balance-of-payments difficulties envisaged by the Treaty and referred to in paragraph 9.7 above. A fourth proposal—the establishment of machinery for the grant of medium-term financial aid to a member State in difficulties—is still under discussion in the Community.

9.13 As regards the decision at the Hague Summit meeting on the preparation of a plan for the creation of an economic and monetary union, the Commission submitted to the Council, in March 1970, a draft plan for the achievement of such a union by 1978 or possibly by 1980. The draft plan provides for the achievement of the objective by stages, each of which would be characterised by parallel progress in four sectors—co-ordination of economic policies, the gradual creation of a unified capital market, fiscal harmonisation and the strengthening of economic policies.

9.14 The broad objectives of Ireland's economic and monetary policies are in line with the aims of the EEC and the means adopted by the Community to achieve these aims are acceptable. Generally, it is not expected that membership would give rise to difficulties for Ireland in the implementation of these policies. We would stand to gain in so far as Community policies were successful in achieving greater stability and balanced growth throughout the enlarged Community. The review and consultation procedures should be helpful to us in dealing with economic trends, in formulating medium-term economic programmes best suited to the development of the economy in EEC conditions, and in dealing with balance-of-payments difficulties.

9.15 The agreement to define medium-term economic targets for the individual member States at Community level would facilitate Irish medium-term economic planning as a member of the Community in that the targets, which would be fixed in agreement with the Government, would be set against the background of the expected trend of economic development in the other member States which would include our principal export markets.

9.16 Consideration within the Community of the Commission's draft plan for achieving economic and monetary union (paragraph 9.13) is still at an early stage. It would be premature to

attempt to assess the implications of the plan for Ireland before decisions are reached on its final content.

9.17 As regards the balance-of-payments provisions, the application of the Community arrangements to Ireland would contribute towards the maintenance of a stable balance-of-payments position and would, also, provide a source of external aid should difficulties arise. Moreover, the arrangements would assist the maintenance of balance-of-payments equilibrium throughout the enlarged Community and the avoidance of recourse to restrictive measures which could seriously affect or limit demand in our principal export markets.

9.18 The machinery recently established for the provision of short-term monetary support, and envisaged for medium-term financial aid, to a member State in balance-of-payments difficulties (see paragraph 9.12 above) would provide a facility of which Ireland could avail in the event of such difficulties. Ireland would, of course, be expected to participate in the grant of assistance to other member States; the financial commitments which this would involve for Ireland will be a matter for negotiation.

9.19 Membership of the Community would impose some additional obligations on Ireland in regard to the action she might take to cope with balance-of-payments difficulties. The most important of these relates to our freedom to introduce measures directly affecting imports. At present, under the Anglo-Irish Free Trade Area Agreement and the GATT, Ireland could unilaterally impose quantitative restrictions on imports for balance-of-payments purposes, or, on the precedent of the action taken by Britain in 1968, could introduce an import deposit scheme. However, any such measures are subject to consultation in the GATT. Under Community rules such measures would be subject to Community authorisation. Although in the event of a sudden balance-of-payments crisis a member State may introduce protective measures provisionally, these are subject to review by the Council which may decide that they shall be amended, suspended or abolished.

9.20 The Community requirement with regard to changes in currency parities is one of consultation, and we are already

under obligation not to make such changes without the concurrence of the IMF. The fact that the common prices for the principal agricultural products are expressed in units of account (the unit of account is at present equal to the gold value of the US dollar) and that the prices which farmers receive are based on these prices has to be taken into account in considering any alteration in the parity of a member State's currency. Unless countervailing measures are taken*, devaluation or revaluation has the effect of raising or lowering prices for agricultural products in the member State concerned.

9.21 The Treaty Chapter on balance of payments also contains an Article requiring member States to authorise any payments connected with the exchange of goods, services or capital as well as any transfers of capital and wages, to the extent that the movement of goods, services, capital and persons is freed in the Community. There is a prohibition against the introduction of new restrictions on transfers connected with many invisible transactions, e.g. pensions, tourism, inheritances, authors' royalties. Neither of these provisions should create significant difficulties for Ireland. The lifting of restrictions on payments and capital flows to Ireland from the other member countries should be generally helpful to us.

Regional Policy

9.22 The principle of regional development is accepted in the Preamble to the EEC Treaty which records the member States' anxiety to strengthen the unity of their economies and ensure their harmonious development " by reducing the differences existing between the various regions and the backwardness of the less-favoured regions ".

9.23 Regional policies continue to be the responsibility of the member States, but the institutions of the Community are required to ensure their co-ordination, as in the case of other branches of economic policy.

