' main spheres

of action, viz. their share in the technological modernisation of the economy, has not been dealt with at Community level on the same scale as some of their other contributions to the economy. Moreover, the European Parliament considers¹ that, precisely in the research and technological field, a challenge confronts both the Community countries and the other countries of Western Europe. Collaboration in this field might at the same time have a very important influence on the expansion of the Community.

20. The European Parliament therefore considers it desirable in connection with the subject of this report, namely, the expansion of the Community and the Community's responsibility towards the world, to discuss the possibilities for action in the field of technological co-operation. Five points may be given in support of this view :

(a) Technological modernisation is by far the main factor that can bring about an increase in production and the level of potential economic growth. It has been found that independent investments resulting from research account for 85-90 per cent of the growth of the real product per man-hour.

(b) But in this very sector, which is of cardinal importance for development planning, all Western European countries, despite their satisfactory growth rate in some cases, have fallen well short of their potential. What is even more striking and alarming is that the leeway in the capacity for technological modernisation seems to be increasing further and there are indications that for some years this trend can become only more difficult to curb.

(c) A society's capacity to invest in its future, i.e. to lay the foundations for future expansion through investments in research and technology, depends very largely on the policy of the State. This is true whatever views may be held on what the State's tasks are and where its limits lie. Recent studies by OECD, by scientific and government institutes, by the EURATOM and EEC Commissions and by the competent committee of the European Parliament show

clearly how greatly the State's activity can influence the level of investments in research and technology. In France, for example, the State bears 80 per cent of research costs; in the Netherlands and Federal Republic of Germany, a precise estimate of investments in research is more difficult because of the contribution of industries themselves. In the United States, where technological progress is the highest in the West, the State finances the leading sectors of progress, either directly or by creating a demand which is independent of civilian needs and therefore encourages private firms to make extra efforts in research and technology. In any country, what might be called the infrastructure of technological modernisation, i. e. the education of people who can play a useful part as research workers or technologists, is not conceivable without State finance and support.

(d) State activity in the promotion of science, research and technological development is not yet common practice in the Community countries. The discrepancy between actual needs and the lack of co-operation has recently led the organs of the three Communities to make a number of proposals for dealing with the situation; the European Parliament has been making suggestions to this effect for a long time past.

(e) As already mentioned, co-operation in this field between the Community countries and some of their neighbours, notably Britain, remains topical and important.

Europe's leeway in technological development

21. The present economic growth of Western European countries, however satisfactory it may be, is no guarantee of any future growth capacity. The fact is that the countries of Western Europe spend much less on research and technology than the United States. It is true that this expenditure is everywhere rising rapidly, even faster than the gross national product; but while the United States devotes about 3 per cent of its gross national product to these sectors, the rate for the countries of Western Europe is in the region of 1 per cent. Allowing for the bigger gross national product of the United States, this gives a ration of about 1:4 to Western Europe's disad-

1. Doc. 97/1966-67, Oele Report on technological progress and scientific research in the European Community.

vantage (counting only the Community countries and Great Britain) or, allowing for the higher research costs in the United States, a ratio of not less than 1:2.

The consequences of this cannot, of course, be calculated without some delay. All the more serious is the fact that the United States has already, in recent years, gained a clear lead over Western Europe, which is reflected only too clearly in the "balance of technological payments".

22. Comparing the income and expenditure resulting from exchanges of patents and technical know-how, it can be seen that the United States made a surplus of 514 million dollars in 1961, while France, for example, showed a deficit of 67 millions in 1962 and the Federal Republic a deficit of 85 millions in 1963. To appreciate the true importance of these figures, two things must be realised.

First, these exchanges result as a rule from research and from investments in research and development which had to be started some years previously. As expenditure in Europe is falling further and further behind, the real gap is even wider and will not appear for some years in the technological balance.

Secondly, the figures may not seem very high in absolute terms (e. g. a surplus of 514 million dollars for the United States). But it is only when one thinks of the sur-value which the technological and research lead gives in terms of production increase which obviously cannot be put into exact figures that Western Europe's disconcerting leeway becomes apparent.

23. At the same time, there is the big "drain" of research workers and technologists from Western Europe to, for the most part, the United States. It is noteworthy that France seems less affected by this drain than, for example, the Federal Republic, the Netherlands or the United Kingdom. Between 1956 and 1961, an average of 26 French research workers and 56 engineers left France each year to work in the United States; the corresponding figures for the Federal Republic were 124 and 301, for the Netherlands 34 and 102, and for the United Kingdom 155 and 507. Since far fewer research workers and technologists come to Europe from the United States,

the "drain balance" is, like the balance of technological payments, highly unfavourable for Western Europe. Moreover, the two phenomena are obviously closely connected. Whatever the reasons for the drain may be, it is connected with the growth rate of investments in technology and research; and it means that the United States has even more opportunity to improve the technological balance in its favour.

24. If the causes of this twofold leeway of Western Europe are sought, it is soon seen that they have a common denominator in the narrowness of the field in which both economic enterprises and public institutions can operate and which the States have not yet been able to overcome through joint action.

This does not of course preclude individual States considering the possibilities for overhauling their technological and research policy and, in particular, drastically increasing their investments and promotion activities. But such isolated action very soon reaches a limit which is inherent in the nature of modern technology itself.

Keeping up-to-date in research and technology, while profitable in the long term, involves a steep increase in costs. Only the largest of private firms can do their own research and development. But European firms are much smaller than their American counterparts and frequently, therefore, less productive in modern technology. Moreover, it is always more difficult to achieve partial progress in a field of research or production without a great number of complementary developments in other fields, which often seem very remote. For example, technological development in the machine-tools industry is feasible only in conjunction with developments in electronics and chemistry. But even the powerful industrial combines of Western Europe cannot by themselves support this extension in the leading sectors of technological progress and the great increase in costs.

25. Moreover, in the leading sectors of technology the State must obviously play an even much greater part than in the promotion and regulation of the economy. Here too, the country making the fastest progress provides a highly instructive example. The United States devotes

a very high proportion of "investments for the future" to projects which are not intended for an ordinary market, such as arms programmes, space programmes and other objectives of national importance. Projects requiring a heavy research outlay receive much more financial support in the United States than in Europe, not only from the Government, in the form of direct subsidies, but also from the private sector. This is partly accounted for by the special nature of the market created to satisfy the Government's needs; the research outlay of the private sector is ultimately borne by the Government when it buys the end-product in the form of armaments. Thus, in function the major armaments firms have in fact become comparable to public firms.

It is impossible to say precisely what the civil uses of the technological progress in the development of armaments may be. It also remains to be seen whether placing undue emphasis on military research and development may impair a country's technological potential by, for example, causing a transfer of "brains" from general and fundamental research to the military sector.

However, it is undeniable that the great progress made by America in certain branches of electronics, chemistry and automation could never have been made — given the present State and social structure — but for massive government orders for non-civilian products.

So far the countries of Western Europe have not had the same opportunities — for reasons of natural potential, if nothing else.

26. There is no doubt, however, that they would have this potential if they united their efforts in a common policy for research and technology. There have already been a number of experiments in international co-operation which make it possible to specify the conditions for the success of such co-operation.

It is not possible here even to enumerate all such agreements among the countries of Western Europe. Between government activity and the research and development work of firms there is a relationship which shows that the extra demand for results in the field of research and development calls for a parallel market which makes it possible to go ahead with projects without worrying unduly about their short-term

practicality for the ordinary market designed for civil needs. A decisive effort to put an end to Western Europe's "technological under-development" must not therefore be expected until this extra demand exists in sufficient proportions. It is therefore necessary to think in terms of large-scale programmes.

In contemplating these projects it is seen that the problems implicit in their conception and implementation are political rather than economic or technical. This is indicated by two examples.

The construction of modern civil aircraft involves problems with which the aircraft industries of the Western European countries cannot cope either financially or in relation to research and development resources. The position is even more difficult when there is a possibility that similar aircraft will shortly be produced by American firms. There have therefore been several attempts — as well as for the construction of military aircraft — to establish co-operation among the aircraft industries of two or more countries. First and foremost, there is the Franco-British Concord project: this shows the political problems involved in co-operation on such a scale and with such deployment of resources.

27. Inevitably, projects of this size and duration have a profound effect on the actions of the Governments concerned: each Government's freedom of action is affected — indirectly but significantly — in relation to economic policy, social policy and defence policy. It only has to be recalled what difficulties there have been with the Concord project. The project was still being implemented when one of the Governments which concluded the contract went out of office; as a result the new Government found it would be deprived of its freedom of action, at what was perhaps a critical stage in its programme, unless it decided to alter the terms of co-operation with the partner State. Each Government has obligations not only towards its co-signatories but also towards the interests and forces at work in the country. In principle, this problem is scarcely any different from that arising in connection with any international agreement; but in this particular case it is more acute, because the undertaking given affects a

sector of the greatest importance for economic policy, and perhaps even for foreign policy and defence policy.

28. The experiences with the European space programme are quite similar. Space exploration could quite fulfil all the conditions for the creation of a massive extra demand in the fields of research and technology. Some results have, in fact, already been achieved. But here, too, the question arises for all the States involved as to how far their freedom of action will be affected by co-operation.

It is important to realise that with certain technical projects it is very difficult to distinguish between the civil and the military applications of the results. For example, the development of rockets for civil purposes may obviously be of military relevance, and the implementation of the research and development programme can then be subordinated to military purposes. In fact, it seems that a great many discoveries can serve more than one purpose. As long as States have separate political responsibility for their defence policies it is of the greatest importance for them to know to what extent they can look after their own armament and military research and in what circumstances they will become dependent on other Powers, even on allies. All efforts made in countries of Western Europe to establish and carry out closer and long-term co-operation on arms policy have suffered from this inherent obligation to choose between full responsibility in defence policy and less than complete armament autarky.

Any discussion of this question must proceed from the consideration that Governments have to calculate with the utmost precision the conditions for co-operation in the latest fields of technology and research. As long as the Government is accountable to the nation, it has to see to it that such agreements are concluded for a long term and are observed.

29. In the present situation, the success of large-scale co-operation in research and technology is clearly bound up with factors of foreign and defence policy. Without a properly co-ordinated policy, that is to say, a foreign policy and a defence policy co-ordinated for the

duration of the major technological programmes, any effort to achieve intensive technological co-operation in Western Europe will be clouded by doubts whether the original agreement will be observed by all the partners throughout the period of co-operation.

The Community's tasks in the technological field

30. Comparing technological co-operation in the Community with that existing among countries both inside and outside the Community, it is seen that the Community countries possess considerable assets, particularly in the shape of some nuclear research programmes. On the other hand, the Community lacks a technological policy capable of reducing, or simply stabilising, the gap separating Europe from the United States, and even from the Soviet Union.

The basic idea which led to the establishment of an economic union was that the removal of trade barriers by means of a free trade area and a customs union would not solve all the problems. This idea is equally valid for government activity in the research and technological fields. It is even the complete opposite of what the current arrangements foreshadow: the requirements of modern technology demand a larger economic area, they are beyond the means of the largest Western European countries, and only the establishment of economic union can meet this overriding need. But the tasks actually allotted to the Community fall some way short of these requirements. The Treaty instituting EEC makes no mention at all of technological policy as such. The important tasks of EURATOM and ECSC do not fully cover this truly vital field. It was therefore with good reason that the High Authority said:

"It is nevertheless the case that a Community research policy based on a separate budget is at present possible only for nuclear energy and for coal and steel; there is no provision for such Community action in the other industrial sectors. This is obviously an anomaly: there is a crying need here for a 'levelling-up'."

The European Parliament has repeatedly drawn attention to this imbalance and its disastrous consequences. It welcomes the fact that the meeting with the Consultative Assembly is concerned with a question which that body

recently also discussed with considerable penetration.

Only a short while ago a Motion for a Resolution was placed before the European Parliament advocating, once again, the co-ordination and promotion of scientific and technical research. By the terms of the Motion, this task would be given to EURATOM ; there was also a proposal to invite " the United Kingdom to join the EURATOM Community immediately so that it can take part from the outset in the common policy for scientific and technical research, thereby establishing, inter alia, a useful basis for its complete participation in the construction of a united Europe " ¹.

31. The Executives of the three Communities have already done preparatory work over the past years but their freedom of action is considerably restricted as a result of the treaties. The EEC Commission has already drawn attention — in its proposal for the establishment of a medium-term economic policy — to the overriding need to compare the efforts of individual European countries to promote research and technical development ². Early in 1965, a sub-committee of the Committee on the medium-term economic policy was instructed to look into this problem. Its work is still going on.

In October 1965, there was appointed an inter-Executive " scientific and technical research " working party comprising members of the three Executives.

It should be acknowledged that, parallel with the efforts being made in each country to raise the level of research and training, Governments are more prepared to promote Community programmes in these fields and to consider the conditions for greater co-operation.

It is highly significant that in March 1965 one of the member Governments proposed to the Council of Ministers that it should be determined in which sectors too little research was being done and those whose development was significantly dependent on research. The EEC Commission was asked to report to the Council on the matter.

It is therefore my hope that the member States will very shortly take the first steps to initiate co-ordination and promotion of scientific and technical policy on the basis of comparable information.

The scale and results of these initiatives depend on the conditions which I have adduced from experiences of international co-operation in Western Europe. These conditions apply to co-operation among the member States of the Community no less than to co-operation with non-member countries. Precisely for these reasons, and without ruling out the idea that other countries of Western Europe might wish to regulate their relations with the Community in accordance with the desired objectives, a great deal will depend on the ability of the member States to determine the political framework of their relations and agree on common action.

IV. The Community's repercussions on world trade and its responsibility in world politics

32. In recent years, EEC has become the leading trading Power in the world. This is not only an achievement for the Community ; it has also had the effect of substantially changing the structure of world trade. Comparing the ratio of each country's trade to its national product, the differences are seen to be considerable. For the Netherlands, for example, imports represent 42 per cent and exports 34 per cent of the country's gross national product, while the corresponding figures for the United States are 3 per cent and 4 per cent. Discounting its internal trade, EEC as a whole conducts much more external trade, in comparison with the gross national product, than the United States ; but the ratio is getting closer and closer to that of the United States. It is perhaps not merely a statistical game to estimate what the volume of the external trade of the whole of Western Europe would be if all its internal trade were governed by the same system. By becoming unified, Western Europe would more or less fulfil the economic conditions in which the great economic units, the United States and the Soviet Union, are able to pursue their development. The decisive impetus towards this structural change has come from EEC, and to

1. Doc. 63/1966-1967.

2. Doc. 73/1963-64.

some extent the Community finds itself, in regard to its present problems in world trade, up against its own success.

33. This change has two very different consequences. The industrialised countries — particularly the two world Powers, the United States and the Soviet Union — are becoming less and less dependent on trade with the lesser industrialised areas; at the same time they are having to conduct more and more trade between themselves. This is one of the perspectives against which a new view of trade between Eastern and Western Europe has to be, and is increasingly being, set. Moreover, it is important to take account of the other trend of world trade, namely, the relative decline in trade between the lesser and the more highly industrialised countries and, in conjunction with this, the deterioration of the terms of trade to the disadvantage of developing countries. These phenomena were not due to the establishment of EEC; nor are they the effect of chance. This is shown by the pattern of British trade. While Britain's trade with the Commonwealth is relatively speaking on the decline, its trade with EEC is on the increase. Here is a sign of the more general trend towards intensification of trade among the highly industrialised areas and a slackening of trade between North and South. Equally, while Britain's trade is shifting from other continents to Europe, conversely, a country like France — whose external commerce was once relatively slight and was mainly done in an area which had special links with it — is now beginning to expand its trade considerably with the other industrialised countries.

The decline of Britain's foreign trade and the growth of France's are noteworthy and indicative of the change which European trade is undergoing. While between 1956 and 1964 Britain's imports fell from 18.8 per cent to 16.7 per cent in value and its exports from 17.4 per cent to 13.4 per cent of its gross national product — an appreciable fall — the corresponding figures for France show a slight increase. France's new policy in world trade is apparent in the fact that its long-term economic plans provide for an annual increase in the volume of its foreign trade which is almost double that in the 1950s.

34. These contrasting trends of two of the chief trading Powers of Western Europe show the danger of the developing commercial concentration, and at the same time its limits. The Community and the countries wishing to join it must be aware of the danger. If the establishment of EEC was enough to raise problems for some trade partners, these problems are bound to arise in a much more acute form if Great Britain and other EFTA countries join the Community. In the European Parliament's view, relations with the countries of the Mediterranean periphery which have established or are trying to establish closer and more specific relations with EEC should, from this point of view, be accorded particular attention and their problems given the solutions best adopted to their needs.

At the same time, the Community as it now is, and even more so if it is enlarged, must ensure that the commercial concentration it is causing remains compatible with expansion of its trade with the other non-member countries — for a reason which resides in Western Europe's special links with the countries of the southern hemisphere.

As pointed out in a recent European Parliament report¹, there is a definite limit to the concentration of European internal trade at the expense of world trade. The American Government is able to provide its own economy with the necessary basic products in practically every conceivable situation. The United States' supply of raw materials is fully guaranteed beyond the year 2000 by resources in its own political territory. This is not so for the European countries. Europe is structurally dependent to a large extent on imports from the countries of the southern hemisphere — as can be seen from the fact that it is easily the main customer of those countries. This means, however, that the European economy depends for its supply of such important raw materials as oil on factors that are beyond the direct control of the European countries, namely, the political and economic stability of the producer countries.

1. Cf. Doc. No. 76/1966-67: Kapteyn Report on the problem of the stabilisation of world raw material markets in relation to the United Nations Conference on Trade and Development.

35. This situation has a fundamental bearing on Europe's position vis-à-vis the developing countries. The United States could (in a situation of extreme necessity, and not, of course, of its own choosing) withdraw into maximum economic isolation. But the European States could not do this to any comparable extent. They have no alternative, therefore, but to try to safeguard their supply of raw materials by political means. They automatically have an interest in the political and economic stability of the countries with which they are so closely connected. Europe can contribute to this stability only through a concerted policy of external trade and development aid, and here the Community has already set a practical example, through its policy of association with the African countries.

For many products therefore — including farm products — Europe seems unlikely to become self-sufficient for a long time. The probable trend of the situation should not therefore cause non-member countries any real alarm. Their concern must not lead them to demand access guarantees from the Community. Europe cannot contemplate allowing the pattern of trade or of potential production to become rigid. She must, in particular, retain the unquestioned right to consume within her own territory everything she is capable of producing in conditions that strike a balance between the various objectives set out in the Treaty, notably in Articles 39 and 110. She can, however, accept the idea of international undertakings given on a basis of reciprocity and applying to all the policies pursued by both herself and her partners. It was in this spirit that the Council of Ministers recently reached agreement on a supplementary mandate for the Commission to continue the Kennedy Round negotiations in the cereals sector.

36. The basis of Europe's relations with the developing countries, and particularly the neighbouring areas, is thus one of interdependence. On their stability greatly depends its own economic and, therefore, political stability. This should be the criterion for the European aid and trade policy. Whether it actually becomes the criterion depends on how far one's idea of one's own economic situation in the world becomes accepted and becomes the standard for political action. The fact that the United

States, despite its great economic independence, engages in active world trade is largely accounted for by its world-wide political responsibilities. For reasons of world security, it has an interest in the economic and political stability of the southern hemisphere. For Europe there are also decisive reasons of an economic nature. The question is whether *Europe can discover its true political responsibilities* in the world and whether it *can reconcile its foreign policy interests*.

In this connection, I endorse the view of an eminent British politician, Mr. Patrick Gordon Walker, who has said that Europe inevitably influences the rest of the world by both action and inaction and that if a great Power fails to play its part, this also affects world balance — usually at the expense of the Power which stands aside. This judgment applies to the whole of Western Europe, and at the moment it applies particularly, I feel, to the Community of the Six in their external relations.

37. The European Parliament has repeatedly pointed with great emphasis to the need for a coherent common policy regarding both the World Conference on Trade and the Kennedy Round. I am glad to be able to mention the recent decision of the Council of Ministers to give the EEC Commission the extra powers required for the successful conclusion of the GATT Trade Conference.

However, it is desirable, I feel, to draw attention to the structural problems which are implicit for the Community in the formulation of a coherent trade policy. The external trade policy is common practice. It cannot be defined in the abstract, for it must translate in terms of external economic relations a real industrial policy which, for the Community, obviously cannot be conceived as the mere sum total of the industrial policies of the member States but should be worked into a proper synthesis within the various authorities of the Community. At the same time, the trade policies as they emerge, for example, from the Kennedy Round, or agreement on the common rules for trade with State-trading countries, have a direct bearing on the capacity of member States to carry out their obligations in matters of foreign policy. External trade policy is an important instrument

of foreign policy and agreement on a common external trade policy is in itself a stepping-stone towards foreign policy. Or conversely: agreement on foreign trade policy presupposes agreement on a common foreign policy.

38. In the three spheres which the European Parliament wishes to discuss with the Consultative Assembly namely, (a) the extension of the Community, (b) technological co-operation, and (c) the assumption of responsibilities towards trade partners in the world — the Community is in danger of coming up against a political obstacle, for the material solution of the problems is affected by the search for an agreement on the general principles of external policy. This question arises in the first instance for the member countries of the Community. But it arises also for their partners outside the Community, chiefly — as already said — for their neighbours who wish to join the Community or have some similar arrangement with it.

That this political barrier before the Community should become tangible is nothing new. Three years ago the European Parliament's Rapporteur drew attention to these wheels within wheels, at a time when the two Assemblies were discussing the breakdown of the negotiations with the United Kingdom. "The lack of resolution shown by the member Governments and their Community institution as regards decisions to pursue the integration process had fateful effects on the negotiations with Britain. In addition, the continuation of internal integration and the possibilities of setting up a political union are in practice blocked, unless a solution is found to the Community's external problems, and this does not merely apply to trade relations."¹

Following in this tradition, I should like to stress the fundamental importance of the security problems and the external capacity for action of European countries.

The purpose of the agreement in these sectors of Community policy can be seen against the background of the world political situation. This has always been vigorously maintained by the European Parliament.

39. It is quite apparent that at the moment there is indecision over the guide-lines of the defence and external policy of the countries of Western Europe. It is impossible, however, to enumerate here the divergencies and the reasons for them. It would be a considerable achievement to be able to elucidate the relationship between the will for co-operation in regard to various sectors of action and the search for an agreement concerning fundamental questions of foreign and defence policy. Here too, the first step must be for the interested parties to become aware of their fundamental union and steadfastly work out the reasons for their respective positions.

V. Conclusion

Unity of action and division in action

40. The Community of the Six is a reality. This is so because the member States have agreed on a single policy for certain economic problems. And they give evidence of this united will for settling problems involving disunited interests. The success of EEC rests on the will of the member States to act in unison and on the procedures through which this can be achieved.

But this success makes others necessary. Whether it be in external relations, in the assumption of responsibilities towards the rest of the world, in the desired expansion of the Community, or in technological or industrial co-operation everywhere the Community is called on to act with the same unison as in the establishment of the common economic policy in the various sectors.

The Community is still such that its power comes from the Governments. The Governments remain responsible to their peoples for the protection of their interests — whether in economic policy or in foreign policy. They thus have the task, within the Community, of achieving as broad a unity of action as possible so as to consolidate the Community and fully implement its objectives.

41. To conclude, I should like to quote again one of my predecessors who, three years ago, asked the following, still relevant, question :

"Will Europe succeed in acquiring real political power? Only if it does so can it hope

1. Biesheuvel Report, Doc. 49/1963-64, page 10.

to eliminate certain internal contradictions. But that demands a basic political decision by all the participants and by all those concerned — in other words, by all those already within the Economic Community and those who have expressed the desire to join”¹.

DOCUMENTARY SECTION

Activities of the European Parliament from 1st May 1965 to 30th April 1966

CHAPTER I

Political situation

42. Parliament's political debates were dominated by the crisis which broke out in the Community on 1st July 1965.

At its May Session in 1965, Parliament held a full debate on the question which had brought on the crisis, namely, the financing of the common agricultural policy.

At its September and November Sessions, it discussed the situation arising from the suspension of negotiations on the financing of that policy. In March 1966 it examined the results of the extraordinary session held by the Council of Ministers in Luxembourg in January. It debated the crisis again at its October Session when considering the 8th general report of EEC².

In June, Parliament debated at length the problem of the harmonisation of the legislation of member States and its own role in this regard. It also discussed the effects which the treaty on the merger of the Executives would have on its own working conditions.

1. EEC budgetary matters

43. On 13th April 1965, the Council transmitted to Parliament for an opinion some EEC Commission proposals on the financing of the common agricultural policy, the Community's

independent revenue, and the extension of Parliament's powers.

In a report¹, the Budget and Administration Committee dealt first of all with the budgetary and institutional features of the proposals. It pointed out that the introduction of a common agricultural policy on 1st July 1967, and the plans to finalise the customs union by the same date, would involve the collection of duties and levies which should not be left to the importing countries, since the place of collection would not necessarily be the place where the products were consumed. The pooling of these receipts called for both an extension of Parliament's powers of budgetary control and arrangements for the creation of other Community resources.

The Commission had proposed that the independent revenue would be progressively incorporated in the Community budget. In 1967 the budget would still be based on contributions from member States and the independent revenue, but by 1972 it would be covered by the latter only. Relations among the institutions would develop in an equally gradual way. Parliament's powers would be slightly extended but the last word would be with the Council. There was no provision for any permanent procedure whereby Parliament would gradually acquire wider budgetary powers by 1972. The Budget and Administration Committee acknowledged that full budgetary powers of this kind should be contingent on direct election by universal suffrage, provided a time-limit was laid down for this method of election. But democratic budgetary control was too important to be delayed beyond 1972.

The financing proposals and the proposals on institutional relations were complementary and inseparable. The Committee considered it impossible to pronounce on the collection of revenue from dues and levies unless, at the same time, there would be a decision on the method of fixing, passing and controlling the revenue.

1. Doc. 34/1965-66: Vals Report on the proposals of the EEC Commission to the Council concerning:

1. Financing of the common agricultural policy;
2. Independent revenue of EEC;
3. Extension of the powers of the European Parliament.

1. Biesheuvel Report, Doc. 49/1963-64, page 12.

2. Cf. 8th general report on the activities of EEC, Chapter II.

The Committee noted with satisfaction that the draft budget would be anticipatory and non-specific. Appropriations for agriculture would be examined before expenditure was incurred; hitherto the budget had simply shown the budgetary repercussions of previous-fixed rates for farm products. Moreover, the budget would be non-specific in that the receipts would not be earmarked for particular purposes.

The Committee's report then considered the role assigned to Parliament in the Commission's proposals. It suggested that Parliament should intervene not only before the budget was finalised but also before income and expenditure heads were settled. It welcomed the Commission's announcement that the financial regulations of the European Agricultural Guidance and Guarantee Fund (EAGGF) would be amended to this effect by 1st October 1966. The same budgetary procedure should be followed in regard to all the independent revenue and, hence, to the income the Commission envisaged from imports of oils and fats, even though the Commission's proposal provided for no new budgetary procedure. The report endorsed the Commission's proposal that the budget should take political, economic and social implications into account when the surplus of receipts over expenditure was paid out to member States. This was a further argument in favour of prior intervention by Parliament.

There were, however, some gaps in new budgetary procedure proposed by the Commission. In particular, the Council had too much power: it could, by a four-sixths majority, amend on the lines proposed by the Commission changes suggested by Parliament and, by a five-sixths majority, depart from joint proposals of Parliament and the Commission.

The Commission's counter-proposals should be transmitted not only to the Council but also to Parliament. The Commission should, in open session, answer any criticisms and amendments put forward by the Parliament concerning the draft budget.

The draft budget submitted by the Commission should be prefaced by an explanatory memorandum showing the relationship between budget policy and economic and social policy.

Because the Commission, which was responsible to Parliament, had a right of proposal,

the Commission, instead of the Council, should draw up the draft budget and not simply set out the estimates of each institution in a preliminary draft.

With regard to the proposed amendments to Article 210 of the Treaty concerning the creation of independent revenue, the report stressed the merits of the proposal that decisions on the revenue should be ratified not by national Parliaments but by the European Parliament, once it was directly elected by universal suffrage. Article 50 of the ECSC Treaty would have to be amended to allow for the budgetary procedure established by custom. Under this procedure, which the High Authority hoped would not be embodied in the texts until the ECSC Treaty had been revised, Parliament had the right to amend, by a two-thirds majority of the votes cast and a majority of its members, proposals made by the High Authority concerning the rate of levies.

44. The Agricultural and Political Committees were also consulted on the Commission's three proposals.

The Agricultural Committee considered that the first proposal, on the financing of the common agricultural policy, should cover all the major farm products and that the target or guide prices for milk, rice, sugar, beef and veal should be fixed in the near future. It stressed the need for a common policy on trade in farm products with non-member countries, as this would justify the Community's having full responsibility. More funds could be allocated to the Guidance Section of the EAGGF because of the urgent intervention needed as a result of faster implementation of the common agricultural policy. Parliament should be empowered to exercise prior control over EAGGF expenditure and be consulted on the revision of the Fund's financial regulations. With regard to the second proposal — that contributions from member States be replaced by independent revenue — the Agricultural Committee could not agree that the budget should be financed solely from levies and customs duties to the exclusion of all other direct or indirect taxes. Any cut in duties under the Kennedy Round would have too damaging an effect on the budget. On the other hand, a surplus of revenue might enable the Community

to pursue an economic and social policy. In this connection, Community payments to member States should take account of not only each State's Community commitments, as the Commission envisaged, but also its benefits.

The Agricultural Committee found the Commission's proposal on the institutions quite inadequate. As agricultural policy decisions were to be taken at Community level, the European Parliament's effective power must be increased, because democratic control could no longer be exercised by individual national Parliaments. Unless this was done, the basic principles of democracy would be undermined, and the responsibilities of Parliaments and Governments would become vague or even distorted. The European Parliament should exercise greater control not only over the draft budget but also over the decisions it implied, particularly those on prices for farm products. On this basis the draft budget could be submitted only by the Commission, which was responsible to Parliament. It was accordingly essential to amend the budgetary procedure to allow for the same parliamentary control at European level as that exercised by national Parliaments, both over budgetary matters and over economic and social policy.

45. The Political Committee felt that the extension of Parliament's powers proposed by the Commission was not sufficiently consistent with a democratic conception of Europe. Up to the end of 1971, the voting required to allow the Council to depart from proposals of the Commission and/or Parliament should be a five-sixths majority and unanimity respectively. In the final stage, it was not desirable that Parliament alone should pass the budget and that the other institutions should merely be consulted. It would be more logical and politically more realistic at that stage for Parliament to co-operate with the Council in drawing up the budget.

46. In the *debate*, on 11th May 1965, the Socialist Group argued that the Commission's proposals, even as amended by Parliament, were an unambitious solution. Further developments should be awaited on the question of independent revenue: the revenue could not consist solely

of consumer charges affecting trade with non-member countries. Similarly, neither the Commission's proposals nor the amended proposal of the Budget and Administration Committee provided for adequate democratic control. Parliament itself should draw up the budget from now on, with the proviso that during the transitional period any disputes over the budget would be dealt with by a Parliament-Council conciliation committee.

The Christian Democrat Group approved the report as a whole. It was a question not of transferring parliamentary powers from the national to the European level but rather of democratising Europe; the national Parliaments had accepted that some of their powers should be transferred to the Councils set up under the Rome Treaties. The nature of budgetary resources was not relevant to any assessment of wider powers of control. The essence of such powers was the size of the amounts spent on agricultural policy. These amounts were not merely an administrative but an economic and social appropriation. Parliament could therefore claim a power of co-decision and control.

The Liberal Group thought that the European Community had to assert itself at the political level. There had been too many setbacks in this sphere in the past. If, through the Commission's proposals, there was a way of bringing pressure to bear on Governments, the opportunity should be taken to increase Parliament's political powers to the extent needed to democratise European integration.

The European Democratic Union was critical of the Commission's proposals and decided to abstain. In its view, the EAGGF's needs were very difficult to assess at present. Several regulations had still to be passed by the Council in regard to fruit and vegetables. The independent revenue envisaged appeared well in excess of needs. The proposed allocation of any surpluses to Community investments might lead to bargaining and disputes. On a number of points the Commission had failed to comply with the mandate it had received from the Council in December 1964. This applied in particular to the Commission's request to set aside the market support funds for exports under Community agreements. Furthermore, the Commission had departed from the Council's decision

that there should be a transitional phase between financing from member States' contributions and financing from the EAGGF. Nor had the Commission included in its proposals the scale of contributions to cover the expenditure incurred in paying compensation to Germany, Italy and Luxembourg. It was pointed out that Article 201 on independent resources presupposed the permanent introduction of the common external tariff and that no decision had yet been taken on this.