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*France and Germany, when they changed the parities of their currencies in 1969, were allowed to take measures to cushion the effect of the changes on prices for agricultural products.

9.24 In order to facilitate the achievement of regional policies the Treaty provides for certain exemptions from specific provisions or obligations. For instance, though State aids which distort or threaten to distort competition are forbidden, the Commission may rule that aids to regional development are compatible with the Treaty. There is a similar provision in respect of the Treaty requirement that transport rates or conditions should not contain any element of support or protection for particular industries. Again, it is provided that during the transitional period a member State may be authorised to take protective measures, including derogations from the Treaty, in the case of difficulties which could result in a serious deterioration in a region's economic situation.

9.25 One of the Community instruments for the promotion of regional development is the European Investment Bank which has made available loans totalling close on $1,000 million towards the financing of projects in the member States, particularly in Southern Italy (see paragraph 9.36). Projects aimed at encouraging the harmonious development of the general economy of an area receive priority in the allocation of aid from the Guidance section of the European Agricultural Guidance and Guarantee Fund, which provides finance for improvements in agricultural structure. The European Social Fund which helps to finance national retraining and resettlement schemes (see Chapter 11, paragraph 11.10) also contributes to furthering the objectives of national regional policies; the Council has received proposals from the Commission designed to broaden the scope of the Fund and make it a more efficient instrument in the sphere of regional development.

9.26 One of the major instruments of regional development at the disposal of the member States is the granting of State aids. As mentioned in paragraph 9.24 above, the Commission has the task of deciding whether particular State aids are compatible with the Treaty. It has indicated that in the case of aids for regional development it considers that the aid should be appropriate in the light of conditions in the region in question and that it should not harm the industries of other member States to an extent that would be out of proportion to the end in view. The first medium-term economic policy programme, adopted by the Community in 1967, recommended that aids

should only be granted to enterprises which are financially sound and may be expected to be lastingly competitive and that they should be temporary and not form an obstacle to the process of adaptation or lead to the maintenance of non-competitive activities.

9.27 The first medium-term economic policy programme also stressed the need for balanced regional growth through the creation of requisite conditions for development. In this context it recommended that special attention should be given to the improvement of infrastructure, and that national policies in this field should be co-ordinated as far as possible at Community level. A number of different types of regional problems are distinguished and views are given on the most appropriate measures to be implemented in each case including the use of "development poles" or centres in peripheral and underdeveloped regions. Such poles or centres are seen as only one element in regional policy which it is stated should be based on a comprehensive view of the development potential of all sectors.

9.28 The Commission has submitted to the Council a proposal aimed at the co-ordination and intensification of the regional policies of member States. The basic aim is to encourage the member States to draw up regional development plans which would be co-ordinated at Community level. A member State would discuss its plans with the Commission and, at the suggestion of either party, the plans could be referred for examination to a Standing Committee for Regional Development. This Committee would be representative of each of the member States and of the Commission. Where a member State's regional development plans had been discussed by the Standing Committee and the Commission considered that they did not conflict with the aim of achieving the co-ordination of economic policies, the Commission would be empowered to make financial assistance available towards their implementation. This assistance would take the form of interest rate subsidies or repayment guarantees in respect of loans from the European Investment Bank or other financial institutions. No distinction in principle would be made between projects in the public and private sectors. The amount available to the Commission would be limited and would be used to induce capital flows into underdeveloped regions.

9.29 The Commission, in its Opinion of 1 October 1969 on the applications for membership of the Communities, said in regard to regional policies:—

> "The accession of the United Kingdom, Ireland, Denmark and Norway to the Community should not, it seems, call for any changes in the European Community's regional objectives.
>
> Regional policies and regional problems in the prospective member countries are not basically different from those in the present Community countries.
>
> The applicants' regional policies are like those of the member States in having the same objective, more balanced distribution of development and similar incentives to guide the siting of new industry.
>
> . . . . . .
>
> Ireland has embarked upon a policy of industrialisation. The aim is to stimulate the economic development of the whole country rather than redress the differences in economic development between the various regions. Gross national product per head is approximately the same in Ireland as in Italy, but the differences between regions are less wide.
>
> In the six-member Community it has been found that economic union with its common policies and even the common market with its threefold freedom of movement for workers, goods and capital could not be established and would not confer the expected benefits unless regional economic structures were resolutely harmonised. This should provide an additional incentive, once the process of enlarging the Community begins, to pay particular attention to the need for very active promotion and co-ordination of regional policies at Community level."