47. In its reply, the EEC Commission said that there was nothing revolutionary in the proposals concerning the independent revenue and institutional changes. The increased powers of Parliament had a more solid basis in the size of the Community's economic and social expenditure than in any ostensible transfer of powers from national Parliaments to the European Parliament. The Commission's proposals could not incorporate a budgetary procedure for 1972 unless it was known what the situation of the Community would be at that time. It was wrong to suggest that the Commission's proposals gave the Council the last word in budgetary questions. With majorities provided for in the new Article 203, proposals by Parliament could be passed by three members of the Council. The Commission's proposals formed an inseparable whole. Unless the common external tariff had been introduced by 1st July 1967, that is, unless the industrial market was organised by then, the common agricultural market could not get under way. The transition from independent resources to a European federation could come about only gradually.

One member of Parliament submitted an amendment to the new text proposed by the Rapporteur for Article 203. He suggested that when the Council passed, by a majority of five members, provisions which departed from Parliament's amendments and the position taken up by the Commission, the draft budget should be regarded as final unless, within twenty days from the date of receipt, Parliament rejected it by a majority of two thirds of the votes cast and by a majority of its members. This compromise would, it was held, impose a conciliation procedure on the budgetary authorities and endow Parliament with political responsibility.

48. On 12th May, following this debate, Parliament discussed the *draft Resolution*¹ submitted by the Budget and Administration Committee. It adopted most of the clauses, thus endorsing the views set out in the report. With regard to Article 203 of the EEC Treaty, the political groups — with the exception of the European Democratic Union — embodied in a compromise amendment the changes they had proposed earlier. The amendment was passed; it entailed the following changes to the Budget and Administration Committee's draft for the new text of Article 203 of the Treaty:

- (i) the Commission to attach to the draft budget an estimate of the Community's income;
- (ii) the Commission's explanatory memorandum to set out the decisions liable to affect the budget;
- (iii) the draft budget, as amended by Parliament, to be regarded as final unless the Council, by a majority of five members, amended, on the lines proposed by the Commission, the budget passed by Parliament;
- (iv) when the Council adopted, by a majority of five members, provisions departing both from Parliament's amendments and from the Commission's position, the draft budget to be regarded as final unless, within twenty days from the date of receipt, Parliament rejected it by a majority of two thirds of the votes cast and by a majority of its members.

Parliament also passed an amendment tabled by several members of the Christian Democrat Group stressing the need for Parliament to exercise a right of co-decision and control over investment and intervention expenditure incurred under the common agricultural policy.

The third amendment passed called on the competent institutions to cover all the expenditure of the European Communities with Community income, particularly expenditure on nuclear research and investments.

The Resolution as a whole was voted on by roll-call. Of 86 members voting, 76 were in favour and 10 abstained. When the vote was taken, a member called on the Commission, armed as it was with the moral support of Parliament's massive vote, not to give way,

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1660/65.

under pressure from member Governments, to the temptation to compromise either on the European Parliament's powers or on financing of the common agricultural policy.

2. *The crisis of the European Economic Community*

49. On 24th September 1965, the Political Committee submitted to Parliament a *draft Resolution*¹ on the situation of the European Communities.

The *Resolution*² was adopted unanimously; the European Democratic Union abstained because it considered that, at present, this was purely a matter for the Governments.

In the Resolution, Parliament declared that no member State had the right to back out of its obligations under the European Treaties. It urged the six member States to implement the Treaties within the set time-limits and appealed to the national Parliaments to see that their Governments were consistent in applying the Treaties. It gave its approval to the action of the EEC Commission.

50. At its November Session, Parliament held an exchange of views on the statement made by the Council of Ministers on 26th October 1965³.

The President read out a communiqué⁴ issued by the Political Committee on 12th November 1965. The communiqué noted with satisfaction that, despite numerous difficulties, the Council of Ministers had carried on its work in a constructive manner and solemnly reaffirmed the overriding need to continue to apply the Treaties of Paris and Rome in accordance with Community procedures. The positions of member States had drawn together sufficiently for an urgent appeal to be made to the French Government to resume its place in the Community institutions.

In the *debate*, the Christian Democrat Group reviewed the crisis, which it thought was

the most serious that EEC had ever experienced. The work of the Council of Ministers must go on without interruption until France resumed its place in the European institutions. The other member Governments must make every effort to restart talks with France.

The position of the Commission must not be prejudiced and, in any event, the few elements of Community law in the Treaty of Rome must remain intact. It was important to safeguard:

— The Commission's independence of the Council of Ministers and its absolute obligation to watch over the interests of the Community;

— The clause in the EEC Treaty stating that a Commission proposal could not be amended by the Council except by a unanimous decision;

— The permanent dialogue between the Commission and the Council of Ministers, which takes place particularly in the meetings of the latter body.

The principle of majority decisions should become operative by the beginning of 1966; the principle was the result of lengthy deliberations and, if the Treaties were not to become a dead letter as far as integration was concerned, it should not be deleted from the Treaty of Rome. It had to be remembered that in the future, too, unanimity, that is, the agreement of the six member States, would be necessary for a whole set of important decisions.

With regard to the Council's extraordinary session of January 1966, the Christian Democrats considered that none of the institutional problems was a matter of mere form; they all had a bearing on the safety of the Community's foundations, which were crucial for the success of integration. For that reason, the Group endorsed the Council's statement and welcomed the firm and unanimous attitude shown by the five Governments during the crisis.

The Socialist Group regretted that the current year's exchange of views between Parliament and the Council of Ministers had fallen through. While commending the Council's work and initiatives, it considered the Council's statement unsatisfactory because it was unconstructive.

1. Doc. 88/1965-1966.

2. Resolution of 24th September 1965, *Journal Officiel* No. 162, page 2623/65.

3. *Journal Officiel* No. 209, Annex I, pages 3131 and 3132/65.

4. *Journal Officiel* No. 209, Annex II, page 3132/65.

Like the Christian Democrats, the Socialist Group thought that the Council should not meet in the absence of the Commission except as an exceptional measure that would not be repeated. The meeting must not result in the Commission's powers being reduced or the procedure for Council decisions varying from that prescribed in the Treaty for the final stage, nor must any decision be taken or prepared with which, under the Treaty of Rome, the Commission had to be associated. It was gratifying that the five Governments had adopted a common position at the time of the crisis and had stood by the Rome Treaties. The Socialist Group would support any effort to end the crisis, provided that it did not affect the Commission's political functions or preclude an extension of the European Parliament's powers.

The Liberal Group and supporters did not think that the crisis was as serious as some people thought. Europe was experiencing growing pains; this was a good omen for its future health. The Six were obliged to observe the Treaty of Rome and owed allegiance to each other. The Group was glad that the Council of Ministers had firmly faced up to the situation and proposed a solution which did not prejudice the EEC Treaty.

The European Democratic Union pointed out that, in its last statement, the French Government had given a satisfactory reply to the Council's appeal; this opened up better prospects for the Communities. The Union was in favour of a conference of the six Governments, as it would provide an opportunity for a frank discussion of the outstanding Community problems. The crisis would have its salutary aspects if it led to a settlement of the technical difficulties and paved the way to the political co-operation which was essential for the success of the European venture. It was greatly hoped that the extraordinary session of the Council of Ministers would be followed by a European summit meeting.

On Britain's entry into the Common Market, the Union thought that Britain was at present taking stock of its economic links with the Commonwealth with a view to drawing closer to Europe and to the Treaty of Rome. France had never tried to keep Britain out of European unification; it simply wanted to await the opportune moment. Britain was now gradually

drawing closer to Europe and the time would come to re-open negotiations on its entry.

51. In March 1966, the Political Committee presented to Parliament a report¹, on the situation in the European Community, as instructed by Parliament at its January and March Sessions in 1965.

The report dealt first of all with the decisions taken by the Council of Ministers at its extraordinary sessions in Luxembourg on 16th-17th and 28th-29th January 1966. It noted with satisfaction that the Council had agreed in principle that the Community should resume its normal activities. It stressed the importance of seeing that the Treaty of Rome was implemented in regard to majority voting, relations between the Council and the Commission, and the powers of the European Parliament. It welcomed the Council's statement that the principles of co-operation between the Council and the Commission would be decided on by common agreement on the basis of Article 162 of the Treaty. While the Council had rightly stated that the jurisdiction and powers of neither institution must be prejudiced, steps must be taken to ensure that the Commission's activities were in no event indirectly restricted by application of the seven points of the Luxembourg agreement. The Commission had always given consideration to each member State's interests and there was no reason not to have confidence in it.

The report also stressed the irreversible nature of the Common Market. Withdrawal by France would be against France's own interests. Even if there was disagreement on the majority rule, this did not affect the interpretation of the Treaty. It was wrong to accuse the EEC Commission of trying to exercise powers it did not possess. It was purely inconsistent with the Treaty to deny the Commission the right of proposal.

Apart from being sound from the institutional point of view, the Commission's members must be independent persons who did not regard their work in purely technical terms. The Council had thought it desirable for the Com-

1. Doc. 18/1966-67: Metzger Report on the present situation in the European Community.

mission to "contact" member Governments through the permanent representatives before adopting particularly important proposals. But if the word "desirable" implied compulsion and Governments were to be contacted solely through the permanent representatives, this might considerably hold up the Commission's normal activities. Moreover, if it was asked that proposals and all other communications from the Commission to the Council and member States should not be "made public" until the latter had been "formally" seized of them and had the texts in their possession, the utmost vigilance was essential. Parliament was the only body with powers of supervision over the Commission and it would not give up the rights which this conferred; moreover, the Council must not try to make the Commission disregard its obligations to Parliament.

The report deplored the fact that at its extraordinary session the Council had not discussed the problems connected with the democratisation of the Communities and the tasks falling to Parliament. Parliament had to be informed by the EEC Commission before the Councils came to a decision, since the Commission was answerable to Parliament which had the right to exercise supervision. Anything that might curtail the rights of the Commission and Parliament was inadmissible. In the case of ECSC, it was important to see that the budgetary provisions of the Treaty were not contravened.

In the *debate*, the Christian Democrat Group said that after the Luxembourg Agreement it was possible, but by no means certain, that the difficulties would be overcome. It warned against a resurgence of bilateralism and nationalism. The crisis might flare up again at any time and Parliament must make every effort to restore the mutual trust without which, in the final analysis, no Community effort was possible.

The rule of majority votes for certain decisions was not some formality but a basic constitutional rule of the Community. A politician could accept an "agreement to disagree" for the sake of overcoming a crisis, but he could not justify it in law. The same was true of the exercise of the right of veto, implied in the Council's statement, for a whole set of decisions in respect of which the Treaty had allowed the majority rule to be applied since the beginning of the

year. The only answer to the crisis was to affirm one's loyalty to the Treaty, since the European Community was a community based on law. But loyalty to the Treaty was not only a legal argument; there were also economic reasons for preserving what had been achieved in the Community. The Community's economic growth had been unparalleled, and only if the Community remained intact could its potential be developed to the full.

The countries of Europe had to shape their future together; otherwise, they would degenerate into latter-day Balkans. Partnership with America was possible only if the Community of European nations became established. Politically, there was no alternative; this was being increasingly acknowledged in Britain.

Like the Christian Democrat Group, the Socialist Group stressed the need to make every effort to carry on the development of the European Communities. The position of France, which did not intend that any fundamental decision should be taken without unanimity among the Six, in no way affected the text of the Treaty. Nevertheless, the problem of the majority clause would have to be solved some time.

The Socialists were in favour of expansion of the Community through the accession of other democratic nations prepared to observe the Rome and Paris Treaties. But EEC could not watch over the interests of the Six, let alone a greater number of Members, if it was unable to take decisions by a qualified majority. Application of the majority rule within the Council and the existence of an independent Commission consisting of persons of eminence in the political field were essential for the achievement of the Community's objectives.

Although satisfied with the progress made with unification, the Socialists were concerned at the delays in the harmonisation of social policies. They would be submitting a draft Resolution calling on the Commission to review the programme for the second stage of the Common Market and outline prospects for the third stage.

The European Democratic Union recalled the statement made on 20th January 1966 by Mr. Spaak, Belgian Minister for Foreign Affairs, which had been given an ovation by Parliament. Mr. Spaak had discussed the role of the

Commission and called on Parliament to counsel all those who were seeking a solution compatible with the Treaty of Rome. This unanimity, however, no longer seemed to exist. In its report, the Political Committee had levelled a number of unfounded charges against the Council of Ministers, and the Rapporteur, in presenting the report, had criticised the attitude of the French Government. As regards the results of the Luxembourg Conference, the Political Committee had looked at events only from the negative side; was this not deliberate misrepresentation of the facts?

With regard to the EEC Commission's role and paragraph 4 of the report, the European Democratic Union asked why, if the Commission had always taken account of the very important interests of member States, the proposals of 31st March 1965 had been followed by the memorandum of 22nd July 1965 which expressed a quite different view. There had already very often been majorities and minorities, within the Commission, which could not therefore be regarded as infallible. On the question of publication of the Commission's proposals, the Union pointed out that until recently the Commission had not published its proposals in the *Journal Officiel* before submitting them to the Councils. The Luxembourg decision was therefore simply a clarification.

On majority voting, the Union maintained that it was impossible to conceive a community in which member States were forced to apply measures which ran counter to their vital interests. At Luxembourg no irrevocable decision had been taken on the majority rule, but the agreement took account of the French demand that no measure of vital importance must be adopted except by a unanimous decision. The Luxembourg compromise was a triumph for the Community spirit.

The Liberal Group and supporters welcomed the Luxembourg Agreement. Although the difficulties which had led to the crisis of 30th June had not yet been solved, the machinery of European unification was under way again. The crisis had not been caused by the agricultural problems or by the EEC Commission's memorandum. Integration had progressed smoothly until the political problems of the creation of Europe had been raised. The unification

of Europe required political courage and a great deal of frankness in the face of difficulties. The Liberals wanted Parliament's rights to be extended, because the present arrangement was a source of considerable disequilibrium which affected the democratic development of the Community.

In its reply, the Commission welcomed the presentation of the Political Committee's report and declared its satisfaction with the Luxembourg Agreement which had allowed work to be resumed. Discussions between the Commission and the Council would make it possible to overcome the difficulties and differences of opinion that still divided member States.

52. In a *Resolution*¹, Parliament welcomed the Council's readiness to resume the Community's normal work. It expressed concern, however, at the uncertainty over the interpretation of certain points of the texts published at the end of the Council's session on the views and decisions of that body; this seemed to call for certain reservations by Parliament.

Parliament did not think it admissible for the Council to preclude altogether the possibility of majority decisions. It was essential that the rules determining relations between the Council and the Commission should be drawn up by common agreement before the Executives were merged. Concern was expressed lest the procedures envisaged for co-operation among the Commission, the Council and member Governments held up the Commission's normal activities, and Parliament urged that such procedures should on no account curtail the rights of the House as the institution entrusted by the Treaty with political supervision of the Commission.

Parliament stressed that it still had full confidence in the Executives, even on the question of information, and that it would not wish their powers to be restricted in that sector. Lastly, it expressed its regret that the Luxembourg Agreement made no reference to the problems, which were as pressing as ever, connected with the democratic structure of the Community and Parliament's task in this regard.

1. Resolution of 9th March 1966, *Journal Officiel* No. 53, page 769/66.

3. Problems of Community law

53. Since both juridically and politically Community law is an innovation, the administrative bodies and judicial authorities often have hesitation in applying it. There is uncertainty about its relationship with municipal law.

These problems were examined by the Legal Committee in a *report*¹ which followed a number of national judicial decisions making the application of the Community law extremely uncertain. The report pointed to the existence of a body of Community law which all member States undertook to observe. Community law and national law were two co-existing legal systems of different origin. Community law had certain special features which precluded its being equated with international law of the traditional type; it derived its supremacy over national law from its "transnational" nature. This resulted in particular from Articles 5, 7 and 189 of the EEC Treaty, relating respectively to the aims of the Treaty, non-discrimination, and the compulsory nature of the regulations directly applicable in each member State. Moreover, the conferring of powers on the Community entailed *ipso facto* a transfer of powers from national constitutional bodies to the Community institutions; this subordinated national legal systems to the Community system. That was why the terms of the Treaty and the implementing regulations could not be rescinded by subsequent national legislation.

Lastly, the report studied the constitutionality of the European Treaties, a question which was answered in the affirmative on the basis of the various national Constitutions.

The *debate* on the report was held on the 16th, 17th and 18th June, beginning with statements by the three Executives. While the EEC and EURATOM Commissions were, for the main part, in agreement with the views advanced in the discussion and pronounced in favour of the supremacy of Community law, the High Authority thought it inappropriate to speak of

such supremacy because the Communities addressed themselves directly to various legal persons in the member States and could not therefore be regarded as international organisations in the usual sense. In the High Authority's view, there were two separate legal systems which could not be placed in any order of priority; each governed a well-defined area but could not intervene in the province of the other. The whole question of conflicts between the two systems was simply a normal conflict of jurisdictions. It was important in this respect that there should be no divergence or incompatibility between the aims of the national and Community legal systems.

With the exception of the European Democratic Union, which did not take part in the discussion, the political groups expressed themselves in favour of the principle of the supremacy of Community law, the constitutionality of the European Treaties, and an extension of the powers of the Court of Justice of the European Communities which would enable the Court to decide in the event of conflict.

In a *Resolution* passed on 22nd October on the basis of a *supplementary report*¹ of the Legal Committee, Parliament stressed that it was its task to ensure the proper application of the Treaties in order that their aims and the progressive development of the Communities could be fully achieved. It expressed its concern at the tendencies of certain judicial authorities, which were liable to jeopardise the application of Community regulations. Parliament was nevertheless convinced of the need to respect the complete independence of the judiciary, this being one of the pillars of democracy. It endorsed the conclusions of the Legal Committee's report and stressed the need to recognise the principle of the supremacy of Community law over the laws of member States. Finally, it asked that Community regulations should be published not only in the *Journal Officiel* of the Communities but in the official gazettes of member States.

1. Doc. 43/1965-66 : Dehousse Report on the supremacy of Community Law over the law of member States.

1. Doc. 95/1965-66 : Weinkamm Report on the supremacy of the Community law over the law of the member States.

Harmonisation of European laws

54. On 22nd October 1964, Parliament passed a *Resolution*¹ regretting the delays in the harmonisation of national laws. It stressed that as integration progressed the approximation of national laws was becoming increasingly important and that it was its duty to co-operate actively in such harmonisation.

The approximation of national laws within EEC was reviewed in a *report*² of the Legal Committee. The report pointed out that approximation was intended to eliminate any divergencies between national laws which hindered the establishment or operation of the Common Market and to remove disparities that disrupted competition and caused distortions.

After surveying what has been and is now being done in this connection, the report concluded that approximation of national laws had not always proceeded in accordance with the schedule laid down in the Treaty or the general programmes adopted for various sectors; it should therefore be speeded up.

Harmonisation was not only important for the operation of the Common Market; it established a legal system that could be decisive in uniting Europe by giving small and medium-sized firms a minimum of legal security in the maze of national systems.

Legal integration was an important means of achieving the objectives of the Treaty; it should not be seen merely as an inevitable corollary to economic or political integration. It must be done systematically, because any haphazard adjustments might have to be co-ordinated after a few years. In many cases a simple adjustment of national laws would suffice. But when it came to safeguarding legal relations beyond frontiers and promoting international justice within the Community, laws should be standardised thoroughly, either through multi-lateral conventions or through a corpus of Community law directly applicable in each member State.

1. *Journal Officiel* No. 177 of 6th November 1964, page 2813/64.

2. Doc. 54/1965-66: Weinkamm Report on harmonisation of European laws.

National law should in future be considered from a Community point of view. Any modifications at national level should take account of the development of Community law. Harmonisation of laws within a more restricted framework — such as the Benelux group — should be avoided.

Criminal law, too, should be harmonised. The report also called for appropriate machinery for revising legislation. In this, Parliament should play a decisive part as a consultative body. It should be given real legislative powers so as to offset the weakening of the principle of parliamentary democracy through the transfer of legislative powers from national Parliaments to the Community executive and administrative bodies. Harmonisation of laws should be supplemented by approximation of judicial practice; this would involve widening the scope of Article 177 of the EEC Treaty.

55. In the *debate* on 17th June, the Socialist Group pointed out that, under Article 2 of the EEC Treaty, harmonisation was intended to be the first stage of integration in every sphere — economic, social and cultural, and all civil and criminal law. The Liberal and Christian Democrat Groups supported the EEC Commission's view that harmonisation of the laws of member States should be confined to fields where it was necessary for the proper functioning of the Common Market. The Groups unanimously called for complete standardisation of laws in these fields — if possible, through the introduction of Community legislation directly applicable in each member State — and an extension of the powers of the Court of Justice of the European Communities which would enable the Court to harmonise judicial practice in the field of indirect Community law.

At the end of the debate, a *Resolution*¹ was passed without a vote by roll-call. In it, Parliament, referring to its Resolution of 22nd October 1964, stressed that the transfer of legislative powers from national Parliaments to the Community executive and administrative bodies had seriously weakened the principle of parlia-

1. Resolution of 17th June 1965, *Journal Officiel* No. 119, page 2035/65.

mentary democracy. It endorsed the conclusions of the Legal Committee's report and recalled that, under Article 3 (h) of the EEC Treaty, member States were obliged to approximate their respective national laws to the extent required for the Common Market to function in an orderly manner. It noted that the Treaty provided an adequate basis in this respect. Pointing out that harmonisation of legislation had somewhat lagged behind the timetables laid down in the EEC Treaty and the general programmes established by the EEC Commission in agreement with the Council, Parliament urged the Commission and the Council to remedy this as soon as possible.

Harmonisation without a comprehensive plan or limited to some member States only might lead to distortions and upset the smooth progress of European integration. Parliament recommended that the Council transfer certain technical powers to the Commission and thus make greater use of the opportunities open under Article 155 of the EEC Treaty.

Harmonisation of legislation should not be confined to civil, commercial and administrative law, but should also include criminal law. Parliament called on member States to see to it that the reciprocal recognition and enforcement of judicial decisions became a fact without delay and to make no changes or reforms in their legislation without having regard to the development of Community law and the present approximation measures.

By the time the Treaties were merged, there should be appropriate machinery for establishing and revising Community law; in this, Parliament should play a decisive part in a legislative and supervisory capacity. Parliament was convinced that harmonisation of Community law must go hand in hand with the harmonisation of judicial practice. The training of lawyers specialising in Community law was essential for the proper application of European legislation.

4. Working conditions of the European Parliament

56. On 17th June 1965, a number of members placed before Parliament a Motion for a

Resolution expressing the view that pending the Governments' agreeing on a single headquarters for the European institutions and in view of the fact that, according to the Treaty of 8th April 1965, Parliament's plenary sessions would be held at Strasbourg for an as yet unspecified period, the working conditions at Strasbourg should be improved. It was proposed that the Bureau of Parliament should consider the most appropriate steps for this purpose.

In its *report*¹ on the question, the Budget and Administration Committee slightly amended the text of the Motion.

Pointing out that Parliament's headquarters was temporarily divided among three cities — Brussels, Luxembourg and Strasbourg — the Committee considered that a study should be made of the working conditions in all three towns. Attention should be given solely to Parliament's physical working conditions and not the internal arrangements or the relations with the Executive or the Council. Moreover, Parliament should take note of the Luxembourg Government's efforts to provide its Secretariat with more rational and functional accommodation on the Kirchberg.

It was not possible at present to say exactly how much money was needed. Therefore, the proposal to allocate one million units of account to the "European Parliament" head of the Community's 1966 budget could not be acted on. The Committee proposed that for 1966, suitable funds be earmarked for the preparatory work to improve Parliament's physical working conditions in Strasbourg; the amount would be fixed in the light of the studies to be made in the meantime by the Bureau.

The report was debated at a plenary sitting on 24th November 1965. A representative of the Christian Democrat Group said that the projects that had or were being carried out in the three headquarters towns were not inter-related and that the original proposal referred only to working conditions at Strasbourg. Parliament should have its own premises and could

1. Doc. 105/1965-66: Wohlfart Report on the Motion for a Resolution tabled on 17th June 1965 by MM. Dichgans, van Hulst, Santero, Kreyssig, Berkhouwer, Bord and Terrenoire, concerning the working conditions of the European Parliament.

not continue to be the guest of a separate institution. He stressed the political nature of his proposal; by allocating funds to Parliament, the Council would be giving a token of its esteem for the Parliamentary body of the Community.

Parliament adopted a *Resolution*¹ embodying the opinion of the Budget and Administration Committee.

CHAPTER II

Association and external relations of the Community

1. Association with Greece and Turkey

57. During the year — the third year of the association with Greece — the EEC/Greece Joint Parliamentary Committee submitted to Parliament a recommendation on the second annual progress report of the Association Council. The recommendation was the subject of a report which the Committee for Associations presented to Parliament at its November Session, together with a report on the EEC Commission's proposal to the Council for a regulation on imports of fats and oils from Greece.

In May 1965, Parliament adopted a Resolution on the appointment of an EEC/Turkey Joint Parliamentary Committee. By the end of the period under review, Parliament had not been informed of the results of the activity of the association between EEC and Turkey.

Association with Greece

58. At its November Session, Parliament debated a report² presented by the Committee for Associations on the recommendation of the EEC/Greece Joint Parliamentary Committee

1. Resolution of 24th November 1965, *Journal Officiel* No. 209, page 3123/65.

2. Doc. 107/1965-66: Lückner Report on the recommendation of the EEC/Greece Joint Parliamentary Committee of 16th July 1965 on the second annual progress report of the EEC/Greece Association Council.

on the second annual progress report¹ of the Association Council.

At a meeting in Berlin on 15th and 16th July 1965, the EEC/Greece Joint Parliamentary Committee² examined the report of the Association Council for the period 1st November 1963 to 31st December 1964 and unanimously adopted a recommendation thereon. The recommendation was the subject of a report submitted to Parliament on 23rd November 1965 by the Committee for Associations³.

The *report* noted that the Greek economy was on the whole developing positively and had shown marked expansion. In 1964, the increase in the gross national product had exceeded the annual rate of growth provided for in the Greek development programme; this had been due to a rise of some 20 per cent in the volume of investments. Industrial production had risen by 10 per cent and agricultural production by 8 per cent.

There had been an increase in trade between Greece and EEC. In 1964 the Community's share in Greek exports had been 37.5 per cent, compared with 33 per cent in the previous year, while its share in Greece's imports had risen from 40 per cent to about 42 per cent.

While the development of trade between Greece and EEC could be regarded as satisfactory, the deficit in Greece's trade balance had worsened. In Opinions accompanying the report, the Political and External Trade Committees stressed that so long as the balance of payments remained within reasonable limits, a further trade balance deficit should not be regarded as unfavourable in an agricultural country that was gradually becoming industrialised, provided that the deficit was due to large-scale imports of capital goods. To be able to assess better the development and structure of Greek imports, the Committee for Associations invited the Association Council to study this

1. Doc. 44/1965-66, second annual progress report of the Association Council to the Parliamentary Committee for Associations.

2. The EEC/Greece Joint Parliamentary Committee comprises fifteen Members of the European Parliament and fifteen members of the Greek Parliament.

3. The Committee for Associations comprises 29 representatives of the European Parliament.

question in its third annual progress report and give comparable statistics on the trade balance of each State. As a means of reducing the trade balance deficit, the Committee for Associations and the Joint Parliamentary Committee advocated that Greece should offer a wider range of goods for export; this was closely bound up with the general problems of the country's industrial expansion.

In the industrial sector, the development plan, which should be co-ordinated with EEC's medium-term economic programme, provided for a doubling of production within the next ten years. The Community was prepared to take part in studies on the planning of industrial development areas.

As regards agriculture, exports of tobacco and wine to EEC had risen in quantity rather than in value; the Association Council should look into the reasons for this development.

The problem of the harmonisation of the agricultural policies of Greece and EEC had not yet been settled and here, the Joint Parliamentary Committee recommended a two-stage programme:

— In the *first stage*, Greece would independently incorporate into its legislation the machinery for the Community agricultural policy. Whenever desirable, a Greek representative would take part, in an advisory capacity, in the work of the bodies responsible for the common agricultural policy. Trade arrangements carrying further reciprocal preferences would be adopted.

— In the *second stage*, Greece would gradually coordinate its agricultural policy with the Community's. The Community would progressively contribute to the financing of a Greek agricultural fund similar and parallel to the EAGGF. A representative of the EEC Commission would sit on the fund's administrative board in an advisory capacity.

— To avoid difficulties through lack of co-ordination, there would be machinery for consultation on agricultural questions and, for an interim period, a safeguard clause in favour of Greece.

In an opinion on these recommendations, the Agricultural Committee pointed out that the preferences for Greece had not yet been decided

by the Association Council. It wondered in what cases the presence of a Greek representative would be desirable in the Community's agricultural institutions and why these were the only ones recommended.

In the Committee's view, the assistance from the Guidance and Guarantee Fund should be used mainly for improving the structure of Greek agriculture.

In the *debate*, the EEC Commission made some reservations regarding the presence of Greek delegates on Community agricultural bodies. It was reluctant to create a precedent that might be invoked for other associations. Nevertheless, Greek agriculture should derive maximum benefit from the common financing system; this was one of the purposes of the harmonisation of agricultural policies.

59. In a *Resolution*¹ passed unanimously, Parliament endorsed the Joint Parliamentary Committee's recommendation without amendment. The recommendation drew the Council's attention to the increase in the trade balance deficit, stated that Greece's development plans should be co-ordinated with EEC's medium-term programme, noted the progress made in the talks on the harmonisation of the agricultural policies, and suggested that harmonisation should be a two-stage process. An increase in private investments was essential to accelerate Greece's economic expansion.

60. On 23rd November 1965, the Committee for Associations presented to Parliament a report² on an EEC Commission proposal for a regulation on imports of oils and fats from Greece.

The *draft regulation* lays down those rules for the organisation of the oils and fats market, at present in preparation, that would not apply to Community imports of olives and olive oil from Greece; the special rules for these imports were also set out in the regulation. For the purposes of pricing in the future Common

1. Resolution of 23rd November 1965, *Journal Officiel* No. 209, page 3116/65.

2. Doc. 106/1965-66: Faller Report on the proposal of the EEC Commission to the Council (Doc. 26) for a regulation on imports of oils and fats from Greece.

Market organisation for oils and fats, Greece would be treated as a non-member country.

To offset the differences between prices on the Greek market and Community prices, there would be a levy on imports of oils and fats from Greece. To prevent any diversion of trade, Greece's own imports would not be subject to this levy.

The following arrangements were proposed for Greece :

— The *free-frontier price* to be calculated according to the most favourable purchasing prospects on the Greek market and not on the world market.

— The *levy* to be reduced by a " lump amount " similar to that applied by member States among themselves in market organisation systems ; the lump amount to be fixed according to criteria laid down by the Council.

The Agricultural Committee criticised the draft regulation for lack of precision in the rules for determining the origin of the products in question ; it suggested that the criteria for fixing the lump amount be clearly established.

In an *opinion* attached to the report, the Committee pointed out that the current arrangement was applicable pending a decision by the Association Council, as provided for in Article 35 or the Convention of Association, or pending the expiry of the two-year and one-year periods prescribed in paragraphs 1 and 2 respectively of Article 36.

61. Parliament unanimously adopted the Committee's draft *Resolution*¹ without a debate. It approved the regulation proposed by the EEC Commission, emphasising that, when the criteria for fixing the lump amount came to be worked out, account should be taken of Greece's export interests and the European market's absorption capacity.

Association with Turkey

62. At its May Session, Parliament held an *exchange of views* on the Community's association with Turkey.

1. Resolution of 23rd November 1965, *Journal Officiel* No. 209, page 3117/65.

A Parliament delegation¹ which had visited Turkey from 20th to 27th April 1965 at the invitation of the Turkish Government informed Parliament of the country's problems. It emphasised the importance of the association for Turkey's economic development ; not only economic but also scientific co-operation was being established in the form of exchanges. It described the efforts made by Turkey over the past years to develop its economy and raise its living standards.

63. Parliament unanimously adopted a *Resolution*² for the appointment of an EEC/Turkey Joint Parliamentary Committee³. The Resolution was the result of an agreement between the European Parliament delegation and the Turkish Grand National Assembly. Referring to Article 27 of the Convention of Association with Turkey, Parliament expressed its conviction that close co-operation was essential between itself and the Turkish Grand National Assembly.

The function of the EEC/Turkey Joint Parliamentary Committee would accordingly be to discuss mainly in the light of the Association Council's annual report, all matters concerning Turkey's relations with the Community.

2. Association with the African States and Madagascar

64. During the period under review, the Association of African States and Madagascar made excellent progress. The institutions set up under the Yaoundé Convention came into operation ; this led to a strengthening of relations between the partners. The promptness with which EEC agreed to the request of the African States for negotiations with a view to association is an indication of the Community's broad out-

1. The delegation was led by Mr. Duvieusart and comprised MM. Battaglia, Brunhes, E. Martino, Storch, van der Goes van Naters, De Block, Bergmann, Braccesi, van Hulst, de la Malène, and Klinker.