9.30 The broad objectives of Irish regional policy are in harmony with those recommended to the member States in the first medium-term economic policy programme. The Government's view, that the potential of every region should be exploited to the full and that the tendency towards unbalanced

regional development should be checked by creating conditions in which a more dispersed geographical distribution of activities will be achieved, is in agreement with Community policy.

9.31 The lines on which Community and Irish regional policies are developing are broadly in parallel. The stress laid by the Community on the importance of infrastructure in regional development is fully accepted by the Government and is reflected in the advice given to local authorities to maintain liaison with industrialists and to give priority attention to their needs for infrastructure. Local authorities are forming regional groups, to co-ordinate, on a regional basis, programmes for development. The aim of this initiative, which is to ensure that a coherent view is taken within each region of the problems and possibilities of the region as a whole, is in accord with the view of regional policy implicit in the recent proposals by the Commission for the strengthening of regional policy mentioned in paragraph 9.28 above. If these proposals are implemented it is likely that, after entry to the Community, Ireland would be involved in a periodic examination with the Commission of its regional problems and measures for regional development. The work of the regional co-ordinating groups and of the regional offices of the Industrial Development Authority would assist in laying the groundwork for this kind of dialogue.

9.32 Our State aids to regional development are of a form favoured by the Community in that they are intended to assist the establishment of economic activities which will be capable of survival and growth in the face of competition.

European Investment Bank

9.33 The Bank was established with the objective of contributing to the " balanced and stable development of the Common Market in the interests of the Community ". This it achieves by giving loans and guarantees on a non-profit-making basis to facilitate the financing of the following types of projects:

(a) projects for developing less-developed regions;

(b) projects for modernising or converting undertakings or for developing new activities where such projects by

their size or nature cannot be entirely financed by the various means available in the individual member States; and

(c) projects of common interest to several member States which by their size or nature cannot be entirely financed by the various means available in the individual member States.

9.34 The Bank's capital is fixed at present at $1,000 million, the scale of subscriptions by member States being as follows:

	$m.
France	300.0
Germany	300.0
Italy	240.0
Belgium	86.5
Netherlands	71.5
Luxembourg	2.0
	1,000.0

9.35 The Bank is empowered to borrow on international capital markets (including those of non-member States) funds necessary for carrying out its tasks and by the end of 1968 it had borrowed up to $766 million in member States and in New York. To provide finance for specific projects, the Bank may require member States to make special interest-bearing loans to it in proportion to their capital subscriptions, if it cannot obtain adequate funds on the capital markets at reasonable terms. So far, the Bank has not used this power.

9.36 During the first decade of its operations (i.e. the period 1959-68) the Bank approved loans in member States totalling $987.5 million involving 169 projects. Almost two-thirds of the loans approved have been in respect of projects in Italy, mostly regional development projects in Southern Italy. In addition to loans for projects in member States, the Bank has from 1962 extended its field of operation to countries associated with the Community; by the end of 1968, the total amount of loans approved to these countries amounted to $275.5 million. The

Bank's participation represents, on average, 22 per cent of the total investment in projects. The average amount of the loans granted was $5.3 million; 59 per cent of the loans were below $3 million.

9.37 The following is a percentage breakdown by sectors of the investments financed by the Bank:

Agriculture	10.5
Industry	36.6
Energy	14.4
Transport	30.8
Other*	7.8
Total	100.0

9.38 Loans are granted to public or private concerns subject where appropriate to guarantee by the Government concerned or by another satisfactory guarantor. They are conditional on the use of other sources of finance to the maximum extent possible. The rate of interest varies from time to time, depending on the terms and level of interest rates on capital markets. The present rate of interest is 7½ per cent for loans not exceeding twelve years and 8 per cent where the duration exceeds twelve years. As mentioned in paragraph 9.28 above, the Commission has proposed that it be empowered, in certain circumstances, to subsidise interest rates on, or guarantee repayment of, loans by the Bank for regional development.

9.39 Newly acceding countries would be required to subscribe to the Bank's capital. The size of their contributions would be determined at the accession negotiations. It is not possible therefore to say precisely at this stage what Ireland's contribution would be but it would possibly be of the order of £3-4 million. As in the case of the founder members, only 25 per cent of the contributions of the acceding countries would have to be paid up, probably over a few years. The remainder would not be called up unless the Bank found that this was necessary to enable it to meet its obligations.

*Includes investments in telecommunications, tourism and water supply.

9.40 A rapid increase in investment is a key element in generating high rates of economic growth. Membership of the Bank would provide access to a new source of capital for regional and industrial development in Ireland.

CHAPTER 10

COMMERCIAL POLICY TOWARDS NON-MEMBER COUNTRIES

10.1 The Treaty envisaged the adoption of a common commercial policy towards non-member countries by the end of the transitional period, i.e. 31 December 1969, and to this end specified action to be taken during the transitional period. In the event, however, the Community has not yet completed the adoption of a common policy although progress has been made.

10.2 The measures adopted so far include :—

(1) an agreed list of goods admitted free of quantitative restriction from non-member countries other than state-trading countries. Member States may not impose restrictions on imports of these goods except where emergency action is called for and such action is subject to review by the Council;

(2) agreed lists of goods admitted free of quantitative restriction from state-trading countries. Member States may not impose restrictions on imports of these goods except where imports are in such large quantities as to cause or threaten serious injury to domestic producers and such restrictions are subject to possible review by the Council;

(3) arrangements for the administration of Community quotas for imports from third countries when these quotas come to be introduced;

(4) arrangements for supervising imports into the Community of sensitive goods which are not subject to quantitative restriction, the aim being to enable action to be taken in good time to prevent dislocation of the Community markets;

(5) Community procedures for dealing with dumped and subsidised imports from non-member countries (see Chapter 4 para. 4.22);

(6) common arrangements in respect of Community exports to third countries based on the principle that such exports should not be subject to quantitative restriction but allowing for exceptions for a limited number of specified products; and

(7) an agreement among member States to consult among themselves before granting export credit guarantees for periods in excess of five years.

10.3 Under Council decisions of 1960 and 1961 member States are required to consult together before concluding any trade agreement with or altering their liberalisation measures *vis-à-vis* a third country. Such trade agreements could not extend beyond the end of the transitional period and were required to include provisions allowing for the annual annulment of the agreement or for amendment where obligations under the Treaty so required or, alternatively, to have a validity not exceeding one year. Derogations from these decisions have been authorised by the Council to permit the extension beyond the end of the transitional period and into 1970 of a number of the member States' trade agreements with third countries and the conclusion of new agreements by member States, notably the Trade Agreement between France and the Soviet Union which covers the period 1970-74. On 16 December 1969 the Council adopted a decision which contained provisions for—

(1) the renewal of existing bilateral trade agreements after the transitional period, subject to the approval of the Council;

(2) the negotiation of Community trade agreements; and

(3) the negotiation by the member States, until 31 December 1972 subject to the approval of the Council, of bilateral trade agreements with countries with which it is not possible to conclude Community agreements.

10.4 Although the measures for the full achievement of the common commercial policy remain to be completed, elements of commercial policy are already being conducted on a Community basis. Negotiations with non-member countries have been carried out on a Community basis in respect of the common customs tariff and agricultural products for which a common market organisation is in operation, e.g. trade negotiations in the GATT and the negotiation of modifications of Community levies on certain agricultural products from some non-member countries. Community trade agreements with non-member countries are also in force, viz. with Iran and the Lebanon, and negotiations or talks preliminary to the opening of negotiations are in progress with the Argentine, Austria, Japan, the Lebanon (a possible new agreement), Malta and the United Arab Republic. In general these agreements have limited coverage. Negotiations for trade agreements with Israel, Yugoslavia and Spain were recently concluded. The Community has also subscribed to the Agreement on Cotton Textiles drawn up under the aegis of the GATT under which the member States have undertaken to increase their imports of cotton textiles from less developed countries by the same proportions.

10.5 Member States have availed themselves in many instances of a safeguard provision in Article 115 of the Treaty to prevent their individual restrictions on imports of goods of third country origin being circumvented by the import of such goods through another member State. Under this provision, failing co-operation between the member States, the Commission can authorise the member State experiencing difficulty to take protective measures. In cases of urgency member States were entitled, during the transitional period, to take protective action subject to notification to the other member States and the Commission. The latter had the power to decide that such measures should be amended or revoked.

10.6 As a member of the EEC, Ireland would be obliged to comply with the measures set out in paragraphs 10.2 and 10.3 above and with any other decisions taken towards the completion of the common commercial policy.

10.7 Negotiations with non-member countries relating to the common customs tariff, both on a bilateral basis and in international organisations such as the GATT, would, on the enlargement of the Community, continue as heretofore to be on a Community basis. These negotiations are conducted by the Commission working on a mandate authorised by the member States in the Council and, as a member of the Council, Ireland would participate in the drawing up of the Commission's mandate.

10.8 Ireland's trade agreements with countries other than the member States and the applicant countries are for the most part in general terms, providing specifically or in practice for reciprocal most-favoured-nation treatment. Their continuance in operation after Ireland's accession to the Community should present no difficulty. Trade agreements with three countries, i.e. Canada, Ceylon and South Africa, provide for the granting of certain tariff preferences in return for preferences granted by these countries, and these would require to be re-negotiated to take account of Ireland's obligations as a member of the Community. If accession led to loss of our preferential position in these and in other markets where we enjoy Commonwealth preference, there would be implications for our export trade.