2. Resolution of 14th May 1965, *Journal Officiel* No. 96, page 1703/65.

3. The Joint Parliamentary Committee comprises fifteen representatives of the European Parliament and fifteen representatives of the Turkish Grand National Assembly.

look in trade policy. Negotiations on association with Nigeria continued. In March 1965, the EEC Commission, having received a mandate from the Council, began negotiations with Kenya, Uganda and Tanzania.

In May 1965, Parliament examined a proposal by the EEC Commission for a regulation on the disposal of certain processed starched products from the Associated African States and Madagascar (AASM). In June, it examined a draft regulation making special arrangements for oleaginous products imported into the Community from the AASM. In November, Parliament discussed a report on the expansion of trade between the Community and the AASM. In March 1966, the Committee for Co-operation with Developing Countries presented to Parliament a report on the second meeting of the Parliamentary Conference of the EEC/AASM Association, held in Rome from 6th to 9th December 1965.

65. On 12th May 1965, Parliament examined a *report*¹ by the Committee on Co-operation with Developing Countries on an EEC Commission proposal to the Council for a regulation on the system applicable to certain processed products from the AASM and the Overseas Countries and Territories (OCT).

66. The proposed regulation was aimed at establishing a permanent system for imports of processed cereal and rice products under the special arrangement applicable to all products from the OCT.

The Committee's report examined whether the proposed regulation was in accordance with Article 11 of the Yaoundé Convention which stipulates that, in planning the common agricultural policy and the system applicable to Community imports of agricultural products, the Commission must take into account the interests of the Associated States. Consultations had been held in accordance with Article 11 of

1. Doc. 39/1965-66 : Angioy Report on a proposal by the EEC Commission to the Council (Doc. 112/1964-65) for a regulation concerning the system applicable to certain transformed products from the Associated African States and Madagascar and the Overseas Countries and Territories.

the Convention of Association. The report compared the proposed arrangement with the current provisions for imports of such products under the common agricultural policy for the common cereals and rice market. It then examined what proportion these products represented in the exports of the Associated States and how they compared with the Community's production and imports of starch products. It noted that, while the volume of such imports was minute compared with the Community's total consumption, it represented a substantial proportion of the exports of certain Associated States. The Committee suggested that the proposed regulation be amended to allow of further measures to deal with any serious difficulties in trade in cassava between the Associated States and the Community.

In a *Resolution*¹ adopted unanimously, Parliament endorsed the proposed regulation, stressing that it would enable the Community to honour its obligations to the Associated States, regarding processed cereal and rice products.

67. On 18th June 1965, the Committee for Co-operation with Developing Countries presented to Parliament a report² on an EEC Commission proposal to the Council for a regulation making special arrangements for oilseeds and oils imported into the Community from the AASM and the OCT. Opinions on the proposal were given by the Agricultural and External Trade Committees.

68. The proposal was submitted to the Council on 2nd December 1964 and referred to Parliament, for an opinion, by letter of 14th December 1964.

The *report* of the Committee for Co-operation with Developing Countries began by reviewing AASM production and exports of oilseeds and oils. Tables attached to the report

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1686/65.

2. Doc. 62/1965-66 : Aigner Report on the proposal of the EEC Commission to the Council (Doc. 115/1964-1965) for a regulation making special arrangements for oilseeds and oils imported into the Community from the Associated African States and Madagascar and the Overseas Countries and Territories.

showed that EEC was the chief importer of oils and fats and that a third of these imports were from the AASM. As world prices of oils and fats were subject to considerable fluctuations, steady markets and reasonably stable prices were of great importance for exporters of oilseeds and oils. The report referred, in this connection, to the findings of the FAO report for 1964.

The report then examined the EEC Commission's proposal, which was intended to promote the marketing of AASM oleaginous products and protect them from any excessive fall in world prices. This would be done through a system of tariff preferences and the provision of financial aid in the event of world prices falling below the reference price. The amount of aid would be calculated on a scale graded according to the quantities imported by the Community from each associated country. The Committee suggested some additions and amendments to the draft regulation.

Without discussion, Parliament unanimously adopted a *Resolution*¹ endorsing the draft regulation. It welcomed in particular the special measures aimed at promoting trade in oilseeds and oils from the Associated States and the provision, in certain circumstances, of financial aid over and above the aid provided under the Convention of Association and the Council decision on the association of the Overseas Countries and Territories.

69. At its November Session, Parliament debated a report² by the Committee for Co-operation with Developing Countries on the expansion of trade between EEC and the AASM.

On 23rd March 1965, the EEC Commission made a statement³ to Parliament on this question, stressing that it was a complex problem which deserved general attention, and expressing the hope that a debate would be held on it.

1. Resolution of 18th June 1965, *Journal Officiel* No. 119, page 2050/65.

2. Doc. 100/1965-66: Spénale Report on the expansion of trade between EEC and the Associated African States and Madagascar.

3. Cf. Debates of the European Parliament, No. 77, pages 35-41.

The *report* of the Committee for Co-operation with Developing Countries mentioned the factors hindering the industrialisation of these countries and, consequently, diversification of their exports. All export promotion measures, such as tariff preferences and the reduction of specific charges on tropical products, were of great importance. To improve trade contacts, a permanent sales promotion department with a fairs and market section should be set up. At the same time the AASM must try to raise the quality of their products and improve supply conditions.

Fluctuations in world prices of basic products were a serious problem. The action required for dealing with them depended on their length. Short-term fluctuations could be offset by a market organisation with stabilisation funds. EEC had shown interest in such a system and made provision for short-term advances, totalling 50 million units of account to be paid to the stabilisation funds by the Second European Development Fund. In the case of short-term fluctuations, the report suggested studying what the world market situation would be in the event of a "thaw" in trade with the East. Should a shortage of these basic products be found likely, the Community ought to break into the markets of Eastern Europe so as to re-export tropical products to them. If, on the other hand, there was to be a real glut, the answer might be a graded price stabilisation programme.

The report pointed out a paradox which might eventually give rise to even greater difficulties than at present: although most of their working population were employed in agriculture, the developing countries were importing more and more food. One of the main aims of development policy in these countries must therefore be the diversification of agriculture.

On the problem of industrialisation, the report noted that the coefficient of investment was generally unfavourable, because investment costs were higher than in Europe. There were various reasons for this, such as the lack of infrastructures and the unsuitability of manpower. To deal with these problems, measures were required in regard to:

- Infrastructures;
- The training and, subsequently, recruitment of native-born technical personnel;

— Credit on special terms ;
 — The guaranteeing of investments, jointly by the Community and the country or group of countries concerned.

Industrialisation of the AASM should be guided by the complementary nature of economics ; this meant setting up and transferring certain complementary industries. An overall policy for the international division of labour was required for this purpose.

70. In the *debate* on the report, the spokesman for the Christian Democrat Group stressed that the success of the action proposed, whether export promotion or industrialisation, depended chiefly on the African States themselves. There should be greater co-operation among the African countries in regard to industrialisation at regional level. In these countries, it was important to apply the principle of the international division of labour and avoid development policies prompted by particularism.

The Socialist Group approved the report, noting with satisfaction that it reflected the solidarity and objectives of the Association.

The Liberal Group felt that the industrialisation of the AASM should follow a programme drawn up jointly by the countries concerned and the industrial countries. Production sectors should be complementary ; this was preferable to unrestrained competition among firms. Observance of establishment agreements and respect of foreign capital would do much to attract private investments.

In its reply, the EEC Commission described what it was doing or intended to do in the AASM and summed up the problems as follows :

(i) *Promotion of trade* : The African States must raise the quality of their products and improve supply conditions. The Community as such could not suspend taxes on tropical products because this was a matter for individual member States alone. The practical action taken by the Commission was to supply information and extend contacts with groups of importers and the European Union of Chambers of Commerce.

(ii) *Stabilisation of prices* : The problems of offsetting price fluctuations were less difficult to solve in the case of "simple" products than in the case of products for which there were

substitutes. The problem of long-term imbalances could be solved only at international level. In the case of short-term fluctuations, as the stocking of basic products would be costly, the Commission preferred market organisation through the creation of new outlets and the fixing of production quotas. This, however, required discipline on the part of the producing countries.

(iii) *Private investments and guarantees* : EEC was prepared to subsidise the infrastructures, grant investment loans on favourable terms and help to reduce loan charges. The African States must, however, draw up an "investments code" to be applied in all the AASM. The Commission referred, in this connection, to the Equatorial Customs Union where such a code came into force on 1st January 1966.

71. In a *Resolution*¹ adopted unanimously with two amendments, Parliament welcomed the progress made in the last two years in expanding trade between EEC and the Associated States. It approved the EEC Commission's studies on the possibilities of increasing the consumption of products from the AASM, advocated practical sales promotion measures and expressed the view that the Community, as the world's leading importer of tropical products, had a duty to promote world-wide organisation of trade in basic products. It recommended that the Community draw up, in conjunction with the Associated States and their national development banks, a Community credit policy consistent with the special investment conditions in the AASM.

72. On 11th March 1966, Parliament examined a report² by its competent committee on the second meeting of the Parliamentary Conference³ of the Association.

1. Resolution of 23rd November 1965, *Journal Officiel* No. 209, page 3121/65.

2. Doc. 9/1966-67 : Metzger Report on the second meeting of the Parliamentary Conference of the Association, held in Rome from 6th to 9th December 1965.

3. The Parliamentary Conference comprises 54 representatives of the European Parliament and 54 representatives of the Parliaments of the African States and Madagascar.

To prepare the Conference's meeting, the Conference's Joint EEC/AASM Committee¹ held two meetings, the first in March 1965. The reports of these meetings were submitted to the Conference. One of them² put forward amendments to the Conference's rules of procedure with a view to preserving in all circumstances, and consolidating, the equi-representative nature of the Conference and its Committee, and providing the two bodies with optimum working conditions. Two other reports were submitted: one on the financial arrangements for the Conference³ and the other on the annual management accounts for 1964 and the draft estimates for 1966⁴.

The Committee's report was chiefly concerned with the report⁵ of the EEC/AASM Joint Committee on the Association Council's first annual progress report to the Parliamentary Conference of the Association.

The Pedini Report considered that the *institutions* were the essential political component of the Association. Set up under the Yaoundé Convention, all the organs were now in operation and had strengthened relations between the partners. The report stressed the importance of contacts between the Association Council and the Parliamentary Conference. The Association Council should endeavour to establish active contacts with other regional organisations concerned with development and other national institutions.

The new *European Development Fund*, the report pointed out, was the first international assistance agency whose policy had been drawn up jointly, and on an equi-representative basis,

by those who financed it and those who benefited from it. Assistance from the Fund, during the reference period, represented more than 10 per cent of the total aid given by international organisations to the Associated States, while the population of these States represented only 4 per cent of the total population of the developing countries. The purpose of the first Fund had mainly been to improve infrastructures; the new Fund was concerned with a wider range of sectors. At 31st May 1965, 51 per cent of its resources was earmarked for agricultural production, 20 per cent for transport and communications, and 9 per cent for hydropower and town planning. The Fund also had a new instrument in the form of 21.2 million units of account set aside for studies and technical aid connected with investments.

In the field of *cultural co-operation*, full use had been made of the possibilities provided for by the Convention. During the educational year 1964-1965, the Fund had provided 920 scholarships. In 1965-1966 it was to provide 1,000; more than half of them were intended for courses lasting a number of years. During the period under review, 221 scholarship holders had been given training in Africa. This trend should be consolidated through the building of training centres and universities and the provision of vocational training on building sites financed by the Fund.

Trade between the Associated States and the Community had developed favourably in 1964. For the first time the Community's trade with the AASM had expanded at a faster rate than its trade with the other developing countries. In the Committee's view, this was due to the lowering of tariffs within the Association. However, further expansion of exports was dependent on a marketing programme. An urgent problem which EEC should help to solve was that of fluctuating raw material prices.

The report pointed out that few Associated States had so far begun to apply the new provisions on the right of *establishment*; the Association Council had not yet taken any decision on the subject. Nor had the problem of movement of capital yet been settled satisfactorily. It was important to deal with these matters, as greater flexibility regarding the right of establishment and the movement of

1. The Joint Committee consists of 18 Members of the European Parliament and one parliamentarian from each of the 18 Associated States.

2. Doc. 4/1966-67: Strobel Report on amendments to the Rules of Procedure of the Parliamentary Conference of the Association.

3. Doc. 3/1966-67: Guillabert Report on the financial arrangements for the Parliamentary Conference of the Association.

4. Doc. 5/1966-67: N'Gom Report on the annual management accounts for the financial year 1964 and the draft estimates for the financial year 1966.

5. Doc. 7/1966-67: Pedini Report on the first annual progress report of the Association Council to the Parliamentary Conference of the Association for the period 1st June 1964-31st May 1965.

capital would have a beneficial effect on the economic development of the Associated States.

In its final assessment of the Yaoundé Convention, the report noted that a rational development policy required more than the five years during which the Convention was to remain in force. It was hoped that a further impetus to industrialisation would come from the merger of the Executives. EURATOM and ECSC had already taken steps, on the basis of the Resolution of the Dakar Conference, with a view to co-operation with the AASM.

73. In the ensuing *debate*, the EURATOM Commission said that it had not taken any action or established any relations with the AASM without the authorisation of the Treaty and the consent of the competent authorities, notably the Council. On the basis of a decision by the Dakar Conference, EURATOM had begun a study of ways and means of implementing a preliminary study¹ of the economic possibilities connected with the use of nuclear energy in its various forms in the overseas countries associated with EEC; it had also contacted the EEC Commission with a view to examining the projects jointly².

74. In a *Resolution*³ adopted unanimously, Parliament endorsed the conclusions put forward by the Parliamentary Conference in its Resolution of 8th December 1965 on the first annual report of the Association Council. It earnestly recommended its competent committee to study and plan the measures required for establishing closer relations and fuller co-operation among the parliamentarians of the Association.

75. At its June Session, Parliament gave its views, on the basis of a report⁴ by its Budget

1. Doc. 3029/1965 EURATOM: Savary Report — "Preliminary study of the economic possibilities connected with the use of nuclear energy in its various forms in the Associated Overseas Countries" (April 1965).

2. Cf. statement by Mr. Margules at the Joint Committee's meeting in Berlin on 5th-8th July 1965.

3. Resolution of 11th March 1966, *Journal Officiel* No. 53, page 778/66.

4. Cf. Chapter IV, Agricultural policy, paras. 122 et seq.

Committee, on the budgetary problems resulting from the financing of aid for imports of oilseeds and oils from the AASM and the OCT.

3. EEC's external economic relations

76. During the period under review, EEC was concerned with a number of problems of external relations in the economic field.

The EEC delegation took part in the Kennedy Round in Geneva, but, because of the Community's internal crisis, was unable to present its proposal for the agricultural sector until 16th September 1965. In March 1965, negotiations began with a view to association between EEC and Austria. In July 1965, the EEC Commission, with a mandate from the Council, opened association negotiations with Tunisia and Morocco. Close contacts were maintained between EEC and Denmark. The EEC Commission was instructed by the Council to draw up a report on trade relations between Denmark and the Community. As regards the common trade policy, the Council decided¹, on the proposal of the Commission, to extend by one year the time-limit for standardising the length of trade agreements, prescribed by a Council decision² of 9th October 1961 which also contains the "EEC clause" for trade agreements. The Council passed a regulation³ keeping in force for a further year Regulation No. 3/63/CEE⁴ on commercial relations with the State-trading countries for certain agricultural products.

77. In June 1965, Parliament examined the agreement on trade and technical co-operation between EEC and the Lebanon. Relations with India were discussed in November 1965 and EEC's relations with Latin America were the subject of an oral question in May. Parliament was also concerned with two problems concerning the establishment of a common

1. Decision of 29th December 1965, *Journal Officiel* No. 223, page 3275/65.

2. *Journal Officiel* No. 71 of 4th November 1961, pages 1274 and 1275/61.

3. Regulation No. 173/65/CEE, *Journal Officiel* No. 223, page 3270/65.

4. Regulation No. 3/63/CEE, *Journal Officiel* No. 14, page 153/63.

trade policy. In May, it discussed the problems of a common trade policy towards the State-trading countries, and in October it examined an EEC Commission draft regulation on protection from dumping by non-member countries.

78. On 18th June 1965, Parliament adopted a report¹ by its External Trade Committee concerning the agreement on trade and technical co-operation between (a) EEC and member States and (b) the Lebanese Republic.

The *Agreement*, signed on 21st May 1965, covers trade relations and technical co-operation between the contracting parties.

The *report* described the general political import of the Agreement and its significance in terms of trade policy; this derived chiefly from the fact that the Lebanon was the first Arab country to establish concrete links with the Community. Although the concessions so far made by the Community in the field of trade policy were not very substantial, the Agreement was evidence of a liberal trade policy towards non-member countries.

No short-term improvement was likely in Lebanon's *balance of payments* — the Lebanese Government's main aim. It might even be asked what production increases — the purpose of technical co-operation — there would be, since there would be little improvement in marketing opportunities. For the time being, the Lebanese economy would continue to depend on trade and services and, in particular, on movements of capital.

In connection with the co-ordination of technical assistance, Article 7 of the Agreement provided for the setting up of a joint technical co-operation group. This would co-ordinate measures taken by the Six at national level, preclude duplication of effort and be conducive to a more rational policy in this important field. In an opinion, the Committee for Co-operation with Developing Countries stressed the political and institutional significance of the Agreement. In the field of technical assistance, which was still a matter for individual member States under the EEC

1. Doc. 74/1965-66 : Kapteyn Report on the agreement on trade and technical co-operation between (a) EEC and member States and (b) the Lebanese Republic.

Treaty, co-operation must be developed further so far as Community participation was concerned.

79. In a *Resolution*¹, adopted unanimously, Parliament approved the conclusion of the Agreement and expressed the hope that it would help to improve relations between the Arab countries and Israel. It reiterated that the problems confronting the countries of the Mediterranean area could be solved only under a comprehensive agreement applicable to all the countries concerned; this presupposed a clearly-defined Community trade policy.

80. On 25th November 1965, Parliament discussed an interim report² by the External Trade Committee on trade relations between EEC and India.

The report reviewed the relations already established between the Community and the Indian authorities. A study of India's relations with the Community had been envisaged in connection with the negotiations on Britain's accession to the Community. The breakdown of the negotiations had prevented the establishment of direct contacts with a view to the conclusion of a trade agreement. In April 1963 talks had been resumed at the suggestion of the Indian authorities, but they had produced few practical results. The Commission's proposals to the Council for the conclusion of a trade agreement had not been accepted and the Commission had not received any authorisation to negotiate. The Council had simply decided to suspend customs duties on some of India's products. It had refused to allow direct negotiations to be opened, stating that it was not desirable that there should be bilateral agreements while the multilateral trade negotiations of the GATT World Conference on Trade and Development were still in progress. Nevertheless, India's trade problems called for an urgent solution which could not be deferred pending the outcome of long and laborious negotiations.

The report went on to examine India's development problems, particularly the

1. Resolution of 18th June 1965, *Journal Officiel* No. 119, page 2039/65.

2. Doc. 98/1965-66 : Moro Interim Report on trade relations between EEC and India.

problems involved in industrialising the country and increasing its agricultural productivity. Efforts to increase the national product had been thwarted, as far as their effect on per capita income was concerned, by the rapid increase in population. The chronic deficit in India's balance of payments and its very considerable international debt typified the difficult foreign trade situation. India was therefore trying to increase its exports; its largest trading deficit was in its trade with EEC. It was essential not only to provide India with financial aid and take unilateral measures on its behalf but also to promote its trading activity and support it in developing its trade relations.

81. In the *debate* on the report, the Socialist Group stressed the human aspect of India's economic development problems. Even though the Community was not responsible for the situation in India, it nevertheless had a duty to do more than had been done so far. With regard to India's trading deficit and EEC's very small share in India's exports, the situation was typical of that facing developing countries and called for a common development policy on the part of EEC. The EEC Commission should continue negotiations with India, look into all aspects of the problems, and draw up a Community assistance programme.

The EEC Commission informed the House of the latest developments in the talks with India. The customs duties cuts were a gesture of good will but had little economic bearing on India's exports. Measures of this kind were not sufficient. The salient problems were at present being examined within the framework of GATT and the World Trade Conference. International organisations perhaps held out the best prospects of providing effective help for the developing countries. International negotiations did not, however, make the talks with India superfluous: these were still desirable.

In a *Resolution*¹, adopted unanimously, Parliament urged the EEC Commission to pursue and intensify contacts with the representatives of the Indian Government in preparation for bilateral negotiations with a view to expand-

1. Resolution of 23rd November 1965, *Journal Officiel* No. 209, page 3120/65.

ing trade between the Community and India. It stressed the positive value of a co-ordinated programme of economic and financial aid by the six member States and of the common policy of collaboration with the developing countries.

82. At Parliament's May Session, relations between EEC and Latin America were the subject of an oral question by Mr. E. Martino to the EEC Commission.

Mr. Martino recalled that, in an earlier debate, Parliament had unanimously requested¹ the EEC Commission to submit to the Council of Ministers fresh proposals, reflecting the developments of the previous two years, on the organisation of relations between the Community and Latin America. What action had been taken on this request?

Mr. Martino pointed to a new factor. A plan for the economic integration of the whole of Latin America on the pattern of the European Economic Community had been drawn up and studied by the Latin American Governments. The European Community should support these efforts, particularly the measures relating to trade and financial policy and technical aid.

In its reply, the EEC Commission said that it had not yet submitted fresh proposals to the Council of Ministers. Discussion with the Latin American countries was continuing within the framework of the World Trade Conference and the GATT tariff negotiations. Furthermore, talks had been resumed between the Commission and the ambassadors of the Latin American countries. A joint work programme had been drawn up. The Commission hoped that, as a result of this preparatory work, it would be able to place new proposals before the Council and Parliament. In the months ahead, these should yield positive results.

83. On 10th May 1965, Parliament examined a report² by the External Trade Committee on questions regarding a Community trade policy towards State-trading countries.

1. Resolution of 26th November 1964, *Journal Officiel* No. 205, page 3499/64.

2. Doc. 10/1965-66: Löhr Report on the problems of the common trade policy of member States towards State-trading countries.

The *report* reviewed current trade between the Community and the State-trading countries. The trade was not very great in volume, but certain products figured largely in it.

The foreign trade of the State-trading countries was conditioned, at the supply and demand level, by special factors. These included a lack of currency and the system of foreign trade monopolies through which the countries could exert their influence on the market vis-à-vis individual suppliers and practise dumping-type price manipulations.

The State-trading countries now had a very open attitude towards the Community after originally predicting its imminent collapse. Member States should co-ordinate their commercial policies towards the State-trading countries in accordance with the Treaties. Three important decisions had been taken in this connection :

— All future trade agreements were to contain an "EEC clause" enabling the Community to take over the rights of the signatory State at the end of the transitional period¹ ;

— Trade agreements were not to be concluded for a period extending beyond the end of the transitional period ; the EEC Commission was to examine all current agreements to see whether they were compatible with the future trade policy² ;

— Agricultural quotas in force at 24th January 1963 were to be replaced by assessed amounts ranging between 100 and 120 per cent of the average imports in 1960-61³.

Quotas were an essential means of protecting the Community from import increases liable to disrupt the market. The report recalled, in this connection, the arrangements made for coal and steel.

By a decision of 25th September 1962, the Council of Ministers, on the proposal of the EEC Commission, laid down a programme of action for a common trade policy during the transitional period. In February 1964, the Commission submitted to the Council three proposals

for co-ordinating trade relations. Of these, only the proposal on farm products was made the subject of a Council decision ; the other two (speeding up the introduction of a trade policy and inclusion of a safeguard clause in the relevant trade agreements) were still under study. The EEC Commission found that the lack of harmonisation of trade policies towards the Eastern bloc was having repercussions on the internal market ; however, it had not proposed any common trade policy but simply submitted a plan for the progressive standardisation of the instruments for a future common policy. The report criticised this reticence on the part of the Commission and thought that a revision of bilateral agreements was essential. It pointed out the main factors to be taken into account in connection with a common commercial policy, stressing that the co-ordination of credit policies towards the State-trading countries was a *sine qua non* of a common trade policy. In an opinion, the Agricultural Committee recommended a more flexible credit policy so as to expand trade between the Community and the Eastern bloc and help the countries of the latter in their industrialisation efforts. Such a policy might also contribute towards reducing the volume of farm produce exported from these countries to EEC.

84. In the *debate*, emphasis was placed on the need to develop trade relations with the State-trading countries within the framework of a common trade policy. The Socialist Group pointed to the importance which the Eastern bloc attached to the establishment of the Common Market because the Common Market was gradually making bilateral agreements irrelevant. The Common Market and its achievements had such a persuasive power — in the Socialist Group's opinion — that they were bound to lead, on the economic and commercial level, to solutions capable of normalising relations between the countries of Western and Eastern Europe.

The EEC Commission observed that the establishment of a common trade policy towards the State-trading countries was desired by a great number of economic organisations. The slowness with which the Council of Ministers was studying the question, however,

1. Cf. Footnotes 2 and 3 on page 69.

2. Cf. Footnotes 2 and 3 on page 69.

3. Cf. Footnotes 4 and 5 on page 69.

prompted the Commission to wonder whether member Governments really wanted such a common policy. The Commission hoped that Parliament would study means — not necessarily the adoption of a Resolution — of impressing its steadfast will on the Council of Ministers. The Council would then be virtually forced to give greater attention to trade policy problems.

85. At the end of the debate, Parliament unanimously adopted a draft *Resolution*¹ presented by the External Trade Committee. The Resolution stressed the economic importance of commercial relations with the State-trading countries, asked the EEC Commission to propose solutions, and called on the Council of Ministers to adopt the Commission's proposals.

86. The agenda for Parliament's October Session included a report and supplementary report² of the External Trade Committee on an EEC Commission proposal to the Council for a regulation on measures to counteract dumping or the payment of bounties and subsidies by non-member countries.

In a letter of 15th June 1965, the EEC Council, of its own accord, consulted Parliament on the same proposal submitted by the EEC Commission³.

In its *report*, the External Trade Committee expressed the view that all forms of dumping, including "hidden" dumping and the payment of any kind of bounty or subsidy, would be covered by the proposed regulation, since all these anomalous practices had the same effects on prices. The regulation was chiefly concerned with the procedure to be followed. The operative criteria, based on the relevant GATT provisions (Article VI of the

GATT) left room — in so far as the Commission did not lay down all the details — for the development of a "case law" which would gradually clarify their scope.

The report then went through the Articles of the proposed regulation, suggesting amendments aimed at supplementing the EEC Commission's powers (cf. Articles 8, paragraph 2, and 24, paragraph 2) and providing Parliament with fuller information (Articles 16, 18, and 25 bis) on the application of the regulation. It was advisable for the Community itself to take safeguard measures because (a) the Community, as such, was not a GATT contracting party; (b) not all member States had anti-dumping legislation; (c) the anti-dumping laws of those member States which did have them were not identical in every respect, despite the GATT provisions; and (d) the GATT regulations applied to the GATT partners only. The provisions proposed should not be used for protectionist purposes. The regulation was designed as a means of ensuring fair and open world trade. The provisions proposed ought not, for example, to be used to place unilateral restrictions on Community imports. Open trade relations with non-member countries were of vital importance for the Community's internal development.

In *opinions*, the Agricultural and Internal Market Committees approved the proposed regulation as a whole, but suggested certain amendments to clarify a number of points; some of these amendments were in line with those suggested by the External Trade Committee.

87. In the *debate*, the EEC Commission stated its agreement with a number of the amendments proposed. It stressed the importance of the regulation in Community trade policy and emphasised the need to empower the Commission to take immediate interim action against dumping in urgent cases, without consulting member States. More effective common protection was essential for the progress of customs union. Moreover, in the Kennedy Round, an EEC without anti-dumping regulations would be at a disadvantage in relation to the GATT partners which did have such regulations.

1. Resolution of 10th May 1965, *Journal Officiel* No. 96, page 1645/65.

2. Docs. 92 and 97/1965-66: Blaisse Report on the proposal of the EEC Commission to the Council (Doc. 78) for a regulation on protection from dumping or the payment of bounties and subsidies by non-member countries.

3. Proposal of the EEC Commission to the Council for a regulation on protection from dumping or the payment of bounties and subsidies by non-member countries.

88. In a *Resolution*¹, adopted unanimously, Parliament expressed its fundamental agreement with the proposed regulation. It pointed to the need, for reasons of legal stability, to make provision in a special regulation for penalties in the event of refusal to give the EEC Commission such assistance as it might request. It stressed that the regulation would help to promote fair trade relations with non-member countries.

CHAPTER III

Supervision of the activities of the Communities

General Reports of the European Communities

89. At its constituent session in March 1965, Parliament adopted a *Resolution*² on the procedure for examining the general reports on the activities of the European Communities. It confirmed the procedure whereby each Executive's report would be made the subject of a report summarising the opinions of each competent parliamentary committee and stating the main political themes of parliamentary supervision.

1. 13th General Report on the Activities of ECSC

90. The Rapporteur felt that in view of next year's merger of the Executives — as a result of which the High Authority, like the other two Executives, would cease to be a separate entity and become part of a single Commission — it was desirable to follow a review of the events of the past year with an interim assessment of the Community's activities.

The *report*³, pointed out that the European Coal and Steel Community had established an entirely original institutional

system. The Community's institutions were of a new type possessing limited but real powers. They had been described as supranational because the member States had given up part of their sovereignty. Supranationality was regarded by the authors of the ECSC Treaty as one of the essential requirements for the success of European unification. It was indeed in those fields where the Treaty gave the Community institutions real powers that important achievements had been made. The report stressed that the 13 years of ECSC's activity did not show uniform progress in every sector. In the field of transport, the High Authority had succeeded in eliminating differentiations in regard to the country of origin or destination of goods and in establishing direct international rates for rail transport. But no progress had been made on notification of rates. As regards external relations, the High Authority's very limited powers under the Treaty had been the cause of numerous difficulties. Even so, it had succeeded in introducing standard customs measures to protect the iron and steel industry. Efforts to remove customs barriers among the member States had failed to remove fiscal frontiers. On the other hand, the Treaty provisions on the retraining of workers, the conversion of industries, and investment assistance and guidance had enabled the High Authority to pursue a highly successful industrial policy. The report stressed how flexible this policy had been.

This progress in the economic integration of the six countries was mainly due to the institutional provisions of the ECSC Treaty. These induced the Community's Members to exchange ideas, make mutual concessions and take joint decisions. They had been supported in this by a large section of the public which had learned about the political problems through the debates of the Common Assembly and, later, of the European Parliament. Because of this highly positive nature of the first European Community, certain provisions of the Treaty of 8th April 1965 instituting a single Executive were to be regretted. Would it not have been better to give Parliament wider budgetary powers in compensation for the loss by the Committee of the four Presidents of the right of decision? The Treaty did not ensure the balance which Parliament had constantly

1. Resolution of 19th October 1965, *Journal Officiel* No. 187, page 2875/65.

2. Resolution of 22nd March 1965, *Journal Officiel* No. 62, page 875/65.

3. Doc. 58/1965-66: Thorn Report on the 13th General Report on the Activities of ECSC and on the Political Report of the ECSC High Authority.

called for. Nor did it allow the High Authority to co-opt one member. But despite these negative features of the Treaty, the merger of the Executives, and the accompanying streamlining of the Community institutions, would be beneficial. Nevertheless, the single Executive would have to fulfil the following two requirements :

(i) It would have to make full use of the powers and means conferred on it by each of the three Treaties.

(ii) In so far as the divergent provisions of the Treaties allowed, it would have to try to implement the most balanced overall design possible.

Merging the Executives was but a preliminary step towards merging the Communities. This was a vast undertaking which should not be confined to a fusion of the existing Treaties ; it should prompt the single Commission to use its right of proposal to revise the Treaties and thereby recast the whole constitution of the European Communities. The new treaty should take account of the lessons of the past, in particular the following :

(i) The continuous development of the Community required an outline treaty that was more flexible than a treaty with precise legal rules and enabled the European institutions to intervene wherever the treaty was silent.

(ii) In the institutional structure, a special place must be given to European popular representation.

(iii) When the Communities were merged, none of the powers at present vested in any one of the Communities should revert to the States.

91. In the ensuing *debate*, the Christian Democrat Group argued against keeping iron-ore concerns in business if their production costs prevented the iron and steel industry from meeting international competition ; the same applied to collieries. That was why the common energy policy had to be drawn up as soon as possible. The still fairly distant merger of the Treaties must not be regarded as a prior condition for doing this. Firms should themselves choose the most profitable method of producing steel. It was anomalous to try to make them adopt the new oxygen process whatever the cost, particularly if the process pushed up production costs. Equally, the High Authority should refrain from automatically intervening every

time a pit closed down. The re-employment of workers could often be done better under an overall full employment policy. Intervention by the High Authority could be justified only at regional level and in difficult cases.

The Christian Democrat Group further argued that not only on the political but also on the purely economic level the ECSC Treaty provided for institutions and powers to which due consideration should be given during the future organisation of common industrial policy, particularly in sectors where firms had to be run on oligopolistic principles, such as the coal, oil, steel and cement industries. The Group also drew attention to the need for further Community action in the field of scientific research. Turning to questions of social policy, the Group welcomed the fact that the High Authority had appointed, under Article 55 of the Treaty, a general committee on safety in the iron and steel industry, thus removing an anomaly prejudicial to steel workers. It congratulated the High Authority on what it had done for workers and particularly on its recent memorandum on the rehabilitation of the handicapped.

The Socialist Group said that Parliament could not simply take note of the crisis in the iron-mining industry ; it should urge the High Authority to take all necessary industrial and social measures. The Group was accordingly tabling an amendment to the draft Resolution.

On the merger of the Executives, the Group expressed the hope that the following principles in the ECSC Treaty would be retained :

(i) The High Authority's right to take decisions directly enforceable in member States ;

(ii) The application of an industrial policy based on general objectives similar to those of the High Authority ;

(iii) Rules of competition conducive to the establishment of an industrial structure without any monopolistic features.

The Socialist Group welcomed the High Authority's announcement of its intention to present a paper setting out in detail its attitude towards the merger of the Treaties. It hoped that the paper would shortly be transmitted to Parliament so that it could be fully discussed. The Group also argued the case for the coal industry. Financial aid was only a palliative ;

stronger and more drastic action was needed :
(i) The energy market had to be organised in accordance with a rational plan approved by the six Governments.

(ii) The plan had to be put into effect by a co-ordinating agency vested with supervisory powers.

The European Democratic Union considered that the report had not sufficiently stressed the High Authority's shortcomings regarding the organisation of the common market ; it had merely mentioned the achievements in regard to social rehabilitation and industrial conversion. Particularly disappointing were the High Authority's activities in the transport field. In spite of Recommendation No. 1/61 on the publication of transport rates and conditions, the High Authority was now ready to recognise special contracts not published in advance. It appeared there were even plans to allow secret contracts for the conveyance of coal and steel by rail in the Netherlands, subject only to the High Authority being informed subsequently. The Treaty had not provided the High Authority with all the necessary means for implementing the common market, notably in the matter of common trade policy and marketing. In certain fields where the High Authority had wide powers — for example, in the matter of cartels — its policy, far from integrating the markets, had merely separated them and severed the common interests of neighbouring countries. The High Authority's greatest difficulty was its inability to find a solution to the energy problem.

92. At the end of the debate, Parliament adopted a draft *Resolution*¹ presented by the Rapporteur, with an amendment tabled by a member of the Socialist Group.

In the Resolution, Parliament assessed the High Authority's political initiative during the period covered by the 13th general report. It welcomed the High Authority's political report and its determination to carry on its activity in all spheres through the single Executive, while seeking a balanced approach to the

1. Resolution of 14th June, *Journal Officiel* No. 119, page 1982/65.

application of the three Treaties. It urged the High Authority to bring its experience to bear in the negotiations on the merger of the Treaties.

Parliament called on the High Authority, in close collaboration with the Executives of the other Communities, to pursue resolutely its efforts to draw up a common energy policy under the Protocol of 21st April 1964 and the basis of the government undertakings given therein. It expressed the conviction that only a common energy policy which clearly showed the place of Community coal on the energy market could resolve the structural problems of the coal mining industry. It looked forward to the presentation of the general objectives for coal announced by the High Authority for 1965, and hoped that they would contain tangible political aims commensurate with the powers at the High Authority's command.

Parliament emphasised that, in view of the iron and steel industry's fresh difficulties, the High Authority should use every means at its disposal. It noted with concern the steady decline in the proportion of Community ore used by the iron and steel industry, and asked the High Authority to take all necessary measures, in conjunction with the social partners, to enhance the competitive position of the Community iron mines.

On competition policy, Parliament reiterated its wish to be kept informed, without prejudice to trade secrets, of the controls enforced in the ATIC and the Ruhr coal selling agencies. It also expected to hear from the High Authority on the application of its competition policy to the main cases.

Parliament regretted that no progress had been made on harmonising transport rates and that, in spite of the High Authority's Recommendation No. 1/61, confirmed by a decision of the Court of Justice, no solution had yet been found to the important problem of the publication of rates and conditions.

Parliament recalled that the 1964 protocol of agreement provided for the application of a common trade policy in respect of all forms of energy. It hoped that the GATT negotiations would lead to a final common external tariff for steel and to standard protection measures for the main steel-producing States.

On technical research, Parliament expressed the hope that there would be a technical research committee for iron mining similar to that for coal mining. It considered that the High Authority's action on investments and research was a key feature of the Community industrial policy, and should be developed in conjunction with the merger of the Executives and the Treaties.

With regard to the High Authority's social and health protection policy, Parliament said that it was awaiting with interest the initiative announced by the High Authority in its political report, namely, the preparation of a more systematic conversion and regional policy programme. It urged the High Authority to cooperate closely with the EEC Commission in drawing up its report on the real growth of incomes. It noted with satisfaction that the terms of reference of the standing committee, on safety in coal mining now included industrial health. It hoped that the committee would also be empowered to deal with the iron mining industry and provided with further means so that it could properly discharge its important duties, particularly in regard to the presentation of its reports.

2. 8th General Report on the Activities of EURATOM

93. At its October Session, Parliament examined a report¹ on the 8th General Report on the Activities of EURATOM.

The report pointed out that, even at a time when nuclear energy was about to become a part of the economic structures, research was still EURATOM's main activity. With the industrial utilisation of nuclear energy, continuous supervision and research were essential for the purpose of improving reactors that were tried and tested and sustaining the Community's competitiveness vis-à-vis non-member countries. This, however, must be done in accordance with the Community's principles, so as to create conditions conducive to the rapid establishment and development of nuclear plants with the aim

of raising the standard of living in member States and extending relations with other countries. To achieve these objectives, a common research policy had to be worked out and the research programmes of member States coordinated within the general framework of a common energy policy for the whole Community.

The decision of the Council of Ministers to increase the appropriations for the second five-year programme from 425 to 430 million dollars, an increase of barely 1.3 per cent was unsatisfactory. In view of the steady rise in equipment and labour costs, an increase of at least 11 per cent was needed if the objectives of the programme were to be achieved. Apart from the project drawn up under the common nuclear research programme, some provision should be made for fundamental research, for which no provision was or could be made in the programme. EURATOM should, as a matter of principle, be assigned the long-term projects; but these would require a large staff and substantial financial resources. The Commission should do all that was necessary to solve the European University problem and thereby give effect to Article 9, paragraph 2, of the Treaty.

It was important for the Supply Agency to act without delay to ensure that the Community had reliable sources of raw materials at satisfactory prices. It was particularly necessary for EURATOM to co-operate with non-member countries, especially with the United States. The report noted with satisfaction the smooth functioning of the system of safety controls provided for in the Treaty; compared with the conventional system of international agreements, this was one of the best examples of the effectiveness of Community methods.

The report argued forcefully in favour of European independence in the energy field. If the Community venture failed, Europe would be reduced to a group of States that would be technically dependent on the present nuclear Powers. Without such independence, nothing of importance could be achieved in the field of research and investment, while in the nuclear energy sector a united Europe would have to give up once and for all the role it might play vis-à-vis the world at large. It was to be hoped that the difficulties that had arisen, particularly

1. Doc. 91/1965-66: Toubreau Report on the 8th General Report on the Activities of EURATOM.

in regard to one member State, would be overcome.

Whereas previous EURATOM reports had been mainly concerned with the definition of a European nuclear policy, the salient feature of the 8th General Report was the transition from the stage of definition to that of the practical application of a European nuclear policy. Development of nuclear energy techniques and the experience gained had enabled the Commission to draw up a preliminary target programme marked by restrained optimism. For that reason, EURATOM should see that supplies were safeguarded and indicate a pattern for the development of nuclear plants.

Finally, as in the case of the previous EURATOM report, attention was drawn to the special problems of health protection. More money should be allocated to research and studies on this question, particularly on the handling and storage of radioactive waste; on this depended the health and safety of the people for whose well-being the Community institutions were working.

94. In the *debate*, the Christian Democrat Group welcomed the work done by EURATOM and expressed the hope that EURATOM would intensify its legislative activities in the field of nuclear energy. It also hoped that the Community would give greater attention to the establishment of European-type companies, company mergers, civil liability, and guarantees for fixed-term investments. The Group agreed with the Rapporteur that, while the provision of future electricity supplies was one of EURATOM's main responsibilities, the Community had even wider responsibilities which extended to other sectors of vital importance to modern society. In this connection, the lack of a European University was particularly deplorable.

The Group expressed satisfaction with the prospects for nuclear energy production; these would gradually change the situation for the whole of industry in the Community. It pointed out that the application of bilateral agreements concluded by certain member States with non-member States before the Treaty came into force must, under Article 106 of the Treaty, be handed over to the Community.

The Group also welcomed the Commission's success in reconciling economic interests with the social interests connected with the health of workers. It was not enough to draw up emergency plans for the prevention of accidents; there should be a system of compensation. There was still room for improvement with regard to insurance against nuclear hazards: there should be provision for compensation in the event of injury from radio-isotopes. With regard to the economic aspects of the energy problem in the Community, the Group pointed out that at present some 30-35 per cent of the Community's energy supplies were imported and by 1980 the figure would be 50-60 per cent.

Like the Christian Democrats, the Socialist Group thought that the present crisis not only affected relations among the six member States but was threatening the prosperity of the peoples of Europe which the wider application of nuclear energy for peaceful purposes could bring. The Group did not share the optimism of the report; the new research projects could not be undertaken, let alone carried on, owing to a lack of funds. The Group commended the Commission on its efforts and hoped that it would continue to work with the same enthusiasm and energy.

Replying, the EURATOM Commission pointed out that it had itself launched the first plan for the creation of a European University and had done everything within its power to secure its implementation. It agreed with the report that this most important aim would soon be achieved. On the Ispra Nuclear Research Centre, the Commission gave an assurance that the Centre had sufficient funds at its disposal for the research work in hand. Finally, the Commission gave some further technical and administrative information; it described the results achieved so far and outlined EURATOM's needs.

95. In a *Resolution*¹ adopted at the end of the debate, Parliament took note of the EURATOM Commission's efforts to reach the stage where a European nuclear energy policy could be applied. It drew the Commission's attention to the need to integrate the whole of

1. Resolution of 21st October 1965, *Journal Officiel* No. 187, page 2896/65.

its work in a general energy policy for the Community and, in this connection, appealed for effective co-operation from member States — a prerequisite for co-ordination of their energy programmes. The establishment of an internal nuclear energy market was crucial for both EURATOM and member countries. Parliament stressed the need for strict adherence to Articles 103-104 and 106 of the EURATOM Treaty, relating to nuclear agreements between member States and non-member countries; failing this, the harmonious development of the Community might be upset by the emergence of divergent tendencies and realignments on a bilateral basis.

Parliament expressed its concern at the decision of the Council of Ministers to allocate only 430.5 million units of account to the second five-year research and investment programme and instructed its Budget and Administration Committee to report to it on the possibility of using the income from the common research centre to augment the centre's appropriation. It condemned the responsible authorities' hesitant and negative attitude to the establishment of a European University in accordance with Article 9, paragraph 2, of the EURATOM Treaty.

Reiterating the need to ensure that the Supply Agency had adequate legal means to see that member countries were kept supplied with fissile material over a long period and at satisfactory prices, Parliament urged the Commission to do all it could in this direction.

Concern was expressed at the precariousness of the present situation regarding European integration and the uncertainty to which this gave rise. The Political Committee was asked to keep Parliament constantly informed of the development of the general political situation.

Finally, Parliament solemnly reminded all member Governments of the undertakings they had given in signing and ratifying the Treaties of Paris and Rome.

3. 8th General Report on the Activities of EEC

96. On 20th and 21st October 1965, Parliament debated a *report*¹ on the 8th General Report on the Activities of the European Eco-

nomical Community. The report dealt mainly with the following points:

- (i) The basis of economic union;
- (ii) Economic and financial policy;
- (iii) Agricultural policy;
- (iv) Cultural and social policy;
- (v) External relations;
- (vi) Relations with developing countries;
- (vii) The legal and political problems of the Community.

The report stated that the results so far obtained in economic terms were satisfactory. For the firms of the six member countries the Common Market was now a reality; as a result of this they had made considerable extra investments within the Community. In the economic, occupational and social fields, as well as on the personal level, close and lasting relations had been established; these were the best means of promoting intra-Community trade and abolishing frontiers.

Although much had been achieved, particularly in the agricultural sector, decisive progress had still to be made in various fields. The shortcomings pin-pointed by the Commission were mainly due to the lack of a real policy on customs legislation, energy, transport and commerce, and to the fact that there was no overall approach to aid for developing countries. The slow progress on a common social policy was highly regrettable while the harmonisation of legislation was still at the initial stage.

The political unification of Europe depended on joint decisions. The establishment of a common agricultural market, the adoption of a system of levies for Community purposes and the fixing of a single agricultural price in European units of account were the first steps in this direction. But political unification also required a common short-term economic policy and, even more so, a common medium-term policy, the approximation of tax systems, the establishment of common customs legislation, the progressive removal of economic barriers, the planning of a regional policy through Community solidarity, free movement of workers, and the harmonisation of social policies.

On the definition of a common industrial policy, the report stated that, in the face of steadily increasing world competition, no single Community country could pursue a

1. Doc. 93/1965-66: Charpentier Report on the 8th General Report on the Activities of EEC.

sufficiently effective industrial policy. Most industries were having to specialise more and more and increase their capacity. This could be done within the national framework but it could be done more easily and efficiently in the context of a common industrial policy. Each Community country seemed to be preparing to deal only with competition from the other five. The Six should try to put industry on a European basis. It was therefore the responsibility of the Commission to provide Governments and firms with the guide-lines for a common industrial policy.

Between complete liberalism, which existed nowhere in a pure form, and dirigisme, which stifled private initiative, there was a middle way, namely, programming and planning. This was a means of ensuring expansion and establishing priorities. It meant that firms must be able to rely on government assistance; this implied introducing suitable credit and tax policies, guaranteeing free movement of capital, and financing research programmes.

Economic aid alone was not, of course, sufficient. European-type companies had to be established and company law progressively harmonised so as to eliminate the difficulties encountered by Community firms when contemplating mergers.

The point had been reached where there could be no hesitation or turning back. The third and last stage of the Common Market was not far off; the process of economic integration therefore had to be speeded up, which the proviso that the political objectives of the Treaty must not be disavowed. The signatories of the Treaty of Rome had intended economic integration to be a means of achieving political unification.

The Community's external policy was at present confined to trade relations. There was no common foreign policy or even any co-ordination of national foreign policies. There was, in any case, no provision for this in the Treaty.

As European unification progressed, it would be more and more difficult to deny the Community, and in particular the European Parliament, the democratic principles which each member State claimed for itself. It was essential that Parliament should be able to exercise one of the fundamental powers of any Par-

liament, namely, supervision of spending. It must have the right to vote the budget, pending the right to vote Community taxes.

Parliament appreciated the Commission's efforts to develop the Community further; the achievements since 1958 were largely due to those efforts. The Commission bore a heavy responsibility, but it must continue to discharge its difficult duties. The crisis was bound to have come sooner or later, for the Community had reached the point where economic decisions increasingly had political implications.

97. In the *debate*, the Christian Democrat Group dwelt on certain cyclical factors in financial and medium-term economic policy. It called for the establishment of common rules for budgetary, credit and incomes policies; such rules were essential for better co-ordination of member States' economic and financial policies.

Referring to French policy, the Group said that an economically isolated France would certainly have more problems and difficulties to contend with than a France that was united and allied to the other Community countries. It was a grave mistake to think that, in a world where the political actions of nations were increasingly conditioned by technical and economic progress, highly complex and far-reaching problems could be solved through a nationalistic and egoistic policy.

For France, the Group felt, the agricultural question had been only a pretext. The Community's crisis could not be blamed on the EEC Commission. Talks should be resumed and the proposals of Mr. Spaak, Belgian Minister for Foreign Affairs, adopted. There could be no question of transforming the Community into a free trade area. There was a danger of the Community crisis extending; the other EEC partners must take whatever decisions were necessary, but without neglecting France's legitimate interests.

The Socialist Group also referred to the Community's crisis, particularly the problem of the violation of the Treaty and the extension of Parliament's rights. France was to blame for the crisis. If necessary, the work of European unification must be pursued on a five-country basis.

Whatever happened, the Council of Ministers and the EEC Commission should immediately resume their consultations on the

financing of the common agricultural policy on the basis of the EEC Commission's memorandum of 22nd July 1965; they should draw up the EEC and EURATOM draft budgets for 1966, speed up economic union in all sectors, and find a solution to Community trade policy problems. The crisis must in no event be settled in a way liable to prejudice the basic principles of the Community.

The spokesman for the European Democratic Union was particularly critical of the Rapporteur's introduction, describing his remarks as offensive and unconscionable. The Rapporteur had not presented a report; he had made a positive indictment. Everything said in the report and during the debate concerning France's intention to seek revision of the EEC Treaty was pure speculation. The subject of the negotiations of 30th June had been the financial regulations, on which the partners had given undertakings, without any political strings, on 15th December 1964. However, the EEC Commission's proposals had been presented in such a way that they encroached on the political field. France — and not only France — had repeatedly warned against the consequences of this attitude; but the EEC Commission had paid no heed to these warnings. It was not true that France had been set on breaking off the negotiations.

On the role of the Commission, the European Democratic Union said that the Commission was one of the key elements of the Community. In the face of the breakdown, it had put itself — through an excess of logic — in a position where it could no longer play its natural role of mediator. The Commission had in fact intended to maintain its attitude and had given the impression of trying to get the Governments to accept its proposals en bloc. That was why France had reacted, for there must be no recurrence of such tactics. As regards the majority voting rule, none of the six countries was prepared to submit to decisions that ran counter to its own interests.

The primary source of Parliament's authority was its own conduct. Parliament had shown a lack of perspicacity in adopting an intransigent attitude — as in May, when it had supported the Commission's behaviour. The problem was now no longer confined to agricul-

tural policy; the construction of an economic Europe must be supplemented by that of a political Europe. Agreement must first be reached on the objectives of a common policy so that it would be clear where European policy was to lead.

The Liberal Group endorsed what the Rapporteur had said, and emphasised the French Government's responsibilities in bringing the crisis to a head. Non-French Members of Parliament should be attacking not France but the French Government.

A spokesman for the Socialist Group gave an assurance that no member had attacked France, or even wanted to; the only target had been the French Government's attitude on European policy.

98. The EEC Commission explained its attitude towards the controversial question of financing agriculture. Its July memorandum had not been a formal proposal in the legal sense, but this in no way diminished the Commission's responsibilities. On 30th June, after the unexpected interruption of the discussions of the Council of Ministers, the Commission had been unable to take any new initiative. Replying to the European Democratic Union's views on the causes of the crisis, in particular the argument that the Commission had been prevented by an "excess of logic" from playing its part of mediator, the Commission said that the expression was a contradiction in terms. At the time, the Commission had presented proposals which also reflected "excessive" logic — for example, its proposals on the common cereals price. It had always stood by views it considered logical, and these views had often been adopted. It was not true that the Commission's financing proposals had been presented as an indivisible whole to be adopted or rejected en bloc. The proposals were of the same nature as certain previous proposals and the Commission could amend them. The Commission declined responsibility for the crisis. The crisis had been due to the fact that one member of the Council had, in contravention of the provisions of the Treaty, kept away from the Council. Even if the Commission had acted wrongly, a member country could not legally refuse to attend the Council's meetings.

99. At the end of the debate, Parliament unanimously passed a *Resolution*¹, after adopting without opposition an amendment to the section on social policy (the European Democratic Union abstained from voting). In the Resolution, Parliament expressed its fear that the imbalance resulting from headway in certain fields and delay in others might hinder the development of the Community. It regretted the lack of uniform progress in the matter of customs legislation, the continuing restrictions on the movement of capital, the delay in regard to a common energy policy, the slowness in establishing a common transport policy, and the absence of a trade policy towards Western countries, State-trading countries and developing countries. It also deplored the considerable delay in working out a common social policy and the slowness in harmonising legislation.

It considered the development of the Community satisfactory, despite serious shortcomings for which the Commission was far from solely responsible, and approved the work done by the Commission. It expressed its hope for the complete abolition of internal customs tariffs; the introduction of the common external tariff by 1st July 1967, in accordance with the Commission's proposals; an early settlement of certain competition problems; decisions on the harmonisation of turnover taxes; integration in the monetary and financial field and, ultimately, the creation of a European currency; and the introduction of common energy, trade and transport policies. As regards the agricultural sector, it called for a fair and economically sound relationship among farm prices and an agreement on the Community financing of the agricultural policy.

Finally, Parliament expressed its wish that the crisis should be speedily settled and its hope for a fresh impetus to the European idea, so that the Community could enter the third stage of the transitional period with vigour. It reaffirmed its conviction that member States must continue to follow the path indicated by the Treaties in order to achieve an integrated Europe.

1. Resolution of 21st October 1965, *Journal Officiel* No. 187, page 2892/65.

CHAPTER IV

Activities of the Communities in the economic, social and cultural fields

1. *Economic and financial policy*

100. During the period under review, the Council of Ministers confined itself to issuing a recommendation¹ to member States on measures to restore the Community's economic internal and external balance. The drafting of the five-year programme for the period 1966-1970, which the EEC Commission had announced for the end of 1965 and which the Committee on Medium-Term Economic Policy was to examine was delayed through the crisis in the Community.

The EEC Commission submitted to the Council of Ministers a proposal for directives on a common procedure for the establishment of statistical data on movements of capital from and to non-member countries and for the introduction of a system of consultations.

Economic situation in the Community

101. At its plenary session in March 1966, Parliament debated a *report*² by the Economic and Financial Committee on the EEC Commission statement on the economic situation in the Community.

The report considered that, although the Community's economic development since its inception had been very favourable, economic and structural trends in member States — which did not present any uniform pattern — were not without dangers. A reason for the divergent trends was the uneven tempo of decisions on a common policy. As national economic policies were becoming more and more inadequate owing to the increasing inter-penetration of the economics of the six countries, it was essential that Governments and Parliaments should be guided

1. Recommendation of the Council of 8th April 1965 to member States on the short-term economic policy to be followed up to the end of 1965, *Journal Officiel* No. 65, page 985/65.

2. Doc. 17/1966-67 : Kriedemann Report on the statement of the EEC Commission on the economic situation in the Community during 1965.

by Community criteria for major decisions of economic policy.

Unfortunately, the investment policies of member States had not produced the desired results. The EEC Commission should make a general survey of savings in EEC countries, showing the amount saved by each population group and the measures taken by Governments to encourage private savings.

Investment promotion should be mainly aimed at sectors where productivity, having regard to technical development, was likely to increase most and where there were still reserves of manpower. For the guidance of investors, the EEC Commission should produce as concrete a picture as possible of economic trends and medium-term economic prospects. There was no question of any investment controls or dictation incompatible with an economic system based on a free investors' market. Price levels were still a source of grave concern for the Community. A detailed study of price rises was vital.

The report pointed out certain causes of price increases, such as the overdue adjustment of measures necessitated by the war, the rise in production costs, and the substantial increase in public spending in certain countries, unaccompanied by an appropriate fiscal policy. Other factors were excessive demand and the shortage of manpower. This shortage was aggravated by the fact that too many workers were still employed in uneconomic sectors of production.

As regards labour market trends, the report stated that the authorities concerned could hardly expect their social partners to assume their share of responsibility for economic trends unless they themselves fully discharged their obligations. If the social partners were appealed to for understanding and a sense of responsibility, they should be allowed to participate fully in discussions on economic trends.

On the stabilisation of prices, the report maintained that a clearly-defined competition policy was essential.

As to the measures taken by member States to counteract rising prices, it was noted that Governments had given only partial effect to the Council's decisions. In some countries it was mainly a question of a lack of a suitable budgetary policy.

In view of the tendencies in all member countries to be guided by national economic considerations, it was regrettable that the EEC Commission had made no fresh proposals on a medium-term economic policy.

The Commission should regard the presentation of precise reports and recommendations on economic development as a permanent task assigned to it by Parliament.

With regard to the Commission's recommendations to member States, the report expressed reservations on the request, prompted by the economic situation, that there should be voluntary restraint of wage demands in 1966. In the present circumstances, such restraint could not be asked of all sections of the population.

102. In the *debate*, the Chairman of the Economic and Financial Committee pointed out the differences that had emerged between the economic expansion of the United States and that of the Community, particularly in respect of growth rates which, in the past months, had been higher in the United States. If the trend continued, it would inevitably have an adverse effect on the Community's competitive capacity. It was therefore most important that there should be steady expansion in the Community, combined with the greatest possible price stability. Parliament must help the Governments to solve the difficult problem of pursuing an anti-cyclical budgetary policy which took account of the requirements of a balanced structural policy. The EEC Commission should prepare detailed rules for drawing up a budgetary policy based on short-term economic considerations.

The Christian Democrat Group said that there always had been price rises and there always would be; but prices must be kept as stable as possible. It was noteworthy that production prices for farm produce had scarcely varied from 1950 to 1964, whereas there had been a significant increase in the consumer prices of the same items. The Group stressed the need for a European capital market.

On the question of concentrations of firms, the Group advocated a competition policy which really took account of competition from non-Community countries; it also called for the early introduction of European legislation on competition and companies.

The EEC Commission brought up to date the picture it had presented in January of the economic situation of the Community. It said that the chief problem for the Community was that of price stability. At least half the rise in the cost of living in 1965 had been due to the rise in the prices of the foodstuffs on which the cost-of-living index was based. However, the index was not altogether scientifically perfect.

The Commission considered it very important to make a close study of the trend of agricultural prices at the production, processing and consumption stages.

It thought that the rise in the cost of living was also connected with the increase in rents and public transport charges, which had in turn been the result of the earlier inflationary trends. Price rises in the other service sectors seemed to have been excessive in 1965.

The Commission promised to extend the study being made of prices in the other sectors, so that it covered a longer period and went into greater detail.

It emphasised that expansion must continue. Prices must not go on rising, as this would once more entail measures that would put a brake on expansion. The combined efforts of the Commission, Parliament and member Governments would be required in the preparation of directives aimed at achieving a higher standard of living in conditions of stability. The Commission agreed that greater attention should be given to anti-cyclical budgetary policy.

Parliament would shortly be consulted on the Community's development programme for 1967-1970, the draft of which was almost ready.

The Commission gave some information on savings in the Community. It intended to submit to the Council, about the middle of 1966, proposals for the introduction of a co-ordinated economic policy in the Community.

103. In a *Resolution*¹, adopted unanimously, Parliament urged the EEC Commission and the Council to make every effort to work out a common economic policy. The resources of the capital market should be used in the first instance

1. Resolution of 10th March 1966, *Journal Officiel* No. 53, page 774/66.

for directly productive investments and — wherever budgetary appropriations were inadequate — for the improvement of economic and social infrastructures. In connection with the need to transfer manpower from relatively unproductive sectors to sectors with greater potential, Parliament urged the early adoption of the EEC Commission's proposals for the reform of the European Social Fund.

The Commission was asked to provide investors with as much specific information as possible, so as to encourage them to give up national economic considerations in favour of Community criteria. Parliament regretted the delay in setting up a European capital market and reiterated that economic integration must lead to the introduction of a common currency in member States. It stressed the importance of competition in checking rising prices, and urged the Council and the Commission to hasten the preparation and application of a European competition policy. It was pointed out that the Community would soon have to take decisions on trade policy, particularly for the purposes of the Kennedy Round. The EEC Commission was asked to present in the near future the programme for 1966-1970. Finally, Parliament endorsed the Commission's recommendations to member Governments on economic policy, and requested the Commission to inform the Economic and Financial Committee as soon as possible of the Governments' attitudes to the recommendations.

2. Agricultural policy

104. The effect of the suspension, on 30th June 1965, of the Brussels negotiations on the financing of the common agricultural policy — which resulted in "freezing" the process of European integration — could be seen in a slowing down of the activities of the Community institutions. Important decisions on agricultural policy had to be shelved.

Nevertheless, during the period under review, the common agricultural policy was given close attention by the European Parliament. Important regulations establishing market organisations for fruit and vegetables, oils and fats, and quality wines from certain vineyards, as well as

regulations and directives of lesser importance but necessary for the establishment of a common agricultural policy, were all subjected to scrutiny.

105. At its May Session, Parliament rendered an opinion on a *regulation* making further provision for the organisation of the fruit and vegetables market with a view to removing certain difficulties encountered in that sector.

Although member States had strictly applied the basic regulation on fruit and vegetables, considerable difficulties had arisen on the markets of several producer countries; these had been due to a glut which had brought about a fall in prices causing economic hardship for producers.

The main purpose of the regulation was to improve organisation among the producers by promoting the setting up of associations whose members would undertake to comply with certain conditions in the spheres of production and marketing.

Should the preventive measures taken by the associations fail to prevent prices collapsing, certain products in the fruit and vegetables sector could be supported by the Agricultural Guidance and Guarantee Fund.

The measures involved a ban on the marketing of products of inferior quality and size, the payment of premiums to promote the processing of these products, and the purchase of products by purchasing agencies, set up in each member State, at prices fixed by the Council of Ministers. These steps were aimed at guaranteeing producers a certain income in the event of market disturbances. At the same time, they were to prevent the market from being flooded.

The measures applied on the domestic market of a Community country would, however, have to be complemented by effective steps to keep the import prices of products from non-member countries at a normal level. These steps formed the background of the proposal whereby imports of fruit and vegetables from non-member countries were to be liberalised from 1966 onwards.

The regulation also provided for safeguard measures in the form of a countervailing duty on imports from those non-member countries which allowed practices leading to a sharp

fall in the prices of the products they offered to the Community market.

Parallel to the measures applied to Community imports of vegetables and fruit from non-member countries, there were obligations for Community countries in respect of exports. The regulation made the Community quality standards apply also to products exported to non-member countries. The system of aid by member States was replaced by an arrangement where, in certain circumstances, refunds could be paid on exports to non-member countries.

106. A *report*¹ by the Agricultural Committee broadly endorsed the regulation, while proposing some drafting amendments.

It suggested allowing producer associations to amalgamate on the basis of production areas or at national, regional or Community level, provided that this was not used as a means of eliminating competition. It stressed that membership of producer associations must be optional and suggested some exemptions from the obligation to sell all produce through these associations.

On intervention in domestic markets, the report put forward proposals for making the arrangements for fixing guide prices and the machinery for intervention more flexible.

As a market re-organisation measure in addition to the ban on the marketing of quantities which the market could not absorb and the payment of premiums to promote the processing of these surpluses, the report suggested the closing of frontiers to imports of certain products while the domestic market was being re-organised.

The report endorsed the regulation's provisions on trade with non-member countries but stressed that the countervailing duty should automatically be applied whenever the Commission found that the prices of imported products were distorting, or were liable to distort competition and were hindering the marketing of the products in question at Community level.

107. In the *debate*, some members of the Committee expressed doubts on the system envis-

1. Doc. 37/1965-66 : Braccesi Report on the proposal of the EEC Commission to the Council for a regulation making further provision for the organisation of the fruit and vegetables market.

aged for solving the problems of organising the fruit and vegetable market. It was argued that, in this sector, the only possible action was intervention aimed at maintaining the level of production prices — for the protection of consumers — and not, as visualised in the regulation, at creating new market structures. It was also feared that the protectionist system embodied in the regulation would seriously hinder the development of the Community's trade with non-member countries.

The Socialist Group thought it desirable for major associations of fruit and vegetable producers to create a market organisation. The regulation must be "rational" and practicable; it must help consumers as well as producers. Furthermore, costs must be "transparent" so that it could be clearly seen how much subsidies represented.

On the cost of disposing of surpluses, the Group maintained that if it was producers who paid for the disposal of surpluses, they would in future gear their production to potential demand. But if the payments came out of public funds, producers would maintain their rate of production. Moreover, if fruit and vegetable processing firms were paid bonuses, it would be in their interest, if prices fell, to delay the processing of products until prices reached a level where they qualified for the bonuses.

The Socialist Group submitted two amendments to the Agricultural Committee's draft Opinion. One was to delete a provision added by the Committee concerning the closing of frontiers to certain products during interventions on the domestic market. In the Group's view, supply conditions on this vast market varied so much that it was not necessary to close the frontiers of the whole Community in the event of market disturbances in one country; the provision was also incompatible with the GATT regulations.

The other amendment, aimed at preventing interventions for certain products from gradually becoming generalised, was motivated by the same considerations as the first.

108. Replying, the EEC Commission stressed the importance of giving fruit and vegetables the same protection and guarantees as already existed for other products, and thereby eliminating any

differentiation among farm products. This would ensure that farmers did not gear their production solely to protected products (which would have serious consequences both for consumers and for the agricultural economy of the Community).