10.9 Ireland would, on accession to the Community, be required to adhere to whatever Community trade agreements were in force at that time. Adherence to the Community agreements at present in operation, viz. those with Iran and the Lebanon, and those recently concluded with Israel, Yugoslavia and Spain would not present difficulty. An assessment of whatever trade agreements are negotiated by the Community with the other countries mentioned in paragraph 10.4 must await their final conclusion.

10.10 The adoption of the Community's common policy in regard to the liberalisation of trade with non-EEC countries, including "low-cost" producers and state-trading countries, would not appear, at this stage, to have serious implications for

Ireland. There are two areas, however, in which it would be particularly relevant,

(a) in relation to our existing quotas (mainly on textiles) applicable to certain low-cost and state-trading countries, and

(b) in relation to goods, not subject to these quotas, which might be sensitive to competition from such sources when our present relatively high duties are reduced to the levels of the Community's common customs tariff.

Having regard to the wide range of products, e.g. in the textile sector generally, which are not included in the Community list of goods on which trade is liberalised, and also to the provision for action in case of special difficulties, it is felt that we would be enabled to afford protection to sectors which would be especially sensitive to competition from low-cost sources or state-trading countries.

CHAPTER 11

SOCIAL POLICY

General Social Provisions

11.1 One of the main aims of the EEC Treaty is to bring about an improvement in the living and working conditions of the people in the member States. The Treaty does not impose specific obligations towards this end on the member States apart from the obligations to achieve the principle of equal pay for the same work as between men and women and to assist through a Social Fund towards the retraining and resettlement of workers. It also charges the Commission with the task of promoting close collaboration between the member States in the social field, particularly in relation to employment, labour law and working conditions, vocational training, social security, industrial health and safety, trade union law and collective bargaining. This is done through the undertaking of studies, the giving of opinions and consultations.

11.2 As regards working conditions, the Commission's surveys indicate that, within the Community, working conditions have been improved in line with the economic expansion which has taken place. In the important field of social security, work on harmonisation has been confined to studies by the Commission. These studies show that there are considerable differences between the systems in the member States, both as regards the structure and the level of benefits. There is, however, a gradual trend towards their broad convergence; the gap between the proportion of gross national product spent on social security services in the member States at the extremes has been greatly narrowed.

11.3 Acting on proposals from the Commission, the Council has determined the general principles for the implementation of a common policy of vocational training. In addition, the Commission has issued a recommendation to member States urging the development of vocational guidance services.

11.4 In the field of industrial safety, the Council has issued a directive regarding dangerous substances. It also has before it for consideration a number of draft directives relating to prevention of accidents from scaffolding, cranes, hoists, belt conveyors, etc.

11.5 The Commission has issued a recommendation for the improvement of industrial medical services and also a recommendation concerning the protection of young people at work. A draft recommendation on the protection of expectant and nursing mothers at work is also being considered within the Community.

11.6 It is expected that the broad tendency towards harmonisation manifested within the Community would make itself felt in Ireland on entry to the Community.

11.7 With regard to action taken by the Community institutions on specific subjects, it is considered that the factual studies of working conditions in various member States carried out by the Commission would provide useful yardsticks by which to measure our progress on entry to the Community. As the Treaty does not prescribe a uniform social security system, extensive changes in Ireland's social security arrangements would not be necessary.

11.8 In this country, responsibility for all forms of manpower training in industrial and commercial sectors is vested in An Chomhairle Oiliúna, set up under the Industrial Training Act, 1967. The general principles on vocational training followed within the Community, which include the preparation of " career briefs ", should be of significant benefit in the development of our training programmes. Similarly, the recommendation of the Commission on vocational guidance would be of valuable assistance in the development of other elements of manpower policy, particularly as regards the employment and placement services.

11.9 The recommendations of the Commission are not binding on member States. Nevertheless, the recommendations already issued in the sphere of industrial health and safety and the other measures being contemplated should constitute a significant

influence towards harmonisation of standards. Following entry to the Community our law and practice would, it is expected, be gradually adjusted as these standards came to be generally applied within the Community.

European Social Fund

11.10 The European Social Fund was established with the ultimate objective of contributing towards the raising of living standards within the Community. The Fund is financed by contributions of member States and its prescribed function is to promote opportunities for employment and the geographical and occupational mobility of workers. Within limits defined by regulations, the Fund may reimburse 50 per cent of amounts expended by member States or by organisations governed by public law on—

(a) ensuring productive re-employment of workers by means of occupational retraining and resettlement allowances, and

(b) maintaining, during industrial re-conversions approved by the Commission, the wage levels of permanent employees pending full re-employment.