The Commission was in favour of intervention on the domestic market; this would give producers some guarantee and, at the same time, ensure that consumers were supplied at reasonable prices.

In reply to the objections to refunds on fruit and vegetable exports, the Commission pointed out that refunds were already paid for other products; the regulation did not say that refunds must, only that they could, be paid. The Commission thought that the Agricultural Committee's views on progressive interventions went too far.

109. Parliament rejected the two amendments of the Socialist Group, as well as another proposal, by the External Trade Committee, aimed at ruling out the possibility of paying refunds on fruit and vegetable exports to non-member countries. It returned an *opinion*¹ endorsing the regulation as amended by the Agricultural Committee.

110. The organisation of the fruit and vegetable market was again debated by Parliament at its January Session in 1966 when it formulated its opinion on the draft regulation amending Article 11 of Regulation No. 23 in respect of oranges.

The draft regulation provided that, as an exception to the provisions of Regulation No. 23 for fruit and vegetables, the duty on imports of sweet oranges would be calculated on the basis of the reference price less 15 per cent. This meant that member States would subsidise their producers of sweet oranges in respect of the quantities sold on the Community market. Expenditure by member States was to be borne by the European Agricultural Guidance and Guarantee Fund.

However, because the Italian Government felt unable to apply this system of production subsidies within the two-year period, the

1. Resolution of 10th May 1965, *Journal Officiel* No. 96, page 1646/65.

draft regulation prescribed that, for a period of one year, if necessary, two, the system could be replaced by a system of export subsidies.

111. In a *report*¹, the Agricultural Committee expressed misgivings about the new regulation because it amended the agreement of principle reached by the Council of Ministers on 15th December 1964.

The Committee also expressed surprise at the reactions to the application of the regulation, since the resultant increase in the wholesale price of oranges, over a full year, had been only 3 per cent. It therefore had serious reservations on the new regulation: by introducing a special system for a particular product under a given market organisation, the regulation was liable to prejudice the other products covered by the same arrangement. Moreover, requests for similar exceptions might later be made in respect of any other products whenever the situation became difficult for them; this would lead to a generalisation of the system of deficiency payments.

It had not been established that the present system, based on reference prices, had led or would lead, after the end of the exporting year, to a reduction in the quantities imported by EEC.

A draft Resolution appended to the Committee's report expressed an unfavourable opinion on the proposed regulation, and stated that the soundest course was to retain the present rules. It suggested considering what improvements could be made to production and marketing structures; if necessary, there should be increased Community aid.

In the *debate*, the Christian Democrat Group and the European Democratic Union endorsed the views put forward in the report, while stressing that the only satisfactory way of solving the problem was to improve production systems.

The Socialist Group was unable to support the draft regulation, because neither the

system in force nor that proposed would solve the problem in a manner acceptable to farmers and consumers; both systems had an undue effect on the price of the products.

Members of the other Groups also came out against the Agricultural Committee's conclusions. They criticised in particular the present system of reference prices for oranges.

Replying, the EEC Commission regretted that the Council had gone back on its decision of 15th December 1964, and agreed with the Agricultural Committee that the introduction of the new regulation would lead to an increase of some 3 per cent in orange prices.

It pointed out that the current regulations had been useful in organising the orange market on a Community basis and especially with regard to imports from non-member countries.

The system on which the Agricultural Committee had made reservations had been requested by the Council; the Commission had endeavoured to meet this request as best it could.

At the end of the debate, Parliament adopted the *Resolution*¹ submitted by the Agricultural Committee, with the exception of the paragraph stating that the current regulations were still the best way of solving the problem.

112. At its January Session in 1965, the Parliament referred to the Agricultural Committee a *Motion for a Resolution* calling on the EEC Commission to present a draft Community *regulation* for the organisation of the early potato market with help and support from the European Agricultural Guidance and Guarantee Fund.

In a *report*² on the Motion, the Agricultural Committee noted that there had been no proposal for the common organisation of potato markets. Potato production was an important part of Community farming and of vital significance for certain areas. The Committee

1. Resolution of 19th January, *Journal Officiel* No. 23, page 374/66.

2. Doc. 25/1965-66: Estève Report on the Motion of MM. Bourges and Estève for a Resolution asking the European Economic Community to present a draft Community regulation for the organisation of the early potato market with help and support from the Agricultural Fund (EAGGF).

1. Doc. 121/1965-66: Boscary-Monsservin Report on the amended proposals of the EEC Commission to the Council for a regulation amending Article 11 of Regulation 23 in respect of oranges and a resolution on the financing of subsidies for orange producers.

therefore asked the EEC Commission what steps it proposed to take in this field.

The EEC Commission gave an assurance that it would inform Parliament of its ideas, thoughts and proposals on the matter at the earliest opportunity.

A *Resolution*¹ submitted by the Agricultural Committee was unanimously adopted at the May Session.

113. At its June Session, Parliament rendered an Opinion on an EEC Commission proposal to the Council for a *regulation* establishing a common organisation for the oils and fats markets.

The regulation was in four parts. The first was concerned with intra-Community trade and trade with non-member countries in oleaginous seeds and fruit, olives, fish and marine mammal fats and oils, vegetable oils, margarine etc.

The second part dealt with olive oil. For this the Commission proposed introducing a common market organisation at once and a price system based on four factors: norm price, target price, intervention price and threshold price. There was to be direct assistance for olive oil producers in the event of the target price falling below the norm price. Regulations were also laid down for trade in olive oil with non-member countries.

The third part was concerned with the market in the other oleaginous products produced in the Community, viz. colza, rapeseed and sunflower seed. For these, norm and intervention prices were to be fixed each year. There were also provisions on the grants that might be made in respect of these or other oleaginous products.

The last part contained the general provisions that appear in other market organisation regulations.

In a report², the Agricultural Committee endorsed the general principles of the draft regulation but pointed out that it took no account of the interdependence of the vegetable fats and

animal fats markets (to which Parliament had repeatedly drawn attention). The EEC Commission should therefore propose the steps to be taken in the event of the system for vegetable fats causing serious disturbances on the animal fats market. Moreover, in the event of such disturbances, exceptions should be permitted in respect of trade with non-member countries.

The report emphasised the urgent need for a Community programme for improving the production of marketing of olives and olive oil and giving assistance to olive-growing areas. On the question of aid for producers, it suggested the drawing up of standard contracts between producers and processing firms as a means of ensuring that the producers did in fact receive the aid.

Lastly, the report proposed that the system envisaged for the other Community oleaginous products should be extended to cover white and black mustard and grape-seed used in the manufacture of dietetic oils.

114. The *debate* centred mainly on the problem of the interdependence of the vegetable fats and animal fats markets. Some members had serious reservations on the new regulation, regarding it as a denial of this interdependence. Others, while acknowledging that the two markets were interdependent, did not think that both should necessarily be subject to the same arrangements. They proposed deleting the Agricultural Committee's amendments to the regulation, which had been introduced in connection with the principle of the interdependence of the two markets.

The Socialist Group stressed that the problems of olive production could not be solved by market organisation alone. This should be regarded as just one of a whole set of regional policy instruments, all of which were necessary to bring about any radical change in the situation. The Group regretted that the draft regulation was not accompanied by any general plan of reform for this sector.

On the interdependence of the markets, the Group said that the measures proposed by the Agricultural Committee were basically wrong because they represented an attempt to solve the difficulties in this sector not with indigenous means but with the help of outside circumstances.

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1675/65.

2. Doc. 72/1965-66: Richarts Report on the proposal of the EEC Commission to the Council for a regulation establishing a common organisation of markets in oils and fats.

In its reply, the EEC Commission agreed that the animal fats and vegetable fats markets were interdependent. But it could not accept the Agricultural Committee's proposal for exceptions in the event of serious disturbances on the Community's animal fats market. In such circumstances, recourse could simply be had to Article 43 of the EEC Treaty which prescribed that the Council could, on the proposal of the Commission and after consulting Parliament, take all necessary measures to organise the markets. The amendment proposed on this point would in fact prevent Parliament from intervening, while giving the Commission and the Council a power not subject to parliamentary control.

115. At the end of the debate, Parliament passed a *Resolution*¹ endorsing the draft regulation. Previously, however, it stated, in contradiction of the Agricultural Committee's report, that the vegetable fats and animal fats markets should be organised separately. It also rejected the possibility of exceptions to the regulation in the event of serious disturbances on the Community's animal fats market.

116. At its October Session, Parliament gave an Opinion, at the request of the Council of Ministers, on an EEC Commission *draft regulation* on quality wines produced in specified areas.

The draft regulation was based on Article 4 of a Council regulation for the progressive establishment of a common organisation for the wine market. This regulation sets out the factors which rules on quality wines must take into consideration, viz. :

- (i) Demarcation of producing region,
- (ii) Variety of vine,
- (iii) Viticultural practices,
- (iv) Vinification method,
- (v) Natural minimum alcohol content,
- (vi) Yield per hectare,
- (vii) Analysis and evaluation of organoleptic characteristics.

In a *report*² to Parliament, the Agricultural Committee endorsed the Commission's

proposals but made one or two observations and suggested some amendments to the draft regulation.

In particular, the report suggested that when the quality wine producing areas came to be listed, regard should be had to traditional production conditions, so that only grape juices and wines satisfying certain minimum quality standards would qualify for the Community label "quality wine produced in particular areas".

Among the particularly difficult problems which the draft regulation involved, the report noted that of oenological methods. While approving in principle the ban on blending and the adding of sugar, it hoped that these might be allowed as a concession to certain national customs, in so far as ecological and technical factors so required.

As one of the aims of the regulation was to protect producers from unfair competition and consumers from being cheated or misled, the report suggested that each member State should have a special agency to ensure compliance with the regulation. It also proposed the setting up of associations for the protection of quality wines.

For these reasons, the report proposed amending the regulation in respect of the designation, control and protection of wines. It suggested that "appellations" should be used only for wines which satisfied the requirements of the regulation and the provisions introduced in pursuance thereof.

The name of a particular area (appellation of origin) should be used only for quality wines produced from grapes harvested in the area. To allow for established practice, however, the use of the name of a particular area might be authorised in exceptional cases up to 1st January 1970.

The use of a place name other than the name of a particular area could be authorised under certain conditions.

Member States' arrangements for the control and production of quality wines produced in particular areas should be at least equivalent to those existing under any international agreements ratified by them before publication of the regulation. The report also suggested a new clause providing for the setting up, in each

1. Resolution of 18th June 1965, *Journal Officiel* No. 119, page 2040/65.

2. Doc. 89/1965-66: Vals Report on the proposal of the EEC Commission to the Council for a regulation on quality wines produced in specified areas.

member State, of a special agency to see that the regulation was complied with.

In its reply, the EEC Commission said that while it had no objection to the amendments proposed, it could not take them all into consideration in a new proposal.

In connection with the amendment to the provisions on the control and protection of quality wines produced in particular areas, the Commission wondered whether it was legally possible to stipulate in a Community regulation that, for control purposes, bilateral agreements shall be confirmed by the Community regulations.

The Commission also wondered whether the Community could prescribe that each member State must set up a special control agency; hitherto member States had had complete freedom regarding the application of Community regulations.

At the end of the debate, Parliament rendered an *opinion*¹ approving the draft regulation, subject to the amendments proposed by the Agricultural Committee.

117. At its May Session, Parliament endorsed an EEC Commission proposal to the Council for a Resolution on accelerated establishment of a common market for certain agricultural products already subject to a market organisation, viz. cereals, pigmeat, eggs, poultry, fruit and vegetables, bovine meat, rice and dairy products.

The Resolution proposed prescribed, in respect of these products, the abolition of customs duties and the fixed protection factor in intra-Community trade and, by 1st July 1967, the application of the common customs tariff and the standardisation of the fixed protection factor in trade with non-member countries.

In a *report*², the Agricultural Committee endorsed the measures proposed by the Commission. It pointed out, however, that on the basis of these measures there should be a common price level not only for cereals but also,

as from the same date, for all the other major agricultural products to which the proposal related. The Committee asked that the necessary decisions be taken for the establishment of a system applicable, under the common agricultural policy, to those products for which there was not yet any market organisation.

Noting that, from 1st July 1967, individual States would no longer be able to intervene on their domestic markets, the report asked the Commission to consider, in due course, whether intervention measures should be taken and, if so, what measures.

Parliament passed a *Resolution*¹ embodying these requests.

118. Also at its May Session, Parliament rendered an opinion on a Commission proposal to the Council for a regulation on glucose and lactose.

The purpose of the proposed regulation was to bring chemically pure glucose and lactose, hitherto subject to customs duty, under the common agricultural policy system, especially under the levies system which had not so far been applied to the standard commercial grades of glucose and lactose.

This had been found necessary following a recommendation by the Customs Co-operation Council that these products be brought under a single tariff heading so that they would be covered by the same customs system. The proposal was unanimously approved by Parliament in the light of an Agricultural Committee's *report*².

119. At its October Session, Parliament rendered an opinion on a Commission proposal for a directive on measures to prevent the introduction of plant pests into member States. The directive provided for:

- (i) Further plant pest control measures in member States;
- (ii) An adequate system to prevent the introduction of pests from non-member countries;
- (iii) The progressive removal of barriers in intra-Community trade (gradual abolition of pro-

1. Resolution of 19th October 1965, *Journal Officiel* No. 187, page 2882/65.

2. Doc. 40/1965-66: Lardinois Report on the proposal of the EEC Commission to the Council for a Council resolution on accelerated establishment of a common market for certain agricultural products.

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1674/65.

2. Doc. 35/1965-66: Breyne Report of the proposal of the EEC Commission to the Council for a regulation on glucose and lactose, and Resolution of 10th May 1965.

tective measures inside the Community and retention of protective measures vis-à-vis non-member countries).

In a *report*¹, the Agricultural Committee endorsed the directive but pointed out that it would be better, instead of removing import controls, to transfer responsibility for plant protection from the national level to the Community level; a Community agency would be better equipped than national agencies to combat pests whose area of propagation did not coincide with national frontiers but was determined by ecological frontiers.

In addition, the Committee raised an objection concerning relaxation of the current controls: almost all the Community countries were both importers and exporters, not just one or the other; this applied not only to intra-Community trade but also to trade with non-Members. If, therefore, regulations inside the Community were relaxed and the plant protection system became less effective, exports to non-member countries with very stringent regulations might suffer.

Replying, the EEC Commission gave an assurance that it would continue to seek the best possible system for protecting plants from pests. In the light of this, Parliament unanimously rendered an *opinion*² in favour of the directive.

120. At its November Session, Parliament examined an EEC Commission proposal for a *regulation* on measures to be taken in a situation liable to jeopardise implementation of the objectives set out in Article 39 (1) (c), (d) and (e) of the EEC Treaty. It did not render an opinion, but decided to ask the Commission to reconsider its proposal.

This decision was taken in the light of an *interim report*³ by the Agricultural Com-

mittee. The Committee considered that individual solutions for the different products covered in the draft regulation would be better than a blanket solution for all the products.

Moreover, noting that the draft regulation was to apply only during the transitional period, the Committee felt that a permanent arrangement was preferable.

It considered, too, that the measures to protect consumers should also be permanent rather than provisional. Their purpose ought to be to restrict, or even stop, exports of agricultural products to non-member countries — mainly through a system of charges — whenever Community production was inadequate and prices were strained on the world market. In addition, the Community should be able to pay import subsidies whenever world prices of the products it was obliged to import were abnormally high.

After a short *exchange of views*, in which the EEC Commission gave an assurance that it would review the problems, Parliament decided to defer its opinion pending further Commission proposals.

121. Also at its November Session, Parliament debated a Commission proposal to the Council for a directive amending the Council *directive* of 5th November 1963 concerning the approximation of the regulations of member States on the preservatives which may be used in foodstuffs intended for human consumption.

The purpose of the proposal was to allow certain preservatives — diphenyl and others — to be used throughout the Community for citrus fruit from 1st January 1966. Up to 31st December 1965 their use was subject to the regulations of each member State.

In a *report*¹, the Agricultural Committee said that it could not approve the Commission's proposal because there was still disagreement among the experts consulted by the Commission over the effects of these preservatives on health

1. Doc. 87/1965-66: Bading Report on the proposal of the EEC Commission to the Council for a directive on measures to prevent the introduction of plant pests into member States.

2. Resolution of 22nd October 1965, *Journal Officiel* No. 187, page 2900/65.

3. Doc. 102/1965-66: Charpentier Report on the proposal of the EEC Commission to the Council for a regulation on measures to be taken in a situation liable to jeopardise implementation of the objectives set out in Article 39 (1) (c), (d) and (e) of the EEC Treaty.

1. Doc. 108/1965-66: Kriedemann Report on the proposal of the EEC Commission to the Council for a directive amending the Council directive of 5th November 1963 concerning the approximation of the regulations of member States on the preservatives which may be used in foodstuffs intended for human consumption.

and over the analysis methods to be used for establishing permissible amounts. It recommended keeping the directive of 5th November 1963 in force for another year; national regulations would thus continue to apply up to 31st December 1966, by which time the problem might have been cleared up.

The Health Protection Committee¹, for its part, held that the use of these preservatives should be banned until it had been established that they had no ill-effects on health. The restrictions proposed by the Commission on their use were not adequate to protect the health of consumers. In the light of these observations, a member moved — during the ensuing debate — that the directive proposed be rejected. He also argued against extending the transitional arrangement whereby national regulations on the spraying of citrus fruit with diphenyl and other preservatives were to remain in force until 31st December 1965. He proposed that the Council directive of 5th November 1963 be left as it was.

In its reply, the EEC Commission told of the difficulties which had arisen when the directive was being drafted in 1963 and which had led the Commission to lay down a date for establishing the effects of the use of diphenyl. The problem had not yet been fully cleared up; there was disagreement among the member Governments over what analysis methods were best.

The Commission asked Parliament to agree that national regulations should be kept in force until 31st December 1966, pending further studies; an absolute ban on the use of preservatives might seriously affect the citrus fruit exports of several non-member countries.

This proposal was accepted by Parliament in a Resolution².

122. In December 1964, the EEC Council transmitted to Parliament a Commission proposal to introduce a charge on oils and fats on the basis of Article 201 of the Treaty. The pro-

ceeds of the charge were to be used to cover expenditure resulting from the scheme for oleaginous products from the Associated African States and Madagascar (AASM) and the Overseas Countries and Territories (OCT) and to meet the expenditure of the European Agricultural Guidance and Guarantee Fund (EAGGF).

In May 1965, Parliament passed a Resolution on the Commission's proposals for the financing of the common agricultural policy. The Resolution supported the budgetary principle of pooling income and expenditure, i.e. not earmarking given items of income for given items of expenditure. This principle was recalled by the Budget and Administration Committee in a report¹.

While acknowledging the value of giving assistance to Community producers and to imports from the AASM and the OCT, the Committee considered it undesirable to create independent revenue of too specific a nature that did not reflect the wealth of individual States or, thus, of the Community. Accordingly, special funds were not needed to finance the assistance envisaged, particularly as the revenue visualised by the Commission from all imports from non-member countries should be enough to cover it.

The Committee suggested asking the Commission to reconsider its proposal. If, despite this, the charge was introduced, the expenditure to be covered by it each year must be determined in accordance with the procedure set out in Article 203 of the EEC Treaty, if necessary amended in accordance with Parliament's Resolution of 12th May 1965.

On the other hand, the Agricultural Committee — to which the question was referred for an opinion — accepted the charge in principle, subject to the following conditions:

- (i) For consistency's sake, the authorised postponement by the Federal Republic of Germany and the Netherlands of the application of the charge should be as short as possible;
- (ii) The rate of the charge should not be varied from year to year according to import levels so

1. Opinion of the Health Protection Committee, attached to the Kriedemann Report.

2. Resolution of 26th November 1965, *Journal Officiel* No. 209, page 3139/65.

1. Doc. 68/1965-66: Vals Report on the proposal of the EEC Commission to the Council for Council provisions, in application of Article 201 of the EEC Treaty, on the introduction of a charge on oils and fats.

as to reach the figure of 87.5 million units of account set by the Council. After a trial period, the Commission should propose a permanent rate ;

(iii) The Commission should report annually on its experience in this field.

123. In the *debate* (18th June 1965), the Liberal Group and supporters said that the method of covering the expenditure provided for in the draft regulation would lead to protectionism. The Group was opposed to the first Community tax being borne by consumers of oils and fats, particularly as Parliament had upheld the principle of the pooling of income and expenditure in its opinion on the financing of the common agricultural policy. The Group was therefore in favour of the approach advocated by the Committee.

At the end of the debate, Parliament rejected two amendments tabled by the Socialist Group opposing the introduction of any special consumer charge to finance the oils and fats section of the common agricultural policy. It did, however, adopt an amendment aimed at safeguarding the principle of the compromise reached by the Council in December 1963.

In the *Resolution*¹ finally adopted, Parliament took the view that no special charge should be introduced in violation of the budgetary principle of pooling. It therefore asked the EEC Commission to reconsider its proposal and reiterated, in case the special charge was nevertheless introduced, what its Resolution of 12th May 1965, on the financing of the common agricultural policy, stipulated regarding (a) the procedure for fixing the charge and (b) parliamentary control.

124. Parliament also discussed certain aspects of vocational training in agriculture².

125. At its May Session, Parliament discussed in detail the budgetary problems implicit in the application of the common agricultural policy³.

1. Resolution of 18th June 1965, *Journal Officiel* No. 119, page 2054/65.

2. See report on this subject in the Chapter on social policy.

3. See Chapter I, paragraph 2 et seq.

3. Energy policy

126. During the period under review, the Energy Committee did not present any report on trends in the different energy sectors or on the energy situation in general.

This was because of the crisis of June 1965 and the considerable work done by the Executives with a view to submitting proposals for the implementation of the agreement protocol of April 1964.

This work was given very close attention by the Committee at various meetings. For the purpose of drawing up its own reports, the Committee held detailed exchanges of views with the High Authority on the progress made in utilising the data supplied by member States on the financial measures taken in support of coal mining. Beginning in the autumn of 1965, it discussed with the EEC Commission the planning of a common hydrocarbons policy. The EURATOM Commission reported to the Committee on the indicative programme it is required to present under Article 40 of the EURATOM Treaty.

Throughout these discussions, the Committee was guided by the principles it had formulated over previous years for the drawing up of a common energy policy.

The period May 1965-April 1966, was, for the Committee, one of forced silence, which it used to make a detailed study of the questions on which it is to report to Parliament in 1966. Its reports will deal mainly with the common policy envisaged by the EEC Commission for hydrocarbons, the EURATOM Commission's indicative programme and energy policy measures in support of Community coal mining.

4. Transport policy

127. During the period under review, the Council reached an agreement on the general principles for organisation of the transport market. The agreement applies to a transition period divided into two stages, ending on 31st December 1972. At the end of that period national and international transport within the Community will be subject to common regulations. Unlike the proposals of the EEC Commission, this plan permits the parallel existence

of two systems, an obligatory and an optional rate-bracket system.

The Council also decided to introduce a consultation procedure in the field of investment in transport infrastructure and published a directive in standardisation of procedures for issuing licences for road haulage between member States. Another decision harmonised certain provisions affecting competition in transport by rail, road and waterway.

Air transport

128. During the period under review Parliament took it upon itself to produce a *report*¹ on civil aviation in the Community, which was considered at the May Session.

The negotiations into which the Governments had already entered some time previously, in collaboration with the Community's national airlines, were making heavy weather and Parliament was afraid air transport might remain outside the scope of the Treaty of Rome. The Transport Committee consequently felt there was an urgent need to formulate a Community attitude to the matter.

The Committee commenced its report by considering the competence of EEC in the field of air transport. It recalled that Parliament had already, at an earlier juncture, reached the conclusion that air transport, like sea transport, lay within the Community's competence, and that that view was shared by the EEC Commission.

The Council of Ministers had never concerned itself with the matter, although it was empowered by the Treaty to make appropriate provisions in respect of sea and air transport. While it was true that the Treaty of Rome allowed member States to decide upon the procedure for and the time of including air and sea transport in the common transport policy, the Committee read the relevant Article to mean that Governments must endeavour to reach an agreement on air transport in the Council of Ministers. The Council, clearly, was placing a narrow interpretation upon the Treaty.

1. Doc. 24/1965-66 : Drouot l'Hermine Report on the problems of integrating civil aviation in the Community.

Unless the difference in the interpretation set upon the provisions of the Treaty of Rome made by the Institutions of the Community and by the States signatories to the Treaty were reconciled soon, it must inevitably have an adverse effect upon the harmonious development of the economic activities of the Community as a whole. Should the present situation persist, the EEC Commission should — the report said — apply to the Court of Justice for a ruling on the interpretation of the Treaty, under Article 177 (a) thereof.

When it appeared that the negotiations between the airlines were marking time, the Governments had taken them up at intergovernmental level. The aim was to establish an Air Union.

The EEC Commission ought, at that point, to have done something. It was difficult to see why an agreement on air transport, which was closely bound up with a number of questions dealt with by the EEC Treaty (competition and commercial policy, for example), should not lie within the Commission's competence. The Treaty provided that the EEC Commission, as the guardian of the Treaty, must check against the provisions of the Treaty a draft convention established through intergovernmental negotiations. It was at fault in having been so slow in approaching the Council of Ministers. The Committee was expecting concrete proposals from the EEC Commission, accompanied by a programme for the integration of air transport in the Common Market.

The Governments had not yet reached agreement. The report accordingly urged that steps be taken to bring the negotiations on Air Union, which were dragging on slowly, to a conclusion.

The report also mentioned various political means by which pressure might be brought to bear upon the Governments. It invited the EEC Commission to address a recommendation to the six Governments indicating the concern occasioned to it by the existence, outside the Community, of a draft convention on Air Union, and to propose a procedure by which negotiations might be entered into on the "appropriate provisions" to make under Article 84, paragraph 2, of the Treaty of Rome.

129. In the *debate*, the Rapporteur rejected the submission of the EEC Commission that the Council alone had power to integrate air and sea transport in the policy of EEC. Under Article 155 of the Treaty of Rome the EEC Commission was empowered to submit opinions and to formulate recommendations to the Council should it consider it necessary to do so.

The Christian Democrat Group said that in its view the matter must be referred to the Council, since that was the competent body. Sight must not be lost of the fact that the aim of a common air transport policy was to make the operation of the airlines more profitable and to secure more rational organisation.

The EEC Commission said that the negotiations in progress for the establishment of Air Union were a fact which had to be recognised. The question at issue was a political one, namely whether civil aviation was to be dealt with within the Community or outside it. The Community was, it insisted, competent at all levels.

It considered that the EEC Treaty, except for Title IV, applied to air and sea transport.

The Commission refused to accept the criticisms of its activities made by Parliament. It promised to do everything that it ought to do, within the framework of the Treaty, as soon as it was in possession of the information on the establishment of Air Union with which it was to be supplied by the Governments. The Governments had stated that they would not introduce into the convention establishing Air Union any provision incompatible with the Treaty of Rome.

130. In the *Resolution*¹, adopted unanimously, Parliament stated that practical steps must be taken by the Community. It expressed the view that the EEC Commission should, without further delay, undertake the necessary economic and technical studies to enable it to formulate practical proposals on a Community system of air transport, for submission to the Council.

1. Resolution of 14th May 1965, *Journal Officiel* No. 96, page 1702/65.

The Commission should take any other requisite steps to ensure that proposals were submitted to the Council at an early date on the procedure to be followed and the means to be employed to settle the problems of air transport on the basis of Article 84, paragraph 2, so that a real Community policy in conformity with the spirit of the Treaty of Rome might be achieved for the transport sector as a whole.

Common organisation of the transport market

131. At its January Session, Parliament adopted a *report*¹ by its Transport Committee on the agreement which the Council had reached on the broad lines of a common organisation of the transport market, and on the proposals of the EEC Commission concerning the introduction of a rate-bracket system.

The Council had instructed the Committee of Permanent Representatives to examine the proposals of the EEC Commission, in collaboration with that body, and to make the necessary changes therein. In its report the Transport Committee said that that procedure, which implied the possession by the Committee of Permanent Representatives of powers it did not have, could hardly be called a Community procedure. The matter had in any case not been pursued, because the EEC crisis had occurred shortly after.

However, that had not prevented the EEC Commission from, in the meanwhile, making fresh proposals, consisting of amendments to the Council's draft regulation on the establishment of a rate-bracket system for goods transport. The amendments proposed by the EEC Commission to its initial proposals were, the report said, so far-reaching that they really amounted to an entirely new proposal². The main point of difference from the Commission's first proposals was that the same rate-bracket

1. Doc. 115/1965-66 : de Gryse Report on the system adopted by the Council on 22nd June 1965 for organising the transport market, and on the proposals of the EEC Commission of 27th October 1965 for the introduction of an optional rate-bracket system.

2. On 22nd March 1966 the Council of Ministers asked Parliament again for its opinion.

system would no longer apply to all modes of transport, but that parallel with the obligatory system there would be an optional reference system, and opportunities for special contracts would be considerably increased. The new system thus provided a much larger measure of freedom in regard to pricing than the one originally proposed.

The Committee noted with approval that, at the present stage of the negotiations, the pricing system figuring in the EEC Commission's new proposals was one which approximated more closely to the proposals Parliament had made in earlier reports.

It took the view that, since capacity regulation and harmonisation constituted a single whole with price formation in the common transport policy, immediately price regulation came into force the question of harmonisation and capacity regulation must be dealt with too. Harmonisation must be effected according to the time-table laid down in the harmonisation regulation. The EEC Commission should submit proposals on the subject as soon as possible. In regard to international road transport, the Committee did not consider it advisable to link the rate-bracket system with costs harmonisation and with the solution of the problem of infrastructure costs and capacity, because that might prevent any progress being made with the common transport policy.

The Committee greatly regretted that the Council of Ministers had extended by two years the date for application of the regulation on competition in the transport field, and that it was not prepared to undertake the survey which was to act as a basis for the agreements policy in the field of transport.

The Committee believed that the new proposals safeguarded equality of treatment as between the various modes of transport. They could accordingly contribute to the establishment of a European transport market based upon the principle of equal treatment, provided the distortions existing between cost factors were removed by the adoption of the requisite harmonisation measures and by the speedy solution of the problem of infrastructure costs.

The report concluded by examining the Commission's draft regulation article by article and proposing some amendments.

132. In the *debate*, the Liberal Group said that it would have preferred a single regulation to a system which combined an obligatory rate-bracket system with a reference system. There was no point whatever in a rate-bracket system unless price stability could be established through fiscal harmonisation, which, together with harmonisation of all the modes of transport and of capacity regulations was consequently necessary for the achievement of a common transport policy. The Group also felt that the proposal for the establishment of a surveillance committee for the transport market should be welcomed. That committee should be a Community institution, or a body responsible to the EEC Commission.

The members of the Socialist Group abstained from the vote because they had reservations regarding both the EEC Commission's proposals and the procedure which the Council and the Commission had employed. They were particularly concerned at the fact that liberalisation went much further in a number of respects in the EEC Commission's new proposals than in the previous ones. Furthermore, the Commission had failed to take up several essential points in the agreement the Council had already arrived at, a procedure which was not, the Group pointed out, beyond criticism politically.

The Christian Democrat Group thought it absurd that the proposals should leave it open to member States to alter the reference tariffs for their territory, because the object was to establish in the six countries equal conditions of competition for the various modes of transport. It did not deny that the EEC Commission was entitled to make new proposals widely at variance with arrangements already accepted by the Council, but it questioned the political wisdom of such a procedure. The balance which had been struck between planning and freedom in the transport market represented a political arrangement from which the Executive might only depart in the interests of strengthening the Community nature of the regulation.

The EEC Commission, replying, did not deny that the new proposals differed substantially from the previous ones. The system proposed was an experiment and an arrangement justifiable on economic and political grounds.

It urgently drew attention to the possibilities offered by the proposals of improving the system, the salient feature of which was the greater freedom it would give transport undertakings to fix their prices. Restrictions were placed upon that freedom, however, in order to prevent abuses.

The Commission concluded by saying that application of obligatory rate brackets to transport on the Rhine was not envisaged, and that the freedom it was recommending for transport prices was not inconsistent with a sound regional policy or with a common agricultural policy.

133. In its *Resolution*¹ the European Parliament declared that it believed the proposed system might act as a departure point for a common European policy on transport rates; the system could, however, work in the long run only if it formed part of an overall common European transport policy.

It invited the EEC Commission to submit, as soon as possible, a draft regulation on capacity. In conclusion, it expressed the hope that the EEC Commission would incorporate the amendments adopted by Parliament in a new proposal for submission to the Council.

5. Internal market problems

134. The provisions of the Treaty for automatic reduction of internal customs duties resulted in a fresh reduction of tariffs taking place on 1st January 1966, from 30 to 20 per cent of the 1957 level. During the third stage these 20 per cent are to be reduced progressively. There are no grounds for believing that the Council will not accept the Commission's proposal that the customs union be established on 1st July 1967.

In other fields more and more is getting behindhand. During the period reviewed the Council issued only two directives on freedom of establishment and freedom to provide services — relating to the cinema and to activities in the electricity, gas, water and sanitation service

sectors — despite the fact that numerous draft directives had been submitted to it by the Commission.

No decision has yet been taken on the harmonisation of turnover taxes, although two draft directives have been considered by the Community's consultative institutions. Nor has any decision been taken in other fields in which harmonisation is important, namely customs legislation, corporation law, patent rights, and taxes on company capital.

135. On the subject of competition, the EEC Commission took new individual decisions on combines. It undertook to work out a concentrations policy.

In June 1965, the EEC Commission made a statement to Parliament on "Competition policy as an integral part of economic policy in the Common Market". That was followed by the publication of two major studies: a memorandum on "The problem of concentration in the Common Market", and a "Survey of the position of small and medium-sized industrial undertakings in the EEC countries".

The High Authority provided Parliament with several studies on competition policy in ECSC. One of its representatives explained in June 1965, also during the session of Parliament, the "importance of competition rules in the economic policy of the ECSC". Parliament proposes to consider the substance of these works and, through the presentation of a report and a discussion upon it, to make its contribution towards establishing an effective and practical competition policy in the Community.

The customs union

136. So well was European integration advancing that the Commission felt able to propose the abolition of customs barriers as from 1st July 1967, and it made various approaches to the Council during 1965 to that effect.

In February 1965 the Council consulted Parliament on two *proposals* of the EEC Commission, one on the abolition of customs duties, the introduction of common customs tariffs and the prohibition of quantitative restrictions between member States, and the other on the approximation of customs laws.

1. Resolution of 19th January 1966, *Journal Officiel* No. 23, page 361/66.

In its *report*¹, the Internal Market Committee referred to the fact that the Community's institutions, and the European Parliament above all, had always stressed the need to speed up the establishment of the customs union. It could not but approve the Commission's new proposal for the establishment of the customs union on 1st July 1967, because that would provide a stimulus to deeper market interpenetration and to the process of unification in other sectors. It expressed the view that the acceleration should be accompanied by an equally speedy establishment of the economic union, in order to avoid any imbalance in the integration of the national economies.

In regard to approximation of customs laws, the Committee recalled the broad lines of the major programme the Commission had set for itself in its note of 31st July 1963. It emphasised that the approximation must be achieved within the time-limit proposed by the Commission, i.e. not later than the date at which the customs union was completed for industry and agriculture.

By two *Resolutions* adopted on 12th May 1965² Parliament approved the text of the Executive's two proposals; it pointed out, however, that the Commission's proposals for the approximation of customs laws could be based on Article 100 of the EEC Treaty.

137. Parliament also had before it in February 1965 a request for an opinion on a *proposal* by the EEC Executive for the abolition of frontier checks between member States by not later than 1st January 1970. In its *report*³ the Internal Market Committee said that the proposal was part and parcel of the proposals for the complete establishment of the customs union

in July 1967 and rounded them off. Nationals of member States should be awakened to the fact that trade had become free from all economic restrictions and that the consumer might reap the benefit. While abolition of the checks was no doubt technically feasible by the date mentioned, the difficulties should not be underestimated — difficulties such as the harmonisation of turnover taxes, of excise duties and of other laws, regulations and administrative rules which had a direct bearing upon the establishment or operation of the Common Market, also the elimination of administrative obstacles, particularly the obligatory licensing system. The abolition of frontier checks would be complete if, as the Commission expected, member States refrained from having recourse to the safeguard clause contained in Article 115 of the EEC Treaty. It was to be hoped the Community would by that time have managed to establish a common economic policy that would iron out differences, since differences might become even more acute after the complete freeing of trade.

The report was debated at the public Sitting of 21st May 1965. In its *Resolution*¹ Parliament approved the Executive's proposal stressing that it was necessary to abolish frontier checks between member States, particularly the examination of hand luggage, as soon as possible.

138. Parliament was asked for its opinion on two proposals of the EEC Commission extending the period of application of the system set up in April 1962 for the levy of a countervailing duty on certain commodities derived from the processing of agricultural products. In June 1965 Parliament gave an initial favourable *opinion* on extending the period of application of the system from 29th March 1965 to 31st October 1965². In October 1965 it gave a favourable opinion on a second proposal for extension, whereby the Council would be allowed a further

1. Doc. 21/1965-66 : Scarascia Mugnozza Report on the EEC Commission's proposals to the Council concerning a Council decision on the abolition of intra-Community customs duties, the introduction of common customs tariffs and the prohibition of quantitative restrictions between member States, and a Council decision on the approximation of customs laws.

2. Resolutions of 12th May 1965, *Journal Officiel* No. 96, pages 1670 and 1672/65.

3. Doc. 22/1965-66 : Bersani Report on the EEC Commission's proposal to the Council concerning a decision by the Council on the abolition of frontier checks between member States.

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1675/65.

2. Carboni oral report on the EEC Commission's proposal to the Council concerning a decision extending for a further period application of the Council's decision of 4th April 1962 providing for a countervailing duty on certain commodities derived from the processing of agricultural products, and Resolution of 14th June 1965, *Journal Officiel* No. 199, page 1986/65.

period in which to reach a decision upon the new system to be applied to those products, a subject on which Parliament had been consulted already¹. The second proposal had a special feature, in that it provided for two stages: from 1st November 1965 to 28th February 1966 the tax protecting the processing industry might not exceed 2.5 per cent of the price of the commodity, and from 1st March to 30th June 1966 it might not exceed 1.5 per cent. The reduction in the rate keeps step with the progressive abolition of internal customs duties.

Freedom of establishment and freedom to provide services

139. Parliament continued its regular consideration of proposals prepared by the EEC Commission for applying to different economic activities the general programmes for eliminating restrictions on the freedom of establishment and the freedom to provide services. Ten opinions on this subject were adopted during the period under review.

140. The Council had, on 21st September 1964, submitted to Parliament a *proposal* of the EEC Commission for implementing the freedom of establishment and the freedom to provide services in respect of non-wage-earning activities in the real estate sector and in the "services to undertakings" sector.

In regard to real estate, the Internal Market Committee proposed in its *report*² that use should be made of the classification of activities given in a protocol signed in Brussels in 1961 by the professional associations of the six Community States. A valuable feature of the protocol was that it defined the activities of

1. Carboni oral report on the EEC Commission's proposal to the Council concerning a decision extending the period of application of and further amending the Council's decision of 4th April 1962 providing for a countervailing duty on certain commodities derived from the processing of agricultural products, and Resolution of 18th October 1965, *Journal Officiel* No. 187, page 2873/65.

2. Doc. 23/1965-66: Alric Report on the EEC Commission's proposal to the Council concerning a directive on implementation of the freedom of establishment and the freedom to provide services in respect of non-wage-earning activities in the real estate sector (*groupe 460 CITI*) and in the "services to undertakings" sector (*groupe 839 CITI*).

promoting, negotiating and managing real estate. The Committee also suggested that in the case of the three Benelux countries a more detailed list of real estate activities should be employed. A similar concern for precision caused it to propose addenda to Article 4 on services provided to undertakings not classified elsewhere. It suggested, *inter alia*, a new list of advertising activities.

In conclusion, the hope was expressed that member States would consult together on the uniform interpretation it was desirable to give to Articles 55 and 56 of the EEC Treaty. Those Articles provide for the exclusion from the provisions concerning freedom of establishment, of activities involving the exercise of Government action, in a member State, also of foreign nationals accorded special treatment on the grounds of public policy, public security and public health.

Parliament considered the report on 14th May 1965 and adopted the *draft Resolution* submitted to it by the Internal Market Committee, approving the draft directive prepared by the EEC Commission and noting that it was late according to the time-table laid down in the general programmes for the abolition of restrictions on freedom to provide services and freedom of establishment¹.

141. A letter communicated by the Council on 14th October 1964 had invited Parliament to give its opinion on a draft *directive* on implementation of freedom of establishment and freedom to provide services in respect of non-wage-earning activities in the electricity, gas, water and sanitation service sectors. In its *report*² the Internal Market Committee pointed out that the practical application of the directive was limited by the fact that the activities in question were frequently carried out by government departments or local authorities, or contracted out. The Committee accepted the

1. Resolution of 14th May 1965, *Journal Officiel* No. 96, page 1704/65.

2. Doc. 32/1965-66: Illerhaus Report on the EEC Commission proposal to the Council concerning a directive on implementation of freedom of establishment and freedom to provide services in respect of non-wage-earning activities in the gas, water and sanitation service sectors (*branche 5 CITI*).

retention of restrictions in those cases provided the restrictions applied to nationals of the State concerned as well as to nationals of other member States. It welcomed the fact that the Executive had dealt with activity in the gas sector as a whole and that the directive covered transport of gas by pipeline, the freeing of which from restrictions had not been provided for till the third stage of the transitional period. As the Energy Committee had observed, in an opinion it had returned on the subject, that step gave scope for the exercise of a European policy in the energy field. As far as the co-ordination of qualifications governing admission to the activities covered by the directive was concerned, the Internal Market Committee said it was surprised to see a reference to the common energy policy, since this implied that the co-ordination could not take place in the near future. The Health Protection Committee was also consulted and proposed no amendment.

In its *Resolution*¹, adopted on 12th May 1965, Parliament approved the draft directive prepared by the Executive, on the ground that it constituted an amplification of the Community measures already decided upon in connection with the freedom of establishment, and that it was a new tool calculated to further the attainment of the common energy policy. The Executive should, as soon as possible, consider the problem of co-ordinating qualifications for admission to and pursuit of the activities covered by the directive. In conclusion, Parliament proposed that the date on which the directive was to come into force, and the date by which the appropriate measures taken by States were to be communicated to the Executive, should be indicated.

142. In May 1965 the Council consulted Parliament on two *draft directives*, one on implementation of the freedom of establishment and the freedom to provide services in respect of non-wage-earning activities connected with retail trade, and the other on the nature of interim measures to be applied to those activities. Under the first, national treatment would be extended to nationals of other member

States; while the second provides for certain interim measures facilitating entry into and the pursuit of non-wage-earning activities, pending co-ordination of legislation and reciprocal recognition of diplomas, certificates and other qualifications. The activities covered by the two draft directives include tobacco retailing, auctioneering and the hiring out of goods, but excludes hawking and the sale of pharmaceutical preparations.

In its *report*¹ the Internal Market Committee proposed several amendments. It felt it would be desirable to be stricter about the length of time a person was required to have already been engaged in retail trade before he could be permitted to do so in other member States. It also considered that the meaning of the term "director of a firm" should be extended to include departmental managers in large commercial firms and a post corresponding to one of the activities referred to in the draft directive which involved commercial or economic responsibilities.

Parliament considered the report at its meeting on 22nd October and at once approved the text of the two draft directives, subject to the few amendments proposed in the report².

143. The EEC Council submitted to Parliament for its opinion, on 31st July 1964, a *draft directive* prepared by the EEC Commission on measures to implement the freedom of establishment and the freedom to provide services in respect of press activities.

The draft directive covered the following non-wage-earning activities: the activities of journalist, press photographer, operation of a news agency, publication of a newspaper or other periodical, and distribution of newspapers and periodicals. Persons and corporate bodies engaging in those activities would be accorded

1. Doc. 85/1965-66: Illerhaus Report on the EEC Commission's proposals to the Council concerning:

1. a directive on implementation of the freedom of establishment and the freedom to provide services in respect of non-wage-earning activities connected with retail trade (*groupe ex 612 CITI*), and

2. a directive on the nature of interim measures to be applied in the field of non-wage-earning activities connected with retail trade (*groupe ex 612 CITI*).

2. Resolutions of 22nd October 1965, *Journal Officiel* No. 187, pages 2914 and 2919/65.

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1692/65.

national treatment on the same footing as nationals in any member State to which they might go.

Further, the qualifications for admission to those activities would be made subject to interim provisions, since co-ordination of the laws and regulations in force in the individual member States raised problems it would take a considerable time to solve. The interim arrangement proposed was that evidence of the lawful and actual pursuit of those activities in another member State should be regarded as sufficient proof of the party's professional competence.

In its *report*¹ the Internal Market Committee began by pointing out that the draft directive was of rather limited scope: it did not cover radio and television activities. It repeated the substance of the reply it had received from the EEC Commission in that connection, which had been to the effect that audio-visual information media were a monopoly in most member States; that the removal of restrictions in respect of those activities was to occur, under the general programmes, during the third stage; and that the inclusion of all information activities in a single text concerned more directly the cultural and political fields, and would merely delay the removal of restrictions upon the activities in question.

It then examined the question whether a member State, in the present case France, might refuse to remove restrictions in respect of an activity which it did not regard as a commercial activity, on the grounds of public policy. It concluded that the press constituted a property of a partly commercial character in connection with which there was competition, and that Article 56 of the Treaty, which provided that public policy might constitute grounds for making an exception, could only have limited and temporary application. The nationality qualification required in France for persons engaging in a press activity should therefore, it considered, be done away with. It noted the firm attitude adopted in the matter by the EEC Commission, which had said it was prepared

if necessary to invoke Article 169, on failure on the part of a member State to fulfil its obligations under the Treaty.

Regarding the prohibition of Communist activities in the Federal Republic of Germany, the Committee felt there were no grounds for considering that prohibition to be a discriminatory measure because it applied to nationals of all member States.

The Rapporteur had obtained an opinion on the draft directive as a whole from the Committee for Research and Cultural Affairs, which had declared itself in favour of it because it provided new opportunities for mutual understanding between peoples.

The report was presented by the plenary sitting on Thursday, 21st October. Since the EEC Commission wanted to look again into the whole question of freeing press activities, Parliament decided to defer giving its opinion.

144. On 3rd February 1965 the Council consulted Parliament on two *draft directives* prepared by the EEC Commission on the freedom of establishment in agriculture, a sector for which the general programme provides a special time-table. It will be remembered that the Council had already, in April 1963, adopted two directives on the subject of farm workers and farmers settling on agricultural land which had been abandoned or left uncultivated for more than two years. The two texts took matters through the third stage of the special time-table. Under the first draft directive emigrant farmers who had already been accepted as tenant farmers in one member State would be enabled to enjoy all the rights conferred by a tenancy agreement in another. Under the second, farmers nationals of one member State who had been settled for two years in another member State would be entitled to move from one farm to another there, whatever the nature of tenure of either farm.

In its *report*¹ the Internal Market Committee, to which the two texts were referred,

1. Doc. 83/1965-66: Kreyssig Report on the EEC Commission's proposal to the Council concerning a directive establishing the measures to be taken to implement the freedom of establishment and the freedom to provide services in respect of press activities.

1. Doc. 117/1965-66: Tomasini Report on the EEC Commission's proposals to the Council concerning a directive to make member States' laws in regard to farm tenancies applicable to farmers nationals of other member States; and a directive to allow farmers nationals of one member State settled in another member State to move from one farm to another.

welcomed the new opportunities which their adoption would open to Common Market farmers. Obviously any discrimination against foreign tenants could be prejudicial to nationals, since landlords might give preference, other things being equal, to less particular foreigners ; while the right of farmers to move from one farm to another would be a valuable tool for encouraging mobility among farmers and the regrouping of farms.

The Committee pointed out that the two draft directives were very limited in scope. They only applied to farmers who already had a tenancy agreement ; and they only conferred the right to move from farm to farm upon farmers who had been established for two years. Furthermore, they did not indicate clearly what the rights and benefits attaching to the farm tenancy system were.

The Committee accordingly endeavoured to amplify the directives somewhat and to define their scope more exactly. It suggested the deletion, in the first article of the directive on farm tenancies, of the words "engaged in its territory in an agricultural activity or settling there with a view to doing so". The object was to do away with the prior settlement qualification. It also proposed the addition of a sub-paragraph to both the draft Resolutions requiring that persons to whom the directive in question applied should enjoy all the financial, economic and social opportunities open to nationals of the receiving country, even if that involved altering the time-table laid down in the general programme.

The Committee considered the question — one that was also raised by the Agricultural Committee which was asked for its opinion — whether a definition of the term "farm tenancy" was required ; and it decided to add a sub-paragraph to the first Resolution on farm tenancies inviting the EEC Commission to attach to the draft directive on farm tenancies a list of the principal kinds of farms to which it intended the general term "farm tenancy" to apply.

In addition, it stressed the need for fuller information. In the first place the EEC Commission ought to inform Parliament of the effects observed, in each member State, of application of directives adopted to implement

the general programmes ; the information would be most useful to Parliament, especially in sectors where the removal of restrictions was carried out in stages. Secondly, member States and the EEC Commission ought to be encouraged to keep more closely in touch with one another and to give one another notice of Bills and regulations that were being drafted.

The report was discussed in plenary sitting on 21st January 1966. Parliament decided unanimously to adopt the two draft Resolutions submitted by the Internal Market Committee. By those *Resolutions*¹ it approved the text of the two directives, in the light of the comments and with the amendments mentioned above.

145. On 14th May 1965 the Council submitted two *draft directives* prepared by the EEC Commission on non-wage-earning activities connected with the food industries and the manufacture of beverages.

The first specified the qualifications in respect of which restrictions on establishment and on the provision of services were to be eliminated ; the second proposed interim measures to overcome, until such time as co-ordination took place, the main difficulties presented by existing differences in definitions and laws relating to admission to the occupation.

In its *report*² the Internal Market Committee reached conclusions on two points : first, the special procedure of introducing into the Council records certain texts proposed by the Commission and, secondly, the interim measures. The purpose of the special procedure was to iron out certain difficulties to which the definition of the activities referred to in the directives gave rise. The Committee was unable to give the procedure its support, because no

1. Resolutions of 21st January 1966, *Journal Officiel* No. 23, pages 384 and 386/66.

2. Doc. 112/1965-66 : Wohlfart Report on the EEC Commission's proposals to the Council concerning : (i) a directive on implementation of the freedom of establishment and the free provision of services in respect of non-wage-earning activities connected with the food industries and the manufacture of beverages (classes 20 and 21 *CITI*), and (ii) a directive on interim measures in the field of non-wage-earning activities connected with the food industries and the manufacture of beverages (classes 20 and 21 *CITI*).

provision is made in the EEC Treaty for the introduction of additional matter into the Council records, and such additions would not be publicised. The Committee proposed in its report, therefore, that the texts the EEC Commission proposed be introduced into the Council records should be added to the text of the directive.

Regarding the principle of the interim measures, the Committee felt that interim measures must, by definition, expire at the end of the transitional period, and that the co-ordination of qualifications for entry into the occupation should be effected as soon as possible.

The report was presented and discussed at the plenary sitting of 18th January 1966. The EEC Commission said that it saw no objection of principle to the texts which it had proposed be introduced into the Council records appearing in the text of the directives. It pointed out, however, that that would cast legal doubt upon additions to the records relating to previous decisions. In regard to co-ordination of laws, the representative of the EEC Commission gave an assurance that Parliament's recommendation would, as far as possible, be acted upon.

Having heard that statement, Parliament adopted a *Resolution*¹ by which it approved the two draft directives, with the additions referred to, and recommended that the work on co-ordination of legislation, regulations and administrative rules, and on the reciprocal recognition of diplomas, certificates and other qualifications should be speeded up.

146. On 14th May 1965 the EEC Council submitted to Parliament for its opinion two draft directives on implementation of the freedom of establishment and the freedom to provide services in respect of non-wage-earning activities connected with personal services in restaurants, cafés, hotels and similar establishments. The purpose of the first was to eliminate restrictions on establishment and the provision of services. The second was on the subject of the interim measures member States were being invited to take to facilitate admission to those

occupations pending the reciprocal recognition of diplomas, certificates and other qualifications and the co-ordination of legislation, regulations and administrative rules relating to admission to those occupations.

The draft directives were referred to the Internal Market Committee. In its *report*¹ the Committee drew attention to the need for a set of regulations at Community level applying to the tourism and hotel-keeping sector. It was because of the need for such regulations that it had invited the EEC Commission to complete, as speedily as possible, its consideration and drafting of further directives to secure the complete elimination of restrictions in that sector. It also pointed out how essential it was for the Community that no new restrictive principles should be introduced in the Executive's co-ordinating work and in its proposals.

The report was discussed at the sitting of 18th January 1966, and Parliament adopted a Resolution submitted by the Internal Market Committee. By that *Resolution*² it invited the Executive to amend its text to provide for a greater measure of freedom from restrictions for the activities covered by the two directives and, with that reservation, approved the text submitted for its opinion.

Competition problems

147. On the subject of competition, Parliament was invited to give its opinion on two very disparate questions: aid to shipbuilding, and supplying EURATOM with fissionable materials.

1. Doc. 118/1965-66: Moro Report on the EEC Commission's proposals to the Council concerning:

1. a directive on implementation of the freedom of establishment and the freedom to provide services in respect of non-wage-earning activities coming under the head of "personal services":

(a) restaurants and cafés (*groupe 852 CITI*)

(b) hotels and similar establishments, camping grounds (*groupe 853 CITI*);

2. a directive on the nature of interim measures in the sector of non-wage-earning activities coming under the head of "personal services":

(a) restaurants and cafés (*groupe 852 CITI*)

(b) hotels and similar establishments, camping grounds (*groupe 853 CITI*).

2. Resolution of 18th January 1966, *Journal Officiel* No. 23, pages 353 and 357/66.

1. Resolution of 18th January 1966, *Journal Officiel* No. 23, pages 345 and 349/66.

On 14th May 1965 the Council submitted to Parliament for its opinion a draft directive of the EEC Commission establishing a system of Community aid to correct distortions of competition in the international shipbuilding market. The Commission pointed out that of recent years shipbuilding in the Community had been exposed to increasingly strong competition from certain countries outside the Community, in particular Japan, which were peculiarly advantageously placed from the point of view of shipbuilding costs. To counterbalance those competition distortions, it proposed that each member State grant, between 1st January 1967 and 31st December 1969, aid amounting to 10 per cent of the contract price for the building of ships of over 3,000 tons.

In its *report*¹ the Internal Market Committee began by retracing the broad lines of the discussion that had been responsible for the matter being brought up. It went on to suggest that aid to shipbuilding should not be obligatory but simply permissive. It also proposed that the basis upon which the amount of the aid was calculated should be the actual value of the ship, not the contract price. It felt that the aid given should take account of any specific aids granted by bodies or authorities in the various member States.

The Economic and Financial Committee, in its *Opinion*, said that it agreed in principle with the Executive's proposals. It felt, however, that the system proposed was a provisional one and should, if necessary, be revised in the light of additional information obtained, and that the EEC Commission ought to bring the question before the European Parliament again in about a year's time. It hoped the aid programme would go hand in hand with a structural programme stimulating the rationalisation of shipbuilding and, where necessary, the adjustment of capacity to requirements. It considered, therefore, that the Commission should encourage the drawing up of national structural programmes and should co-ordinate them.

1. Doc. 103/1965-66 : Armengaud Report on the EEC Commission's proposal to the Council on the subject of a directive instituting a system of Community aid to correct distortions of competition in the international shipbuilding market.

The Social Committee, in its *opinion*, said it considered the Executive ought to keep the sector policy, the regional development policy and social repercussions closely linked together, all of them within the general framework of the Community medium and long-term policy. It, too, said it hoped that the whole problem of shipbuilding would be considered again by Parliament in a year's time.

148. The *report* was discussed in plenary sitting on 25th November 1965. The EEC Commission observed that European shipbuilding was encountering certain difficulties due to artificial distortion of the terms of competition in the international market. The object of the draft directive was to counterbalance the artificial advantages enjoyed by the shipbuilders of countries outside the Community, while at the same time, in compliance with the Treaty, avoiding the introduction of new distortions between member States. It was accordingly suggesting the same rate of aid for the six member States, and could not agree to the obligation to grant the aid becoming simply a right to give it.

The proposed subsidy system was, the Commission observed, provisional. The Commission was taking part in the activities connected with the Kennedy Round the aim of which was, in addition to reducing customs duties, to establish sounder rules of competition in international trade ; and it had already had a number of meetings with the Governments of member States to study the structural aspects of European shipbuilding.

The draft directive did not prescribe the form member States' action should take and the means they should employ. But as soon as the Council of Ministers had agreed to the draft directive it would be incumbent upon States to make the necessary budgetary allocations for the granting of financial aid amounting to 10 per cent of the value of the ships.

After discussing the report Parliament examined the *draft Resolution*¹ and adopted it with certain amendments. By the Resolution the draft directive was adopted with the following

1. Resolution of 25th November 1965, *Journal Officiel* No. 209, page 3128/65.

amendments: the amount of aid was to be calculated on a basis of the actual value of the ship; any specific aids granted by bodies or authorities in the member States were to be taken into account when the total amount of aid granted was assessed; and aid at the rate of 10 per cent was to be compulsory.

149. The second competition problem considered by Parliament had to do with the European Atomic Energy Community. The EURATOM Treaty required that, unless confirmed by the Council, Chapter VI of Title Two, shall be amended at the end of a period of seven years dating from the entry into force of the Treaty, i.e. in 1965.

The twenty-five Articles of Chapter VI relate to the supply of ores, raw materials and special fissionable materials. The EURATOM Commission, finding their provisions no longer consistent with present-day needs, submitted a redrafted text of Chapter VI to the Council.

The present provisions of the Treaty are based on the assumption that supplies are short. The Supply Agency is accordingly given wide powers, namely a right of option in regard to fissionable materials produced by member States and an exclusive right to conclude contracts relating to supplies of ores and fissionable materials. The Treaty also establishes the principle of equal access to resources.

The Commission considered that it was now necessary to modify those principles in view of the new conditions obtaining in the nuclear energy sector, namely the fact that the research phase had given place to the phase of industrial utilisation of nuclear energy. It proposes in its new text that the principle of equal access be replaced by the principle of non-discrimination. The Agency would no longer be required to make a pro rata apportionment of supplies of ores and fissionable materials in relation to orders. The Agency's trading monopoly would, in principle, be done away with and, except during a period of shortage, the Agency would cease to have a right of option and an exclusive right to conclude contracts. Lastly, it proposes the establishment of a common supply policy involving direction of activities engaged in by member States, producers and users. It submitted those proposals to the

European Parliament for its opinion on 3rd February 1965.

In its *report*¹ the Internal Market Committee approved the Commission's proposals as a whole. It made, however, several criticisms. The first was on the subject of the balance between the Community's institutions under the proposals; the rules of competition which, under the new provisions, were to be drawn up by EAEC covered similar ground to the rules laid down in the EEC Treaty, and it was, consequently, necessary to provide, as was required by the latter Treaty, for Parliament to have a hand in drafting them. Regarding the Council's decision-taking power, unanimity ought only to be required where a decision on a modification of the Treaty's principles was involved. Action by Parliament appeared to be required whenever the supply policy necessitated negotiations at the highest political level. The Council's impending decision in regard to the amendment to the Treaty in question should, if it did not receive Parliament's endorsement, take into account the general views expressed and principles advocated by the European Parliament.

In connection with the common supply policy, the Committee felt it was necessary to make the following points:

(a) Parliament as well as the Council must be informed of the general objectives in regard to supply;

(b) it was for the Council, pronouncing by the required majority upon a proposal made by the Commission, to decide upon the common prospecting programmes, upon common supply transactions, upon price regulation and upon aid;

(c) all other necessary provisions were to be decided upon by the Council, pronouncing by the required majority, upon a proposal made by the Commission and after having consulted Parliament.

The Energy Committee, asked for an opinion, said that the amendment to Chapter VI

1. Doc. 63/1965-66: Leemans Report on the EAEC Commission's proposal to the Council for an amendment to the provisions of Title Two, Chapter VI, of the Treaty establishing EAEC.

was not as necessary as the Executive made out: "dependence" on the United States would in point of fact secure the United States a valuable market; establishment of the non-discrimination principle entailed the laying down of objective criteria, and the Executive had said nothing about such criteria, while the principle seemed less clear-cut than the principle of equal access; the right of option was at present limited since it only applied to materials available in member States, and it was hard to see why the Executive should wish to forego a right, even a limited one, accorded it by the Treaty; and, lastly, the Executive had said nothing, in support of its proposal, about energy policy.

150. In the *debate*, which took place on 15th June 1965, the Christian Democrat Group supported the Commission's proposal. In its view, far from throwing away tools it possessed, the Commission proposed employing the tools it had in a manner appropriate to the present situation.

The European Democratic Union said it felt that the proposed modification of the Supply Agency's exclusive right to conclude contracts might lead to high handedness, a danger which could have been avoided had the right been established within the framework of the common supply policy. In addition, it was a pity that, in the amendments proposed by the Committee, there should be a lack of concord between the need to consult Parliament and the unanimity rule in the Council for decisions on matters of principle.

The EAEC Commission observed that the Agency could not adopt an arbitrary attitude because its sole function was to implement decisions taken under the common supply policy. The principle of equal access ought to give place to the principle of non-discrimination because present circumstances made possible greater freedom for undertakings in the matter of concluding supply contracts. The non-discrimination principle was already recognised in the ECSC Treaty and in legal practice; it could not be objected to on the grounds that it was insufficiently clear-cut.

It felt it would be advisable to provide that Parliament be referred to, even in cases where rules were being laid down upon which

the Council had to decide by a prescribed majority.

The Commission added that, though ores and source materials were plentiful at present, there were many signs to show that the supply of them might shrink in the years ahead. If that happened, users in the Community would be in a stronger position for negotiating supply contracts if they were represented by the Agency, and the Agency's right of option would be a means of preventing speculative stock-piling.

After the discussion Parliament adopted the *draft Resolution*¹ submitted by the Committee. By that Resolution it signified agreement to the EAEC Commission's proposal, subject to the above-mentioned changes.

Approximation of laws

151. During the period reviewed, Parliament was consulted on three proposals of the EEC Commission on the approximating of laws relating to the internal market.

On 3rd February 1965 the EEC Council transmitted to Parliament a proposal prepared by the Commission concerning a *directive* on indirect taxes upon company capital. The aim of the proposal was to promote the free movement of capital and the establishment of a single capital market for member States. To achieve that aim the Commission thought it would be advisable to abolish stamp duty on securities in all member States and to harmonise taxes on new issues of capital at a maximum rate of 1 per cent. The draft directive prohibits the levying of other taxes on transactions liable to a tax on new capital issues or to stamp duty, also any discriminatory application of taxation such as the taxes on stock exchange transactions which were still hampering the movement of capital.

In its *report*² the Internal Market Committee supported, in principle, the complete abolition of stamp duty and of taxes on

1. Resolution of 15th June 1965, *Journal Officiel* No. 119, page 1991/65.

2. Doc. 64/1965-66: Seuffert Report on the EEC Commission's proposal to the Council concerning a directive on indirect taxes upon company capital.

new issues of capital. Owing, however, to the repercussions which the abolition of taxes on new issues might have on member States' budgets, it felt it would be best at the present stage simply to harmonise those taxes at the modest level of 1 per cent.

The Committee went on to examine the problems raised by reduction of the rate of, or exemption from, tax on new issues. The proposed reduction of the rate in the case of amalgamation or splitting up of companies or of internal conversions of capital meant according to those cases preferential treatment as compared with ordinary capital issue transactions. The grounds for the proposal had not been explained in detail by the EEC Commission; it ought, therefore, to be reconsidered.

As regards exemptions, the Committee felt it was justifiable to free from tax, for reasons of a social nature, the assignment of shares to workers. It also agreed that investment companies might be exempt as well, on grounds of fiscal equity.

The Economic and Financial Committee was consulted and said that failure to achieve harmonisation in the field of income tax represented the main barrier to the free movement of capital. It regretted that the Executive had not, for reasons of the member States' convenience, suggested abolishing the tax on new issues of capital. Retention of that tax would inevitably create obstacles to the creation of a sounder capital market. It would cut across present trends in the Community economy and was contrary to contemporary fiscal thinking.

Parliament considered the report at the meeting of 18th June 1965 and, after a short discussion, adopted a *Resolution*¹ by which it approved the draft directive.

152. In March 1964 the Council submitted to Parliament for its opinion a second *draft directive* of the EEC Commission on the approximation of legislation, regulations and administrative rules applying to pharmaceutical preparations.

1. Resolution of 18th June 1965, *Journal Officiel* No. 119, page 2057/65.

It will be remembered that the first directive adopted by the Council on 26th January 1965 dealt with permits to place pharmaceutical preparations on the market and the labelling of such preparations; the second directive deals with manufacturers' responsibility for ensuring that their preparations are of the requisite quality.

In its *report*¹ the Internal Market Committee began by drawing attention to the incompleteness of the new directive, which suggested that at least one further proposal would be forthcoming from the Commission to bring things to this final stage, namely the reciprocal recognition of national permits. It emphasised the seriousness of the manufacturer's responsibility: he ought to be able to select his experts himself, possibly from a list supplied by the authorities, and the experts' qualifications ought to comply with objective criteria to be suggested by the Commission. The function of the experts was not just to advise on the testing methods to be used and on the results of the tests made; they had to carry out actual tasks in their own specialised fields (as analysts, pharmacologists or clinicians); they had to report their findings on the composition, pharmacological action and toxicity of the preparation; and their findings must be categorical.