11.11 Retraining assistance is confined to the cases of unemployed workers who cannot be placed in full-time employment otherwise than in new occupations and is conditional upon the workers having been in productive employment for a period of at least six months in the occupations for which they have been retrained. Assistance towards resettlement is limited to unemployed workers who are obliged to change from their normal place of residence within the Community and is conditional upon the workers having been in productive employment for at least six months in their new place of residence. Assistance towards maintenance of wage levels of workers in the case of an undertaking being converted to different activities is conditional upon the workers having been fully employed again in that undertaking for a period of at least six months.

11.12 Up to 31 December 1968 the Fund had paid out over $80 million, comprising $74 million on retraining and $6 million on resettlement allowances.

11.13 The Treaty provides (Article 126) that, at the expiry of the transitional period, the Council, acting on an opinion of the Commission, may rule that all or part of the assistance of the type hitherto granted from the Fund shall no longer be given or may determine the new tasks to be entrusted to the Fund within the framework of its general mandate.

11.14 In 1965, the Commission submitted proposals to the Council for changes in the Fund's activities. The Council was unable to reach agreement on these proposals. In the light of this situation and the provisions of Article 126, the Commission has submitted new proposals to the Council for the reform of the Fund and the extension of the scope of its activities. In putting forward its proposals, the Commission emphasizes the need for the constant adaptation of manpower to the requirements of technological development and for giving a Community bias to the Fund's financial operations. It proposes that sufficient flexibility be introduced into the Fund's rules to enable the types of assistance granted (technical retraining, geographical mobility, maintenance of incomes, etc.) to be related to the particular problems of adaptation or re-employment requiring solution. Subject to the Council's approval, decisions would be taken on the priorities in giving assistance within the overall context of the Community's regional development and medium-term economic policies. The Commission also proposed that the Fund's resources should be stepped up considerably, initially to $50 million a year and ultimately to $250 million a year. The Council has not yet taken a decision on the Commission's proposals.

11.15 In the absence of final decisions within the Community on the future scale of operations of the Fund, it is impossible to assess fully the benefits which Ireland would derive. However, our manpower policies are being developed and expanded and it is expected that the retraining and resettlement activities would benefit from assistance from the Fund.

Equal Pay for Men and Women

11.16 The Treaty imposes on member States an obligation to ensure and maintain the application of the principle of equal pay for the same work as between men and women. The existing

member States allowed themselves a period of four and a half years up to mid-1962 for the full application of the principle but this was later extended to the end of 1964.

11.17 While significant progress has been made, the implementation of the principle has not been fully achieved in any member State. Lack of progress is most noticeable in sectors employing a large number of women. A major difficulty has been the interpretation to be given to the concept of the " same work ". The Commission's view is that the principle of equal pay must be accepted in its widest sense to include the elimination of all measures involving implicit or explicit discrimination in the matter of women's remuneration. In dealing with the legal background to implementation of the principle, the Commission considers that the Community countries can be divided into two groups, (a) countries where legal instruments exist which more or less fully guarantee women workers a right to equal pay which can be upheld by the Courts, and (b) other countries where the existence of safeguards depends on the application of the equal pay principle in collective bargaining agreements. The Commission, however, has concluded that the fact that in some countries no legal safeguard yet exists does not necessarily mean that these countries lag behind the others in applying the principle.

11.18 The Government have recently set up a Commission to consider the whole question of the status of women in Irish society.

11.19 A detailed survey of Irish employment would be required to determine which women were engaged in the same work as men and, if so, the extent to which they were being paid at lower rates. In the absence of such information, it is impossible to make a reliable estimate of the cost of implementing the equal pay principle in the private sector.

11.20 In the public sector, application of the principle of equal pay for the same work has to be considered in relation to the teaching profession, the Civil Service, local authorities and some State-sponsored bodies. Abolition of sex differentiation in pay to comply with the Treaty provision would cost an extra £1.25 million a year. If, in consequence, women and single men

on marriage-differentiated scales were to be given the same rates as are now paid to married men and related adjustments made in the pay of grades at present consisting entirely of women, the total cost could exceed £9 million a year.

11.21 On accession to the Community consideration would have to be given to the introduction of legislation and any other necessary measures to give effect to Ireland's obligations under the Treaty in regard to equal pay. The transitional arrangements to be applied by new member States in implementing the equal pay principle will be a matter for settlement in the negotiations.