The Health Protection Committee was asked for an opinion and observed that the articles of the draft directive on the tests manufacturers were to be required to make, seemed insufficiently precise. It felt that the cessation of production consequent upon inadequate testing by the manufacturer should take place at once, so as to avoid any danger to public health due to administrative delays. The same should apply to stopping preparations being put on the market and to their withdrawal from circulation deemed necessary after an inspection. Member States should be left free to take measures to that effect. It suggested that inspections should take place not less than once every two years. With regard to other member

1. Doc. 33/1965-66: Tomasini Report on the EEC Commission's proposal to the Council concerning a second directive on the approximation of legislation, regulations and administrative rules applying to pharmaceutical preparations.

States being notified of decisions it felt that, except in cases where there was clearly danger to the public, refusals to grant permits for preparations that had not yet been put on the market should not be notifiable in order to avoid doing harm to preparations which had not yet been perfected.

It proposed that, in the absence of reciprocal recognition of permits, a Community body be set up to deal with requests for permits. It hoped the Executive would submit, as soon as possible, a new proposal suggesting the establishment of such a body. It felt it was a pity that the Executive's draft directive made no provision for manufacturers appealing against decisions by the authorities. Lastly, it proposed that the time-limit for member States to put into effect the measures required under the directive should be increased from twelve to eighteen months, and that the period on the expiry of which the directive would be applicable to permits to put on the market given before the directive's entry into force should be increased from two to five years.

In the *debate* in plenary sitting the Rapporteur of the Internal Market Committee drew attention to the insufficiently precise nature of some clauses, the absence of Community machinery and procedures, and the almost completely free hand national administrations would be given in regard to the texts' interpretation and application. He hoped those defects would be remedied so that the indispensable standardisation of laws applying to pharmaceutical preparations might be achieved.

The Rapporteur of the Health Protection Committee presented eight *amendments* embodying the views advanced by his Committee.

The EEC Commission said that the approximation of laws on trade in pharmaceutical preparations could only be effected gradually, and that the responsibility for appointing experts must remain for a while yet with member States. A study group was at present considering the question of reciprocal recognition of national permits. It believed that the problem of the appointment of experts would, no doubt, be settled as a result of that group's work. In its opinion inspections could not be carried out with the frequency the Internal Market Com-

mittee was proposing; the number of undertakings and the type of production had to be taken into account in connection with the question of inspection. It supported the amendments submitted by the Health Protection Committee.

After the general discussion Parliament adopted a *draft Resolution*¹ embodying the views expressed in the report and approving the text of the directive as amended by the Internal Market Committee, the eight amendments submitted by the members of the Health Protection Committee being, however, taken into account.

153. Parliament dealt with a third question concerning the approximation of laws, namely turnover tax. In October 1963 it gave an opinion on the EEC Commission's first proposal on turnover taxes. In July 1964 the Commission communicated to Parliament a text of its first proposal amended in the light of that opinion; the amended text required the added value tax system to be introduced in two stages, as Parliament had suggested, instead of three. In May 1965 the Commission submitted to Parliament for an opinion a second *directive* indicating arrangements for implementing the proposed system. Both texts were referred to the Internal Market Committee.

In its *report*² the Internal Market Committee said that arrangements for implementing the added value tax system must be based on the principle of progressive introduction and on the need to guarantee at an initial stage the neutrality of the taxes in relation to trade. Although the arrangements must take into account the necessities of economic and social policy in each country, the aim would be to make the tax as general as possible and to allow few exceptions. It would be collected by instalments, which would rule out any system

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1678/65.

2. Doc. 1/1966-67: Seuffert Report on the EEC Commission's proposal to the Council with regard to a second directive for the harmonisation of member States' turnover tax laws, on the subject of the structure of a common added-value tax system and arrangements for implementing it and on the amended version of a first directive.

of once-for-all payment or payment of a lump sum. A feature of the system would be the method of allowances, which would have the effect of making exemptions burdensome by ruling out any possibility of subsequent allowances.

Allowances would be made by deducting "tax from tax". This procedure — which would appear necessary during the transitional period, when a system of off-setting would still be required on account of the differences in rates and exemptions between States — would enable the amounts to be offset to be calculated exactly, whereas deduction "basis from basis" was not exact and presupposed a declaration of taxes already incurred.

The first proposal, as amended by the Commission, provided that national implementing laws should come into force by 1st January 1970, after having been passed not later than 31st December 1967 by the national Parliaments. Although these dates were later than those given in the initial proposal, the Rapporteur considered the extra time necessary on account of the cyclical difficulties to which introduction of the new system might give rise. Moreover, the abolition of fiscal frontiers, that is to say the standardisation of rates and exemptions and the elimination of off-setting, would not be accomplished until 1972. The Council would accordingly take its decision before the end of the transitional period, that is to say not later than 31st December 1969. The Committee approved the working schedule proposed by the Executive. It rejected the idea of abolishing fiscal frontiers before rates were standardised. It hoped the Council would take a decision quickly on the first amended directive, without waiting for the second directive to be finalised.

Since taxation of services rendered constituted a special case in that the services were not given across fiscal frontiers, the Executive proposed that it be left to member States to decide what system to apply to the majority of cases. It did, however, list activities in respect of which the common provisions would be compulsory. The Committee felt there should be a few changes in the list. Certain services should only be subject to the common system if performed for a person subject to tax.

The Committee failed to see why some activities, the cost of which had a marked effect on commodity prices, were not included in the Executive's list. It cited transport insurance, the acquisition of land and building for industrial purposes, and the delivery of second-hand articles. In view of the difficulties involved in arriving at common definitions of services, the purpose of which was to avoid double taxation or failure to tax, it preferred to await the outcome of subsequent discussions before giving an opinion on the provisions proposed by the Executive.

The Committee gave particular attention to the question of allowances for taxes due on investments. There were two possible solutions, either to allow the whole amount payable or to make allowance *pro rata temporis*. The latter would seem more appropriate for old investments for which no allowance had yet been made. It would, moreover, fit in with the spreading of amortisation payments over a period of time and would not lead to fiscal deficits at the time the system came into force. The Committee felt, however, that in general the system of full allowance should be given the preference on account of its convenience. Allowance for taxes on investments paid at the time of purchase could thus be made immediately. But such a possibility would constitute a strong incentive to invest. It was a tool of short-term economic policy which might have unexpected results, particularly in the absence of a common short-term policy. The majority of the members of the Committee therefore preferred that initially it should be left to member States whether to introduce forthwith a system of allowances in full, or to continue the other method for the time being.

154. Agriculture is to be included in the added value tax system. The EEC Commission intends to submit proposals to the Council before 1st April 1966 for the introduction of a special system of reduced rates for agricultural products. The Agricultural Committee, on being asked for an opinion, was in favour of bringing agriculture into the added value tax system, provided, however, that arrangements were made for an assessment system that cancelled out earlier tax payments, so that tax due did not

exceed tax already paid. This system had the advantage for farmers that they would not have to keep detailed accounts. The Committee considered that the farmer ought, nevertheless, to be able to choose the normal system if he considered it preferable in view of the large extent of his investments. Lastly, the Committee opposed tax exemption for small holdings, for this would preclude the possibility of reimbursement of earlier tax payments.

The Economic and Financial Committee, whose opinion was also asked, studied the repercussions that introduction of added value tax would have on the economic policies of member States. It concluded that States would lose a tool of anticyclical policy and would, moreover, have to time introduction of the system very carefully in order wherever possible to avoid price rises and an undue increase in investment. For the same reasons the Committee thought it preferable to adopt the system of allowances pro rata temporis for the acquisition of capital goods. It hoped the tax would be given broad application and that the only exemptions would be those absolutely necessary to allow, for example, for special regional situations. It thought the professions should be treated as assessable, though the special reduced rate system might be applied to them. It took note of the time-table proposed by the EEC Commission providing for the elimination of fiscal frontiers by 1st January 1970. It wondered, however, whether it would be possible for the coming into force of the turnover tax system and the abolition of fiscal frontiers both to occur at that date. It welcomed the Executive's proposals for possible application of a special turnover tax system to small undertakings and agricultural holdings. It hoped that there would be reduced rates for certain products in everyday use, such as coal, water, gas or electricity, and even for certain sectors which were in difficulties, such as building.

155. In the *debate* on 8th March 1966 the Christian Democrat Group said that it had great hopes of the proposal: it could act as a stimulus to European integration through the numerous repercussions that introduction of the common added value tax was bound to have on economic policy. It hoped the Council would immediately

adopt the first directive, which raised no further problem. It was in principle against exemptions, even in the cases of agriculture and the professions. It supported the position adopted by the Internal Market Committee in favour of full allowances for taxes on capital goods. It did not think the system would lead to a rise in prices or that it was necessary to choose the system of allowances pro rata temporis instead. The cost of the allowances would affect prices whatever methods were used.

The Socialist Group considered that introduction of the added value tax might lead to price increases or influence potential investors, and that it was vital to member States that they should be able to choose a time when the economic situation was favourable to application of the new method. It suggested that a new paragraph be added to the proposed Resolution urging that when the "tax from tax" deduction system for investments was being finalised it would be desirable to make a careful study of its repercussions on competitive conditions and the trade cycle, and to avoid any increase in the burden borne by consumers or the creation of new disparities between member States in respect of competition and cyclical policy.

One member thought that in the second directive the Commission should have done no more than put into application the principle of neutral taxation, the purpose of which was to obviate competitive anomalies. The removal of fiscal frontiers should have been left out of the directive, for it restricted member States unnecessarily in their fiscal policies, especially in agriculture and social questions.

The Commission said that the ultimate aim in harmonising turnover tax was to eliminate fiscal frontiers, but at present it did not appear wise to fix a time-limit for this. It seemed possible that the Council would also accept this ultimate objective. The Commission then recalled the reasons for tax harmonisation. It should merely seek to eliminate competitive anomalies, and member States should be left sufficient freedom to take their own structures and cyclical situations into consideration. It should observe certain requirements of States' financial and budgetary policies. Lastly, it should observe the equilibrium of their tax structures. With regard

to harmonisation of direct taxes, this should be brought about when trade in goods and services was no longer subject to the anomalies resulting from different indirect taxes, in order to preserve fiscal neutrality with regard to production, trade and the exchange of capital. The Commission would try to eliminate these anomalies as soon as possible. It hoped to be able in the near future to submit to the Committee of Directors General of the Inland Revenue Departments of member States a programme comprising three parts: the long-term fiscal objects of economic union, a medium-term programme concerned mainly with harmonisation of turnover tax and the problems of the standard taxing of company profits, and a short-term programme to eliminate persisting anomalies and double taxation. The Commission regretted that the second directive was, on the one hand, accused of defining the obligations of member States down to the last detail and, on the other hand, criticised for not making the necessary harmonisation compulsory. Its reply was that it proposed a degree of harmonisation that would make it possible ultimately to remove fiscal frontiers with only slight changes in the machinery for implementation, only rates and exemptions being involved in subsequent adjustments.

The Commission could not accept the solution advocated by Parliament for agricultural products. It would only delay the work in progress with the government experts, so that it would not be possible to observe the time-limit of 1st April. Moreover, the assessment system raised delicate problems such as determining the rates.

156. In passing the *Resolution*, Parliament first adopted the aforementioned amendment tabled by the Socialist Group. It rejected two amendments, one to the effect that "abolition of fiscal frontiers" should be considered equivalent to "absolute tax neutrality in respect of the origin of goods and services", and the other seeking to delete the former term. It adopted an amendment tabled by the Socialist Group approving the draft directive subject to the reservations made in the *Resolution*, in particular that the powers withdrawn from national Parliaments in application of the directive be transferred to

the European Parliament. On the other hand, an addition to the *Resolution* was tabled, under which the Council, after consulting Parliament, would recommend that member States adopt the decisions on rates and exemptions in accordance with their own constitutional rules. Parliament noted, however, that ratification by national Parliaments was provided for only in specific and limited cases and that the text should read: "The Council shall take its decision not later than 1st January 1967 after consulting the European Parliament". This amendment was adopted.

In the *Resolution*¹ as amended, Parliament called upon all Community institutions to take all necessary measures with a view to implementing the proposals without delay. It pointed out that when the common system was adopted, member States would have to bear in mind its possible cyclical and social effects, and stressed that policies in this sphere should be co-ordinated. It hoped that farmers would be able to choose between a simplified system or the normal system and that they would actually be able to offset the taxes due on the delivery of products. It asked the Commission to guarantee, if necessary by special provisions, that tax paid at an earlier stage on farm investments should be allowed for immediately in full. It considered that the powers withdrawn from national Parliaments should be transferred to itself.

Lastly, it approved the directive, subject to these reservations and trusted it would receive in good time proposals on the special conditions applicable to agriculture and on the fixing of rates and exemptions.

6. Activities in the social field

157. The Executive's activities in the social field have this year sought to improve the situation of migrant workers; the Commission of EEC transmitted to the Council a proposal for a regulation completely recasting Regulations Nos. 3 and 4 on social security for migrant workers, which has been in force since 1st January 1959, and embodying subsequent amending

1. *Resolution* of 8th March 1966, *Journal Officiel* No. 53, page 751/66.

regulations. In July the Commission sent the six member States a recommendation on housing for migrant workers. In December it adopted a proposal for a regulation extending to seamen the provisions of the aforementioned Regulations Nos. 3 and 4.

During the same period Parliament stated its views on the social aspects of the merger of the Executives and made its annual analysis of social progress in the Community. A large number of specific questions were studied by Parliament during the year: it considered the problems of social security for auxiliary staff in the Communities, how to increase the effectiveness of the European Social Fund, the social aspects of "Initiative 1964"; social harmonisation, the situation on the labour market, occupational training in agriculture, rationalisation of the Italian sulphur mines, action to be taken following the European Conference on Social Security, and the protection of young workers.

Social implications of the merger of the Community Executives

158. Implementation of the treaty merging the Executives of the Communities raises a number of social problems, which are the subject of a *report*¹ presented to Parliament by the Social Committee on 13th May.

The Committee examined the treaty's institutional aspects and its effects on the powers of the new Executive in social matters; it favoured a solution by which the widest authority and powers enjoyed by any one of the three Communities would be extended to all social spheres. In this way experience gained in connection with the ECSC Treaty, for instance, could serve as a basis for an expanded social policy. The new policy should cover certain particular problems such as free movement, social security systems, employment and redevelopment, wage protection, occupational training, exchanges of young workers, equal pay for men and women, safety at work, paid holidays and approximation of legislation. The Committee concluded from its survey that an organic merger was bound to

affect the very substance of the powers and responsibilities of the Executives, at least in certain fields; it closed its report by asking that the European Parliament should be fully consulted before any social measure was decided upon.

159. In the course of the *debate* the Socialist Group urged that the work of the High Authority of ECSC in the spheres of redevelopment and readaptation should be continued, and stressed the need for the Executive to have at its disposal institutional and financial means adequate to its social policy. The Christian Democrat Group pointed out the danger of arguing from the principle of the "advanced solution" that in no circumstances could the powers of European bodies be reduced; a steady improvement in social policy should rather be the result of a European economic policy which encouraged growth of the social product.

The High Authority replied to the question raised and debated by some members, agreeing with the idea that a trade union member should be co-opted to the single Executive. The Commission of EEC endorsed the Committee's suggestions that approximation of the social action laid down in the three treaties was necessary, more especially in matters of employment and occupational training.

It its *Resolution*, which was adopted unanimously¹, Parliament called upon the single Executive and the Council to submit a report on the social policy problems that would result from the merger. It stressed the need to work out, against the background of the merger treaty, a dynamic Community social policy suitably endowed with legal and financial means. Finally, it asked to be consulted before signature of the treaty merging the Communities, to enable it to make constructive suggestions at the proper time.

Social progress in the Community in 1964

160. During its November Session, Parliament examined, as it does each year, the statement by the Commission of EEC on social

1. Doc. 38/1965-66: Troclet Report on the social aspects of merger of the Community Executives.

1. Resolution of 13th May 1965, *Journal Officiel* No. 96, page 1695/65.

developments in the Community ; this was done on the basis of a *report* by its Social Committee¹.

The Committee began with a brief survey of the new face of industrial society, which should determine the social activity of the Commission of EEC and the social policies of member States.

The Committee noted this new situation as manifested in changes in the employment structure, due partly to the increase in the number of persons employed in the services sector, the large volume of work performed by women, the flight from the land, structural changes in the extracting industries and, above all, the continual increase in the proportion of wage earners, who represented 74 per cent of the Community's active population. While full employment had been achieved in Germany, France and the Benelux countries, structural unemployment persisted in Southern Italy ; certain short-term and long-term measures would have to be taken to remedy it and, more important, a forward-looking employment policy would have to be worked out and included in the Community's regional policy.

With regard to incomes, the Committee asked the Executive to keep Parliament better informed on real wages and income trends. It hoped that in future the Commission would deal in greater detail with property purchasing. Noting that equality of wages for men and women had not yet been achieved, it proposed that employers' and workers' organisations should be given a part to play in the building of Europe.

Despite the efforts of the Commission to implement a common occupational training policy, the lack of harmonisation between the various States of methods and programmes of occupational training was to be regretted. The same lack of co-ordination was noted in social security, although in general its field of application in the Community was being extended.

The Committee described the great efforts made by the Executive in social services for the young, the aged and the disabled, and

asked it to step up its work to improve the position of old people. With regard to family policy the Committee noted that appreciable progress had been made in member States. It deplored the persistent shortage of housing, especially low-cost housing, in several member States : they should give first priority to the problem.

161. In the *debate* the Commission explained that in carrying through its social policy it had encountered two major difficulties : the first was the vagueness of the objectives set by the Treaty in certain very important sectors (for example, the improvement of the living and working conditions of the labour force) ; the second was due to the fact that the powers conferred on the Executive were inadequate or non-existent and to its lack of funds with which to achieve these objectives. Despite these difficulties social policy had progressed in the Community. The most noteworthy results had been achieved in cases where the Treaty laid down precise regulations and gave the Commission the necessary powers ; on the other hand, the most disappointing results had been in the sectors entrusted to intergovernmental co-operation. These facts indicated the direction to be taken in revising the Treaty in connection with the merger.

The outlook for social policy suggested three main lines of development. The Commission would endeavour first to co-ordinate national employment policies on a Community basis ; it would concern itself with the harmonisation of social security schemes in accordance with Article 118 of the Treaty, for which purpose greater use would be made of co-operation between employers and workers ; lastly, the Commission would occupy itself with the social aspects of the other common policies, in particular the medium-term economic policy.

The various political groups then displayed their identity of views on this aspect of Community policy.

In its *Resolution*, which was adopted unanimously¹, Parliament concentrated mainly on inclusion of social harmonisation among the objectives of medium-term economic policy, re-

1. Doc. 101/1965-66 : Rohde Report on the statement by the Commission of EEC (Doc. 50-II) on social developments in the Community in 1964.

1. Resolution of 24th November 1965, *Journal Officiel* No. 209, page 3124/65.

duction of regional disparities, a thorough study of the flight from the land, the incomes pyramid, equalisation of pay for men and women, participation by professional organisations in the Community's development, revision of the Social Fund, implementation of a common occupational training policy, gradual harmonisation of social security, family policy and health protection and intensified construction of low-cost housing.

Social security for auxiliary staff in the European Communities

162. In October 1964 the Commission of EEC presented to the Council *draft regulations* aimed at improving the social security situation of auxiliary staff of the Communities by making provision for them in Regulations Nos. 3 and 4. Parliament, having been consulted on the subject, gave an opinion at its May 1965 Session, on the basis of a *report* by its Social Committee¹.

Auxiliary staff members are those who are under contract for a limited period. Until now their social security position has been governed by Article 70 of the Service Regulations, but the option given them under that Article meant that beneficiaries under that system suffered from a certain legal insecurity. To remedy the situation the Commission could either have amended Article 70 of the Regulations or have brought auxiliary staff under Regulations Nos. 3 and 4; the latter solution was chosen. Under the Commission's proposal an auxiliary staff member might choose between the legislation of the country in which he worked, the country where he was last registered or his country of origin. The option had to be exercised when the contract was signed, and the choice made was binding. Since the position of auxiliary staff was similar to that of certain categories of employees in diplomatic or consular positions who were subject to Regulations Nos. 3 and 4 in respect of social security, it was wiser to give them the benefit of those Regulations rather than treat

1. Doc. 29/1965-66: Tomasini Report on the EEC Commission's proposal to the Council (Doc. 113/1964-65) for a regulation to supplement Regulations 3 and 4 of the Council on social security for migrant workers (situation of auxiliary staff in the European Communities).

them in the same way as the temporary staff of the Communities because of the very limited duration of their contracts.

In conclusion the Committee expressed an opinion in favour of the Commission's proposal; it pointed out, however, that this should not be construed as an encouragement to the institutions responsible to perpetuate the present situation, in which auxiliary staff were too often engaged to fill permanent posts. It furthermore declared its satisfaction with the information that consolidation of all the provisions now governing the situation of migrant workers would be proposed shortly.

In its *Resolution*¹, which was adopted unanimously, Parliament approved the regulation proposed by the Commission.

Increasing the effectiveness of the European Social Fund

163. For the third time since the Common Market was set up, Parliament had to consider the activity of the European Social Fund at its session in June 1965, when it examined a *report* by its Social Committee² on two regulations proposed by the Commission of EEC with the object of increasing the effectiveness of the European Social Fund; the first dealt with amendments to Regulation No. 9, which governs the Social Fund at present, and the second sought to place further duties on the Fund.

The circumstances in which the provisions governing the Fund were formulated had now largely ceased to obtain, as its activities showed: originally its object had been to combat unemployment, as the Commission of EEC was to point out during the debate. But more recently the Fund had proved practically useless as a stimulus to occupational retraining in the Community. It had never intervened in the conversion of a business, and requests for its assistance were dwindling.

There were two major problems in the Community which the Fund should seek to help

1. Resolution of 13th May 1965, *Journal Officiel* No. 96, page 1692/65.

2. Doc. 53/1965-66: Elsner Report on the EEC Commission's proposals to the Council (Doc. 152/1964-65) concerning regulations designed to increase the effectiveness of the European Social Fund.

solve: the shortages of skilled labour and of low-cost housing. It was also necessary to change the machinery for intervention by the Fund in business conversions.

After noting the shortcomings of the present regulation, the Committee approved the bulk of the amendments proposed by the Commission. They were principally concerned with the following points: the possibility of intervention by the Fund even where a retrained worker subsequently exercised an independent productive activity; the possibility of granting advances; an extension of the time-limits for requests for intervention by the Fund; an increase in the establishment allowances and accompanying expenses that the Fund might reimburse; the possibility of intervention in the case of conversion of a business, even where it did not place the workers ceasing work on the unemployed list.

The Committee asked, however, for EEC's proposal to be amended on one point, the abolition of the minimum age of 16 at which unemployed workers could claim benefit from the Social Fund; it thought the age limit should be retained so that young workers might have the longest training period possible. As for the Commission's proposals for assigning new duties to the Fund, they were intended to enable it to assist workers before they became unemployed and to encourage the establishment of businesses in developing areas; lastly, they sought to associate the Fund in the building of occupational retraining centres and low-cost housing and in partial reimbursement of expenditure incurred by the social services.

164. During the *debate* the Socialist Group, while welcoming the progress represented by the new texts, regretted that the Community's social policy was lagging behind its economic policy. The European Democratic Union was concerned about the fact that it would be the Commission that decided whether or not to grant advances, without there being any control over its power of decision. In reply to this observation the Christian Democrat Group pointed out that the powers of initiative given to the Commission of EEC should not be overestimated, since the Fund could only intervene at the request of a member State.

Parliament unanimously adopted the proposal for a *Resolution*¹ submitted by the Social Committee approving the Commission's proposals.

Social aspects of "Initiative 1964"

165. At its May Session Parliament discussed the economic and financial aspects of the proposals made by the Commission of EEC to the Council, which were embodied in "Initiative 1964". Since the social aspects of "Initiative 1964" concerned an extension of the powers of the European Social Fund and the application of Article 118, and since at its June Session Parliament had before it two reports dealing particularly with these problems, the Social Committee confined itself to submitting a very brief report² on "Initiative 1964", which was not debated.

In its *Resolution*, which was adopted unanimously³, Parliament asked that at least the measures of social policy put forward in "Initiative 1964" should be fully implemented; it asked the Council of Ministers to support the Commission's efforts to finalise a Community social policy; lastly, it called upon the Commission to study the possibility of a fixed timetable for the approximation of social provisions.

Implementation of Article 118 of the EEC Treaty on social harmonisation

166. The problem of social harmonisation, with which Parliament dealt in 1961, reappeared in the business for the June 1965 Session with Parliament's examination of a *report* by the Social Committee⁴ on implementation of Article 118 of the EEC Treaty. This Article simply

1. Resolution of 16th June 1965, *Journal Officiel* No. 119, page 2006/65.

2. Doc. 59/1965-66: Elsner and Nederhorst Report on the EEC Commission's proposal to the Council (Doc. 146-v/1964-65) concerning a decision by the Council on certain aspects of social policy.

3. Resolution of 16th June 1965, *Journal Officiel* No. 119, page 2017/65.

4. Doc. 60/1965-66: Nederhorst Report on implementation of the social provisions of Article 118 of the Treaty setting up EEC.

called for close co-operation between member States in the social field, but, unlike other spheres, did not provide for any common policy. Thus social matters were left to the discretion of States ; which were bound only to co-operate in seeking joint solutions to common problems through their Ministers of Labour, while the task of the Commission of EEC was to promote such co-operation. The only legal instrument provided for was the opinion, which had no compelling power.

In view of the purely supplementary nature of Article 118 the Committee suggested that recourse should be had to Articles 100, 121, 155 and 235 of the EEC Treaty to endow action taken by the Community in the matters listed in Article 118 with greater effectiveness and a more imperative character. The report went on to consider the various aspects of social policy in regard to which the Community could take action under Article 118 : it examined the employment problem, for which it was hoped that the Commission of EEC would work out a common policy ; it mentioned the Executive's plan to make recommendations to Governments for standardisation of the protection of young workers and women at work in the six countries ; a start had been made with implementing the recommendations already made to Governments on industrial health, the adoption of a European list of occupational diseases, and social services for migrant workers.

The Committee mentioned the "Memorandum on the progress of social policy in the Community" sent by the Italian Government to the Council of Ministers and called on the Commission of EEC to state its position with regard to the relative importance of the points mentioned in Article 118 and to prepare a list of the social matters which it felt should have priority and a time-table for dealing with them. In conclusion, it hoped that permanent contacts between employers and workers and relations between the six Ministers of Labour would be improved.

During the *debate* the Christian Democrat and Socialist Groups gave their agreement to these ideas and stressed certain particular points in the Community's social policy. The European Democratic Union said that the Commission had assumed powers whose roots

in the Treaty might be regarded as tenuous, since Article 118 laid down that for the present the responsibility for domestic social matters should be left to States. The Commission of EEC, closing the debate, stressed the dynamic role assigned to it under Article 118, that of promoting close collaboration between member States.

In its *Resolution*, which was adopted unanimously¹, Parliament stressed the need for a Community social policy, that is to say a broad interpretation of Article 118 and the other Articles of the Treaty, which without any doubt gave the Commission a co-ordinating responsibility and a right of initiative. Parliament rejected the view of certain Governments that the Commission could not take any initiative in the spheres listed in Article 118 without the prior agreement of the member States. It adopted the Committee's suggestions.

The situation on the Community labour market

167. On the basis of information supplied by the Commission of EEC, the Social Committee prepared a *report* on the situation on the Community labour market² and submitted it to the June Session of Parliament.

The report stated that throughout the Community, except for Italy, the main feature in 1963 and 1964 had been full employment ; there had to some extent been labour shortages. The Commission of EEC expected that these tensions would persist in 1965, though in a milder form : it concluded that it was vital to intensify efforts for the full use of labour reserves and to increase available labour by improving occupational training and specialisation.

The Committee endorsed these conclusions and asked the Executive to try to induce member States to co-ordinate their national employment policies. After recalling various initiatives taken in this direction, the report noted with satisfaction that the Commission of EEC was at that time drawing up a development

1. Resolution of 16th June 1965, *Journal Officiel* No. 119, page 2018/65.

2. Doc. 61/1965-66, Berkhouwer Report on the situation on the labour market in the countries of the Community in 1964 and prospects for 1965.

programme for the period 1966-70 in which labour market trends were to receive special attention. However, the Committee regretted that there was still no real Community employment policy : the organisation of recruitment in Italy, where there were still large reserves of manpower, needed to be improved and the principle of Community priority should be respected ; the anarchical engagement of workers from non-member or associate countries was likely to create disparities which might lead to unfair competition and differences in the treatment extended to workers according to whether or not they came from a Community country. The Committee therefore asked the Executive to supply fuller details in future on immigration to the Community of workers from outside. In conclusion it mentioned interesting initiatives taken by Germany and France to transfer certain businesses to Southern Europe and overseas, a new method of avoiding manpower shortages.

168. During the *debate* the Commission of EEC recalled that employment policy was a matter for States, but that it had certain powers in particular spheres which might enable it to try to promote such a policy.

In its *Resolution*, which was adopted unanimously¹, Parliament expressed concern at the diversity of the measures taken by the different member States to deal with labour shortages. It recalled the obligation placed on States to give priority to Italian labour, at the same time asking States to co-ordinate their initiatives without delay. In conclusion it asked the Commission to study the distribution of foreign workers in the various countries and the social measures to be taken for workers from outside countries.

Community action in occupational training in agriculture

169. At its June Session Parliament devoted a single debate to two *reports* concerned with occupational training in agriculture, one from

1. Resolution of 16th June 1965, *Journal Officiel* No. 119, page 2019/65.

its Agricultural Committee¹, the other from its Social Committee², based on two proposals for regulations by the Commission of EEC.

With regard to the first *regulation* the Commission of EEC proposed, in order to promote the creation of advanced training and specialisation centres for advisers, that the Community should give financial assistance in three forms : aid to promote the establishment of centres for the specialisation and advanced training of advisers and lump-sum grants to encourage attendance at such centres and also to provide training for them. The grants would be paid through bodies designated by each member State, while the Community would lay down the conditions and working methods. The resettlement of farm workers called for a long-term policy ; there was little point in giving information unless those responsible for doing so were aware of the Community's structural prospects in economic and social matters. The report agreed with the Commission's view that it was essential to regionalise the action proposed and map out zones in the light of the Community programmes laid down in the regulations on the European Agricultural Guidance and Guarantee Fund (EAGGF). However, the Committee questioned whether the Commission's proposal afforded sufficient guarantees of the continuity of the advisers' action, and suggested a few amendments to the proposed regulation concerning the percentage of operational expenditure, the machinery for obtaining the Commission's approval for training and specialisation centres, for delineation of the zones and, lastly, for the minimum requirements with which the centres would have to comply.

In the *Resolution* proposed by the Agricultural Committee³, which was adopted una-

1. Doc. 69/1965-66 : Baas Report on the EEC Commission's proposal to the Council (Doc. 154, II/1964-65) concerning a regulation on Community grants to promote the training and specialisation of employment advisers for agricultural workers.

2. Doc. 57/1965-66 : Sabatini Report on the EEC Commission's proposal to the Council (Doc. 154, I/1964-65) concerning a regulation on Community grants for retraining agricultural workers who wish, without leaving the land, to take up a different trade.

3. Resolution of 16th June 1965, *Journal Officiel* No. 119, page 2020/65.

nimously, Parliament, after pointing out that any occupational training programme should be viewed in the context of the Community's regional policy, stressed the need for co-operation between the Commission and national authorities: if member States were not prepared to follow through the implications of the Common Market in the educational field, the action proposed would have little effect.

170. With regard to the second *proposal for a regulation* by the Commission, the Social Committee noted that it was a first step towards application of the principles of a common occupational training policy. However, while advocating Parliament's approval of the proposal, the Committee thought several aspects of it should be modified. On the subject of grants the report asked why aid of up to 75 per cent was proposed during the first five years compared with up to 25 per cent in subsequent years, and why there was no machinery that would also provide for long-term subsidies related to the special requirements of the various occupational retraining centres and to the period needed to put through the redevelopment of agricultural structures and policy. The report therefore asked that the Commission's proposal should be amended. It thought it desirable that the dates for the payment of grants should be those on which the centres were set up in the various countries, no rigorous time-limits being imposed. On this basis the report suggested that the grant extended should amount to 75 per cent of the operational expenditure for the first five years, 50 per cent for the next five years and 25 per cent for the five years following. The Committee also proposed that the date for the commencement of payment of grants should be fixed by agreement between the Executive and each State concerned. Another amendment suggested in the report provided for the possibility of reimbursing grants.