CHAPTER 12

EUROPEAN COAL AND STEEL COMMUNITY

12.1 Part III of the 1967 White Paper gives a detailed summary of the provisions of the Treaty of Paris which set up the European Coal and Steel Community (ECSC). Briefly, the ECSC Treaty prohibits duties, quantitative restrictions, discriminatory pricing measures, subsidies or other practices which impede the free movement of coal and steel within the Community. While it does not require the imposition of a common customs tariff against imports from third countries it does make provision for the adjustment of protection against imports from these countries. The expenses of the Community are met from the proceeds of levies charged on the production of coal and steel and paid by the producers.

Coal

12.2 The term coal includes hard coal and patent fuels made from hard coal, coke, brown coal briquettes and lignite. Peat is outside the scope of the Treaty.

12.3 Coal production in this country is confined to anthracite and semi-bituminous coal. Anthracite is produced in the Leinster coalfield and production amounts to about 120,000 tons per annum. Practically all of this production is sold on the home market. Home production of anthracite is supplemented by imports mainly of grades which are not produced here in sufficient quantity to meet the home demand. Such imports amounted to about 70,000 tons in 1969. Semi-bituminous coal is produced at the Arigna Coalfield, the annual production being in the region of 65,000 tons. Only a small proportion of the total demand for coal is covered by home production. In 1969 imports amounted to 1.1 million tons which were purchased on the world market. 0.7 million tons were imported from Poland and the balance came from the United States, Great Britain and Germany (Federal Republic).

12.4 A nominal measure of protection is afforded to the anthracite mining industry by the duty of 3/- per ton on imports of anthracite of non-British origin.

12.5 On accession to the ECSC the duty of 3/- per ton on imports from member States would have to be removed, but this would have no practical effect on the Irish anthracite industry because it is too small to give any effective help to the industry. The Arigna production of semi-bituminous coal is sold locally and it is not expected that there would be any interference with present marketing arrangements. The levy chargeable on coal production and payable by coal producers in the Community, which is at present at the level of 0.3 per cent (0.7d. in the £), would amount to about £3,000 and would not represent an onerous charge on the Irish mines.

Steel

12.6 In so far as steel is concerned, the products coming within the scope of the Treaty of Paris include iron ore, scrap, pig iron, billets, blooms, bars, sections, wire rod and galvanised sheet. Any steel products not covered by the Treaty of Paris would, of course, be covered by the Treaty of Rome.

12.7 It is envisaged that a Community tariff will operate from 1 January 1972 with rates varying from 3 per cent to 8 per cent according to the product.

12.8 The implications of membership of the ECSC for the steel sector in this country are largely confined to the position of Irish Steel Holdings Ltd., Haulbowline, Co. Cork, whose capital was provided by the Minister for Finance. The products of the firm come within the scope of the Treaty of Paris. The value of production for the year ended 30 June 1969 was £5 million. The firm manufactures steel mainly from native scrap with a proportion of imported pig iron. The steel is then rolled down to form blooms, billets, channels, angles and merchant bars. The firm is also engaged in the galvanising and corrugating of imported sheet. Their products are protected from competition from abroad by import duties and there is also a prohibition on the export of scrap except under licence.

12.9 On accession, Irish tariffs on imports of steel from member States of the enlarged Community would have to be eliminated in accordance with whatever rhythm of tariff reduction is agreed in the course of negotiations. The Community tariff against third countries on the type of products produced by Irish Steel Holdings will range from 5 per cent to 8 per cent and will be much lower than the protective tariffs at present enjoyed. The prospect facing Irish Steel Holdings in the Community is, therefore, that they would, after the end of the transitional period, have no protection within the enlarged Community and have a level of protection against other imports substantially below the current levels. They would also have to buy their raw materials within the enlarged Community or pay a duty on them. The present restrictions on the export of scrap would have to be eliminated in so far as exports to member States of the enlarged Community were concerned.

12.10 On accession to the Community, home prices in the Community would apply to all Community steel sold in this country and the possibility of steel products being sold in this country by members of the Community at dumped prices would be ruled out. Irish Steel Holdings would, therefore, have to meet competition from Community countries at the domestic price levels in those countries plus cost of freight. Whilst economies of scale are certainly important in relation to steel production, there is growing evidence in both the USA and Europe that the smaller specialised steel plants can more readily adapt their production to take maximum advantage of variations in market conditions than the larger units. Present indications, therefore, are that whilst Community competition would, undoubtedly, present a challenge, Irish Steel Holdings should be able to meet this challenge.

12.11 With regard to the ECSC levy on the value of production, which has been fixed at 0.3 per cent for 1970, the contribution of Irish Steel Holdings on the basis of current production would be approximately £16,000 per annum.