During the *discussion* on the two reports the European Democratic Union Group suggested that a big publicity drive should be launched to acquaint farmers with the tremendous opportunities available to them under the Treaty of Rome and the Community grants that agriculture could attract. The Socialist Group regretted that there were different arrangements for

occupational retraining for independent farmers and wage-earners.

In connection with the *amendments* proposed in the report, the Commission of EEC pointed out that they were inconsistent with the Commission's intention to encourage member States to take the necessary action as soon as possible.

In its *Resolution*¹ Parliament approved the substance of the proposed regulation, subject to the amendments moved by the Social Committee; in principle it supported the methods laid down by the Commission but thought they should be as flexible as possible.

Rationalisation of the Italian sulphur mines

171. Having in 1963 shown interest in rationalisation of the sulphur industry in Sicily, Parliament was called on at the October Session to give its opinion on the proposals by the Commission of EEC for Community financial assistance to workers in the Italian sulphur mines who had become redundant.

The *report* on the subject submitted by the Social Committee² gave a survey of the way the problem had evolved in recent years and examined the Executive's proposals, which fall into three parts:

- a decision to make grants to redundant workers;
- a regulation to bring these objectives within the scope of the Social Fund;
- a decision to grant scholarships in order to further occupational training.

The Committee stressed two main points: first, the need to include social measures for miners in an overall plan of economic development for the areas concerned. Since the necessary administrative and legislative instruments were now in existence, the Community should urge the Sicilian regional authorities to implement a regional development programme as soon as possible. Furthermore, although it gave a very favourable reception to the proposals

1. Resolution of 16th June 1965, *Journal Officiel* No. 119, page 2025/65.

2. Doc. 90/1965-66: Vredeling Report on the EEC Commission's proposals to the Council (Doc. 45) concerning Community financial assistance to workers in the Italian sulphur mines who have become redundant.

under examination, the Committee called for an improvement in the measures suggested with regard to certain specific points. In particular, the monthly allowance for workers over 50 should be raised from 25 per cent to 50 per cent of the regulation wage and should be paid up to the age of 60 instead of 55.

The Committee then described its visit to Sicily and stated its observations: rationalisation of production could only be achieved if the Italian sulphur market were isolated, and it was to be regretted that the Commission's decisions authorising such isolation had sometimes been subject to delay. Moreover, Italy's share in the financing of social measures was at present paid for from a levy on Italian sulphur imports; which levy could be supplemented from other sources; in conclusion, the Committee thought it necessary to consider the employment problem in close relation with verticalisation.

172. The European Democratic Union Group, opening the *debate*, said it would not take part in the vote: it thought the report aimed at increasing the responsibilities of the Common Market, whereas deep differences had appeared since last June about some of its basic aims; it therefore did not seem possible to take any decision on the proposals in question. Numerous members pointed out that the problem under study was merely a result of undertakings given in due form by member States under the Rome Treaty. On this point the Commission stressed that its proposals were initial solutions at Community level to a regional problem; the main responsibility, however, fell on national and regional authorities.

At the close of the debate, Parliament unanimously adopted (the EDU Group abstaining) a *Resolution*¹ stressing the need to integrate rationalisation of the Italian sulphur industry in a general development plan for regions affected by the sulphur crisis; it called on the Commission to ask the Italian national and regional authorities to give precise guarantees about the creation of jobs for miners unable to find work in the mines; finally, it approved

1. Resolution of 18th October 1965: *Journal Officiel* No. 187, page 2864/65.

the Executive's proposals, subject to the amendments advocated by the Committee.

European Conference on Social Security

173. Following the European Conference on Social Security held at Brussels from 10th to 15th December 1962 the Commission of EEC drafted a document on implementation of the Conference's decisions. The document served as the basis for a *report* by the Social Committee¹ which Parliament examined at its October Session.

After affirming the need for harmonisation of social security systems, the Committee expressed the view that the Community should establish priority sectors to which a common effort should be devoted. This applied in particular to unemployment risks, for which the Executive should introduce a Community system for financing unemployment allowances; pensions systems should also be harmonised on a long-term basis; in the case of work accidents and occupational diseases harmonisation should be easier. The participants in the Conference had not succeeded in reaching agreement on the financing of social security. In any case, harmonisation should take into account the basic principle that the percentage of the national income devoted to social security expenditure should be identical throughout the Community of the Six.

The Committee was in favour of the main outlines of the action already taken or being taken by the Commission, though at the same time it urged it to take initiatives in its own name. In conclusion it emphasised that social security should be integrated into the Community programme on medium-term policy that was being prepared.

In the *debate*, following expressions of support by the Socialist and Christian Democrat Groups for the Committee's views, the Commission recalled that social security was in fact one of the sectors in which member States

1. Doc. 96/1965-66: Sabatini Report on implementation of the decisions of the European Conference on Social Security in accordance with Article 118 of the EEC Treaty.

retained their independence ; but it undertook to spare no effort to achieve harmonisation.

Parliament then adopted unanimously a *Resolution*¹ stressing the need to intensify efforts towards harmonisation with a view to providing social security for wage-earners and self-employed workers, in particular migrant workers. It requested the Commission to indicate priority objectives for harmonisation and invited it to look into the possibility of introducing a Community policy on unemployment benefit and pensions.

Protection of young workers

174. Before being sent to member States the *draft recommendation* on the protection of young workers prepared by the Commission of EEC was submitted to the Economic and Social Committee and the European Parliament for their opinions. Although that Committee was unable to reach any conclusion, two opposing tendencies being apparent within it, Parliament expressed its views on the draft at its January Session, on the basis of a *report* by its Social Committee².

Following a survey of the development of legislation for the protection of young workers, the report analysed the various aspects of the draft recommendation. A number of principles were apparent in the draft. The Commission had adopted a minimum age of 15 for starting work, as had the European Social Charter ; while subscribing to this proposal, the Committee thought immediate provision should be made for raising the age limit to 16 at a later date. However, in the opinion of the Commission and the Committee, certain exceptions to the age limit of 15 should be allowed, in particular for family businesses. The working week for young people was not to exceed 40 hours, with a guaranteed rest period of 12 hours ; the Committee found the limits of 5 a.m. to 11 p.m. proposed by the Executive Commission excessive, and suggested the period 6 a.m. to 10 p.m. It also advocated that similar

1. Resolution of 24th November 1965, *Journal Officiel* No. 209, page 3126/65.

2. Doc. 113/1965-66 : Troclet Report on the EEC Commission's draft recommendation to member States (Doc. 31) concerning the protection of young workers.

stringency should be shown in prohibiting work on Sundays and public holidays. The other provisions in the draft recommendation — 24 days' annual leave, exemption from work for advanced occupational training, a ban on certain dangerous or unhealthy jobs — received the Committee's approval. The Committee asked that the compulsory and regular nature of medical examinations should be intensified.

In conclusion the report agreed with the proposals to consolidate protective legislation and secure its observation and called on member States to inform the Commission every two years of progress made in the protection of young workers.

In its *Resolution*¹ which was adopted unanimously, Parliament approved the draft recommendation, subject to the amendments presented by the Social Committee.

Welfare services for workers who migrate within the Community

175. In July 1962, the EEC Commission issued a *recommendation* asking member States to "stimulate and promote — for example, by providing appropriate financial assistance — the development and, where necessary, the provision of welfare services with adequate funds and staff, to assist workers and their families who migrate within the Community". It was recommended that these services should keep in touch with the other welfare services. The Commission also urged member States to "promote and supervise the training of welfare staff" and to "ensure constant co-operation among welfare services in the countries concerned". In 1965, the Commission transmitted to Parliament's Social Committee, for information, a paper on the action taken by member States in application of the recommendation. This was followed by a memorandum ; the two documents were the subject of a *report*² which the Social Committee presented to Parliament in March 1966.

1. Resolution of 18th January 1966, *Journal Officiel* No. 23, page 341/66.

2. Doc. 11/1966-67 : Carcaterra Report on the action taken by member States in application of the EEC Commission recommendation on the work of welfare services with regard to workers who migrate within the Community.

The report noted that member Governments had received the recommendation in a very positive manner. They had arranged to give it full effect and expressly acknowledged the importance and relevance of the matter. They were determined to carry on the work in hand and achieve the specified objectives. Much had already been done, including the allocation of extra funds to welfare services for migrant workers and their families, improvement and co-ordination of services, and the co-ordination of the work of public and private authorities. On the whole, therefore, the recommendation had served its purpose. But further efforts were still required — combined with more effective legal instruments such as directives and regulations — if migrant workers were to have the “social charter” for which one of the Social Committee’s earliest reports¹ had called.

This meant that assistance should be made available at every stage of the process of migration: departure, journey, arrival, residence, re-uniting of family, and settling-in in general. Consideration of the measures taken by member States in application of the Community recommendations should not be confined to their form but should include an examination of their effectiveness.

Studies made in the Netherlands and the Federal Republic of Germany had indicated the need to develop and improve welfare services not only in immigration countries but also in emigration countries. The report welcomed the Commission’s intention to arrange a special colloquium, and recommended the Commission to consult workers’ organisations in this connection.

In the *debate*, the Socialist Group put forward the view that, for the next medium-term programme, there should be a greater degree of harmonisation in the social field generally. On the question of a social charter, it pointed out that there was a certain amount of discrimination between immigrants from Community countries and those from the Associated Countries.

The EEC Commission stressed how effective the recommendations on social matters had been; they had made up for the limited

1. Doc. 66/1958: Storck Report on Chapter V of the 1st General Report on the Activities of EEC.

nature of the powers which Article 118 of the Treaty conferred upon the Community in this field. With regard to the social charter, the Commission pointed out that bilateral agreements between member States tended to be based on Community regulations; this should be encouraged, particularly in respect of the Associated Countries.

In a *Resolution*¹, adopted unanimously, Parliament noted with satisfaction that the 1962 recommendation had been favourably received by member States. It urged that close attention be given to the effectiveness of Government action in this field and that Governments harmonise their measures. To ensure further progress, the Commission was asked to “use the most effective instruments at its disposal”, which implied going beyond recommendations.

Vocational training and guidance

176. In May 1965, the EEC Commission transmitted to Parliament, for information, its action programmes regarding a common policy on vocational training, with particular reference to agriculture. The following month it sought Parliament’s views on its *draft recommendation* on the promotion of vocational guidance. Each text was dealt with in a Social Committee *report*. Because they were concerned with related subjects, the two reports² were presented to Parliament together in March 1966.

The report on vocational guidance noted that the aim of the Commission’s recommendation was to ensure that vocational guidance was available for the growing number of school-leavers and workers obliged to change their jobs. The recommendation comprised three proposals:

(i) Member States should promote vocational guidance for young people and adults. More people should be provided with vocational guidance. Account should be taken of the needs

1. Resolution of 11th March 1966, *Journal Officiel* No. 53, page 785/66.

2. Doc. 2/1966-67: Sabatini Report on the draft recommendation of the EEC Commission to member States (Doc. 86/1965-66) on the promotion of vocational guidance.

Doc. 3/1966-67: Sabatini Report on the programmes regarding a common policy on vocational training, with particular reference to agriculture.

of each section of the population requiring such guidance ; for this purpose member States should review the situation every three years. Efforts should also be made to improve the quality of vocational guidance.

(ii) Vocational guidance arrangements, and the resources available to vocational guidance services, should be commensurate with the needs of the population. This meant ensuring optimum geographical distribution of services and providing adequate financial coverage of technical and administrative requirements.

(iii) Member States should ensure greater continuity in vocational guidance and close liaison with employment services. The general co-ordination of vocational guidance work should be improved.

While approving the draft recommendation, the report pointed out that it was preferable, at the present stage, to allow member States to adopt whatever arrangements they considered best suited to their own circumstances. Community pilot schemes might be conducted and their results periodically compared with the results of national systems. Vocational guidance had an important bearing on the free movement of workers in the Community, and so was a means of ensuring more rational utilisation and distribution of manpower.

The report on the Community action programmes regarding a common vocational training policy noted that the common action envisaged by the Commission had specific aims and an ultimate aim. The ultimate aim was to establish " a network of training establishments and places providing all young people, and where necessary adults, in the Community with suitable training opportunities ". The short-term implications of these aims included the adoption of common principles and continuous training of workers in accordance with economic, scientific and technical developments.

The report went through each of the aims specified by the Commission, viz. forecasting of manpower needs and resources ; general extension and improvement of vocational guidance ; introduction of special vocational training and re-training programmes to meet urgent or vital needs ; adjustment of vocational training systems ; harmonisation of training

standards ; adjustment of training methods ; promotion and improvement of instructor training and facilities for vocational training and advanced training ; adjustment of training facilities in accordance with probable structural trends in each sector and to meet the need for balanced planning of the Community's regions.

The Social Committee drew the Commission's attention to production changes and the need to train the supervisory personnel necessitated by the constant development of automation. It recalled that it had indicated the need for action in the vocational training field in a report drawn up in 1962. It felt that the Social Fund should be a key instrument of Community intervention, on a par with the Agricultural Fund (EAGGF). Vocational training had an important bearing both on regional development policy and on free movement of workers and the free supply of services.

On the action programme for agriculture, the Social Committee stressed the need for the Commission to co-ordinate the existing means of intervention — viz. the Social Fund and the EAGGF — with the means to be created in application of Article 41 of the Treaty. All the resources provided for by the Treaty in connection with the Community programmes should be used to develop vocational training in agriculture along suitable lines.

Parliament adopted two *Resolutions*¹ embodying the Social Committee's views. It approved the Commission's two vocational training action programmes and urged the Commission to " give practical effect to the various aims by using the most effective legal instruments ".

7. Health protection

177. During the period under review, Parliament was consulted on a variety of health protection problems, including the implications of the merger of the Executives for industrial safety and health, protection from ionising radiation, medical supervision of workers, and compensation for occupational diseases.

1. Resolutions of 11th March 1966, *Journal Officiel* No. 53, pages 779/66 and 784/66.

Implications of the merger of the Executives

178. At its May Session, Parliament examined a *report*¹ by the Health Protection Committee on the implications of the merger of the Executives for industrial safety and health.

The report stated that, while the merger of the Executives was simply the prelude to the merger of the Communities, the amalgamation of the Communities' activities could be done only gradually. Reviewing the present situation in the field of health protection and industrial safety, the report noted that, under the Treaties, the ECSC High Authority and the EURATOM Commission had wider powers in these matters than the EEC Commission. It was therefore imperative, in connection with the merger of the Executives, to place the European health and safety policy on a more effective basis and lay the foundations for harmonisation of the health and safety requirements set out in the three Treaties. The future High Commission should accordingly have adequate powers to draw up a harmonised policy in these fields and carry it into effect after the merger of the Communities. The harmonisation should take the form of a levelling-up, that is, the country with the most stringent regulations and the greatest experience should be taken as the pattern for the others.

The future Commission should be given the means to ensure that the safety problem in all sectors of mining was dealt with in the best possible way; this implied, among other things, increasing the resources and powers of the Standing Committee on Safety in Coal-mining. It should also deal with the harmonisation of national safety regulations and measures in other industries in the Community. In regard to industrial safety and health, it should be possible to take certain immediate measures in order to give the single Commission, within the purview of the Community, wider powers than those at present held by the EEC Commission.

179. In the *debate* the Socialist and Christian Democrat Groups endorsed the Health Protec-

1. Doc. 13/1965-66 : Pêtre Report on the implications of the merger of the Executives for industrial safety and health in the European Communities.

tion Committee's observations. But the Christian Democrat Group, believing that the internal organisation of the single Commission should be left to the Commission itself, abstained on point V of the draft Resolution.

The three Executives approved the recommendations of the report.

180. In the *Resolution*¹ adopted at the end of the debate, Parliament stressed the need for the future High Commission to be in a position to conduct a harmonious health and safety policy at Community level. It urged the Councils to give the Commission the necessary responsibilities for this purpose.

Protection from ionising radiation

181. At its May Session, Parliament discussed ionising radiation hazards in the light of a *report*² presented by the Health Protection Committee.

Basic standards were laid down in 1959 for the purpose of minimising hazards from ionising radiation. They applied to the production, processing, handling, utilisation, storage, conveyance and disposal of natural and artificial radioactive substances and prescribed effective measures for keeping the hazards within certain limits. Under the Treaty, the standards could be amended to take account of new scientific discoveries. They were first revised in 1961.

The draft directive before Parliament originated from a request which the EURATOM Commission received from the Federal German Government in 1960. In the new provisions the Commission laid down a new criterion in respect of cases where the maximum permissible levels were exceeded by reasonable amounts. There were also provisions aimed at giving workers better protection through stringent medical supervision.

The Health Protection Committee approved the directive. It considered that the text took account of recent scientific discoveries

1. Resolution of 12th May 1965, *Journal Officiel* No. 96, page 1689/65.

2. Doc. 28/1965-66 : Santero Report on the proposal of the EURATOM Commission to the Council (Doc. 142/1964-65) for a directive revising the basic standards for the protection of the public, in particular workers, from ionising radiation hazards.

and the experience gained in previous years from the application of the basic standards, and that it substantially improved the original standards, particularly in relation to "exceptional irradiation". It regretted, however, that it was not specified by which date member States were to amend their legislative and administrative regulations or introduce new regulations to give effect to the directive. It therefore proposed adding a clause stipulating that "within one year from the date of notification of the directive" member States were to introduce the measures required to implement the directive and inform the EURATOM Commission of having done so.

In its reply, the EURATOM Commission observed that revision of the basic standards should not be done hastily.

Parliament adopted a *Resolution*¹, which embodied the main points of the report, and an amendment aimed at clarifying the text.

Medical supervision of workers

182. In July 1962, the EEC Commission addressed two *recommendations* to member States, one on the harmonisation of national regulations concerning industrial health, the other on the adoption of a European list of occupational diseases. A third recommendation, referring exclusively to the other two, was examined by the Health Protection Committee in a *report*² presented to Parliament in June.

After referring to International Labour Organisation Recommendation No. 112 of June 1959 on industrial health services, the report examined the substance of the Commission's draft recommendation. The purpose of the text was to introduce compulsory medical supervision for workers whose jobs exposed them to special hazards. A schedule of these jobs was attached to the text. Workers were to have an initial medical examination, followed by regular check-ups and examinations by specialists.

1. Resolution of 13th May 1965, *Journal Officiel* No. 96, page 1696/65.

2. Doc. 56/1965-66 : Fohrmann Report on an EEC Commission draft recommendation (Doc. 149/1964-65) to member States on medical supervision of workers exposed to special hazards.

Other health control measures, particularly preventive measures, could be taken by the surveillance authority responsible. Surveillance could cover matters not specified in the recommendation and could be introduced for jobs other than those appearing in the European list of occupational diseases and the schedule to the recommendation, as well as for workers other than those directly exposed to hazards mentioned.

The Health Protection Committee stressed the urgent need for the measures recommended. It pointed out that member States had not yet fully implemented the recommendation of July 1962 on industrial doctors and urged them to do so promptly. It hoped that the EEC Commission would ensure that the measures taken by member States in application of the recommendation were not too divergent and that it would ask member States to comply with the recommendation within two years. It approved the clause providing for a regular review of the schedules of occupational diseases and advocated exchanges of views in this connection.

In a *Resolution*¹ adopted unanimously, Parliament endorsed the Commission's recommendation, subject to the observations made by the Health Protection Committee in its report.

Dangerous substances

183. In November, Parliament rendered an opinion, in the light of a Health Protection Committee *report*², on two EEC Commission *draft directives* concerning approximation of regulations on dangerous substances.

The report considered that the two draft directives were important for all sectors of the economy, especially for the chemical industry and agriculture. They were primarily aimed at protecting human life and health and applied

1. Resolution of 16th June 1965, *Journal Officiel* No. 119, page 2030/65.

2. Doc. 104/1965-66 : Spedale Report on the proposals of the EEC Commission to the Council (Doc. 80) for :

(a) A directive on approximation of legislative and administrative regulations relating to dangerous substances and preparations ;

(b) A directive on approximation of legislative and administrative regulations relating to the classification, labelling and packaging of dangerous substances.

particularly to persons whose occupations involved the handling of dangerous substances. The report welcomed the Commission's proposals regarding them as the first stage in the harmonisation of national regulations in this matter; the directives allowed trade in dangerous substances and preparations to be conducted freely within the limits imposed by the need to protect health. The report hoped that there would soon be complementary directives, particularly for the purpose of regulating, at Community level, the labelling and packaging of small quantities of dangerous substances and the classification, labelling and packaging of dangerous preparations. Certain amendments and additions to the two draft directives would have to be proposed.

184. In the *debate*, the Liberal Group and supporters endorsed the measures proposed and asked the Commission to submit, as soon as possible, a directive on the conveyance and handling of dangerous substances, to come into force at the same time as the directive on the packaging of dangerous substances and preparations. The EEC Commission stressed the significance of the two directives and said that particular matters (transport, inclusion of phyto-pharmaceutical products etc.) would be dealt with in further directives.

After the debate, Parliament unanimously adopted a *Resolution*¹ endorsing the two draft directives, subject to the amendments proposed by the Health Protection Committee.

Conditions governing compensation for occupational diseases

185. At its January Session, Parliament examined a *report*² by the Health Protection Committee on an EEC Commission draft *recommendation* to member States on the conditions governing compensation for occupational diseases.

1. Resolution of 26th November 1965, *Journal Officiel* No. 209, pages 3134/64 and 3137/65.

2. Doc. 111/1965-66: de Bosio Report on the draft recommendation of the EEC Commission to member States (Doc. 84) on the conditions governing compensation for occupational diseases.

In 1962 approval was given to an initial recommendation instituting a "European List" of occupational diseases and a "combined scheme" whereby, in certain circumstances, compensation could be paid in respect of diseases not included in national lists. The draft recommendation before Parliament was the second stage in the harmonisation and improvement of national regulations on occupational diseases. Its main purpose was to remove certain restrictions on the payment of benefits included in national lists of noxious agents and occupational diseases. It also provided for cases where a patient should be compensated even if there was no legal presumption of the occupational cause of his disease. Another aim was to do away with special lists for agriculture; this was because of the decreasing distinction between agricultural and industrial working conditions. Lastly, the recommendation called on member States to introduce as promptly as possible the measures required to achieve the aims prescribed.

After going through each point in the recommendation and proposing slight amendments to some of them, the report emphasised that this second stage should be followed by a third one consisting of Community regulations on benefit rates. It also pointed to the need to standardise methods of preventing occupational diseases.

In the *debate*, the Socialist Group endorsed the three reforms proposed, stressing the importance of the combined scheme. The EEC Commission accepted the amendments put forward.

In a *Resolution*¹, adopted unanimously, Parliament approved the draft recommendation, stressing the urgent need to implement the measures advocated and to adopt further Community regulations, particularly on the prevention of occupational diseases and on benefit rates.

8. Cultural co-operation

186. During the period under review, Parliament gave close attention to questions relating

1. Resolution of 19th January 1966, *Journal Officiel* No. 23, page 375/66.

to the EURATOM research policy, the development of the European Schools, and the institution of a European sports certificate.

EURATOM research programme

187. On 13th May 1965, Parliament examined in the light of a *report*¹ by the Committee for Research and Cultural Affairs, the stage reached in the implementation of the EURATOM research programme.

The report reaffirmed what had been stated in the Resolution adopted by Parliament on 23rd September 1964 at the end of the debate on the 7th General EURATOM Report² and in the reports³ examined by Parliament on 21st January 1965; namely, that the EURATOM Commission must draw up its action programme in the context of the common energy policy and that approval still had to be given to the revision of the second five-year programme and to the supplementary budget for 1965. The report emphasised that the absence of such a decision was not only jeopardising EURATOM's existence but might also hamper the whole process of European integration.

There was a danger that :

- (i) The EURATOM Commission's position might be weakened at a time when it was important that its authority should be preserved in the interests of constructive application of the treaty on the merger of the executives ;
- (ii) EURATOM's activities as a whole, particularly the activities of the common research centre, might gradually come to a standstill ;
- (iii) The scientific and technical staff might be put in a precarious position.

188. Parliament unanimously decided to refer the *draft Resolution* to the appropriate com-

1. Doc. 41/1965-66 : Second supplementary Pedini Report on the stage reached in the implementation of the EURATOM research programme.

2. Doc. 63/1964-65 : Pedini Report on the 7th General Report on the Activities of EURATOM.

3. Doc. 127/1964-65 : Pedini Report on the stage reached in the implementation of the EURATOM research programme.

Doc. 135/1964-65 : Supplementary Pedini Report on the stage reached in the implementation of the EURATOM research programme.

mittee so that it could be studied in relation to the new situation arising from the agreement reached by the Council of Ministers, in Brussels on 13th May, on the revision of the second EURATOM five-year programme.

Under this agreement, the appropriations for the 1963-1967 five-year programme were increased by 5.58 million units of account from 425 to 430.5 million units of account. The appropriations for certain items of the programme were cut by a total of 34.8 million units of account, this being earmarked for priority activities. Extra funds were allocated primarily to the common research centre, the work on the ORGEL project, the fast reactor programme, and controlled nuclear fusion. A reserve of 3.078 million units of account included in the total amount was to be used to cover any shortage of income and, if necessary, to buy heavy water for the ORGEL programme and extend the Dragon project agreement for a further period.

189. Explaining the significance of the agreement, the EURATOM Commission said that it clearly expressed a unanimous political resolve to promote and intensify joint action in the energy field. It made a substantial contribution to the research programme, since it would now be possible to build other common centres, which would facilitate the comparison of national nuclear research projects with the Community programmes. Thus, for the years ahead, a better co-ordinated joint programme could be established which took greater account of the rapid development of nuclear technology and the progress made in the industrial sector.

190. On 9th March 1966, Parliament examined, in the light of a *report*¹ by the Budget and Administration Committee, EURATOM's draft operational budget and draft research and investment budget for 1966. At the end of the debate, Parliament passed a *Resolution*² appro-

1. Doc. 15/1965-66 : Battaglia Report on the draft operational budget of EURATOM for 1966 (Doc. 5) and the draft research and investment budget of EURATOM for 1966 (Doc. 6).

2. Resolution of 9th March 1966, *Journal Officiel* No. 53, page 766/66.

ving the two draft budgets, while noting with regret that the reduction in the appropriations for staff expenditure and in the budgetary commitments for research and investment called in question the Council's decision of May 1965 on the revision of the five-year research and development plan. Although not amending the draft budget, Parliament stood by all the fundamental political reservations which both its general and particular aspects prompted. It considered that the draft budget was not a satisfactory basis for the achievement of the aims set out in the general programme, which had been approved by the Council.

Development of the European Schools

191. On 10th March 1966, Parliament discussed, in the light of a report¹ by the Committee for Research and Cultural Affairs, problems connected with the development of the European Schools.

The report traced the origin and development of the six European Schools, beginning with the school founded in Luxembourg in 1953 by the parents' association comprising officials of the ECSC High Authority and Court of Justice.

The report described how the European School in Luxembourg started as a private school and subsequently became an official school and was given legal personality in the six member countries. Its legal basis was the European Schools' statute of 12th April 1957, which was in the form of an agreement requiring ratification among the member Governments. The creation of EEC and EURATOM led to the founding of European Schools in Brussels, Varese, Mol, Karlsruhe and Bergen. On 13th April 1962, the six member States signed a protocol, on the establishment of European Schools, with reference to the statute of 12th April 1957.

Under the statute and protocol, the European Schools were not Community institutions but institutions of the six member States with

their own legal personality. The Community element resided in the fact that the Communities, which concluded financial agreements with the higher council — a statutory body comprising Ministers of the member States — had a seat, with a vote, on the council and on the administrative organs of the six schools. This did not mean, however, that the European Schools had no structural features in common. The schools were alike in the following respects :

- (i) They were completely European in atmosphere ;
- (ii) Pupils were instructed from the outset in the so-called "second basic language" ;
- (iii) Children from all the "linguistic sections" had lessons together ("European lessons") in certain subjects ;
- (iv) In the secondary cycle, pupils were taught certain subjects in the "second basic language" they had learnt in the primary cycle.

The report examined the problems facing the European Schools, particularly those of external organisation. It pointed out that the European school-leaving certificate was now officially recognised by the six member States and by Switzerland, the United Kingdom and Austria ; this enabled pupils of the European Schools to attend foreign universities. Since history and geography textbooks in the Community countries often reflected nationalistic feeling, it was intended to produce textbooks in keeping with the spirit of the European Schools ; an organ of the high council had been dealing with this since 1963. The report suggested setting up a special "educational institute" to make a study of teaching problems in the European Schools, report its findings to European educational authorities, look into practical problems such as the writing of textbooks, and train teachers for the European Schools.

The report noted that, despite their limited Community nature, the European Schools were a successful solution to the special problem of educating the children of civil servants with a variety of linguistic backgrounds.

Believing that the European Schools were making a substantial contribution to European cultural development and were an important factor for European unity, the report recommended the adoption of the *Motion for a*

1. Doc. 8/1966-67 : Merten Report on the European Schools and their further development.

*Resolution*¹ submitted on 24th March 1965 on behalf of the Socialist Group. It called for the establishment of European Schools in other towns in the Community and in non-member countries where numerous subjects of Community countries (not necessarily officials of the European Communities) were living. European Schools should therefore be planned primarily for areas where there were large numbers of :

- (a) Officials of international and Community organisations ;
- (b) Embassy and other diplomatic officials ;
- (c) Foreign military personnel ;
- (d) Foreign employees of private firms ;
- (e) Foreign businessmen, commercial representatives etc.

In view of the advantages which the existing European Schools offered, the new schools, too, should be placed on a Community basis. These advantages included : uniform teaching systems, recognition of school-leaving certificates by member States, uniform timetables and curricula, and the division of pupils into linguistic sections, in order to ensure priority for a child's mother tongue. As far as possible, the new schools should have the same legal structure as the existing ones.

The report drew a parallel between the European Schools and the European University and showed how the European Schools could contribute to a common cultural policy. The European University should not be a "super-university" any more than the European Schools should be "super-schools". They were all special establishments intended for school-children and students representing a small section of the population of the Community ; only incidentally and indirectly, therefore, could they aspire to set a trend for other universities and schools. There was, however, an essential difference between the European Schools and the European University. The former, besides serving an idealistic purpose, fulfilled an urgent practical need, whereas the latter's purpose was purely idealistic, namely, the improvement of co-op-

1. Doc. 17/1965-66 : Motion by Mr. Seifriz for a Resolution on the establishment of pre-university European Schools.

eration among the European nations in the academic field.

The report pointed out that the European Schools should eventually be brought within the framework of a common cultural policy. That policy should not, however, be aimed at transforming all the schools of member States into European Schools. The existence of the European Schools would be of value in connection with the reciprocal recognition of academic qualifications and the related problem of the standardisation of curricula.

192. On 10th March 1966, Parliament adopted a *Resolution*¹ embodying the recommendations and proposals of the Committee for Research and Cultural Affairs and calling on member States to take steps to implement them. The appropriate committee was instructed to keep under review (a) the problem of bringing the European Schools within the framework of a future European cultural policy and (b) their institutional links with the Community in connection with the merger of the Executives.

European sports certificate

193. On 10th March 1966, Parliament examined, in the light of a *report*² by the Committee for Research and Cultural Affairs, the question of the institution of a European sports certificate.

The report pointed out that sport at Community level was an important means of inculcating the European idea in young people and teaching them to take part in sport in a spirit of European fellowship. The educational value of sport in general could be a useful adjunct to efforts to make Europe a living reality in the minds of young people in member States. The report recalled the *Motion for a Resolution*³ tabled on 21st January 1965, which recommended the institution of a sports certificate.

1. Resolution of 10th March 1966, *Journal Officiel* No. 53, page 771/66.

2. Doc. 12/1966-67 : Bernasconi Report on the institution of a European sports certificate.

3. Doc. 138/1964-65 : Motion by Mr. Bernasconi for a Resolution on the institution of a European sports certificate.

cate for young people between the ages of 12 and 16. The aim in instituting the certificate was to give tangible form to the European idea in a social activity which had an undeniable attraction for a large number of young people and to encourage young people in member States to take part in sport at Community level. It could not be decided, at the preliminary stage, exactly what form the certificate should take ; only the general principles could be laid down, viz. :

- (i) The tests should be such that the certificate could be won by a large number of young people ;
- (ii) Those who passed the tests should receive a certificate drawn up in the four official lan-

guages of the Community, together with a medal and a badge.

The report concluded that the opportunity to try, under equal conditions, to win a certificate recognised throughout the Community would in itself imbue young people in member countries with a sense of fellowship.

Parliament adopted a *Resolution*¹ in favour of the institution of a European sports certificate drawn up in the four official languages of the Community, as well as a medal, for young people aged between 12 and 16 who were subjects of a Community country. The Government representatives on the EEC Council were called upon to conclude an intergovernmental agreement to this effect.

1. Resolution of 10th May 1966, *Journal Officiel* No. 53, page 772/66.