CHAPTER 13

EURATOM

13.1 A detailed summary of the provisions of the Treaty setting up the European Atomic Energy Community (EURATOM) is given in Part II of the 1967 White Paper. Briefly, this Community is concerned with creating the conditions necessary for the establishment and growth of a nuclear power industry and also with encouraging secondary utilisations of atomic energy in the fields of medicine, agriculture and industry. In the fulfilment of this objective, EURATOM is required to develop nuclear research, to disseminate information and to establish safety standards to protect the health of workers and the general public. It is also required to ensure an equitable supply for member States of ores and nuclear fuels, to control the use of nuclear materials and to develop a common market within the member States in specialised materials and equipment.

13.2 Ireland, at present, has no nuclear power industry and the implications for Ireland of membership of EURATOM are, accordingly, limited. The only immediate implication would arise in respect of the establishment of safety standards for the protection of the health of workers and of the general public.

13.3 Member States are required to enact appropriate legislation and make administrative provision to ensure compliance with certain basic standards for the protection of workers and the general public from the dangers arising from ionizing radiations (radiation from radioactive materials or X-rays). A close watch by the member States on the level of radioactivity in their air space, water and soil is expected and their co-operation with the Commission is required in regard to plans for disposal of their radioactive waste and with regard to safety regulations. Directives setting out basic standards for the protection of the health of workers and the general public have been issued by the Council. The Department of Labour is at present preparing safety regulations on the handling, use,

etc. of sealed radioactive materials of the kind used in industry. These regulations would comply with international standards and it is unlikely that any major modifications would be needed in them to meet EURATOM's requirements. The National Radiation Monitoring Service, which operates under the aegis of the Department of Health, would be capable of carrying out any environmental checks required on levels of radioactivity in this country.

13.4 As part of their programme for meeting future demands for electricity, the ESB are at present planning for the establishment of a nuclear power station which it is expected will, subject to Government approval, be commissioned by the end of this decade. The Government have announced that a Nuclear Energy Board will be set up shortly and one of the Board's functions will be to offer expert advice on the significance for Ireland of developments in the field of nuclear science including research programmes by international bodies such as EURATOM. In this connection membership of EURATOM would have advantages as regards access to nuclear expertise and training facilities.

13.5 The supply of nuclear source materials for the proposed ESB nuclear power station would, after our accession to the Communities, probably have to be negotiated through the EURATOM Supply Agency which has the exclusive right to conclude contracts for such materials originating within the Community or outside it. It is not expected that this requirement would have any significant implications for the ESB's plans.

CHAPTER 14

COMMON ENERGY POLICY

14.1 In 1964 the Council approved the general lines of a common energy policy which would have as its major objectives :—

(a) cheap power for the Community;
(b) stability of supply both in terms of cost and quantities available;
(c) to ensure that where one form of energy, for technical or economic reasons, is in the process of replacing another, this change should take place gradually;
(d) free choice for the consumer as between the different energy products i.e. coal, oil etc.;
(e) fair competition in a single market between the different energy products.

14.2 In December 1968 the Commission presented a Memorandum to the Council outlining proposals for the implementation of the common energy policy. The Memorandum falls into three parts: a general outline of the action to be taken; proposals for the establishment of a common market in energy; and proposals aimed at ensuring cheap and reliable energy supplies.

14.3 The general outline of action suggests the fixing of medium-term forecasts and annual examinations of the economic situation on the energy market. It also recommends the adoption of measures to avoid supply difficulties, including regular examination of supply conditions and the application of a stockpiling policy.

14.4 A common market in energy products would, it is suggested, be achieved by the adoption of suitable measures in the fields of free movement of goods, freedom of establishment and the rules of competition.

14.5 With regard to supplies, the Memorandum states that it is essential that the Community should have the means of regulating supplies in accordance with circumstances. To this end it proposes a co-ordinated coal import policy and the establishment of a Community programme for the supply of oils and nuclear fuels. It also suggests that the Commission should have the right to make formal proposals on investment policy and on the joint financing of investment programmes.

14.6 On 13 November 1969 the Council approved the basic principles of the Commission's Memorandum and invited the Commission to submit the most urgent proposals as soon as possible. In compliance with this request the Commission has put forward draft regulations for adoption by the Council which would provide for consultation on investment projects of Community interest in the petroleum, natural gas and electricity sectors and on import programmes for hydrocarbons.

14.7 The common energy policy is as yet in the early stages of its evolution and it is impossible to say precisely how it would eventually affect this country. The stated objectives as indicated in paragraph 14.1 would, however, be acceptable to Ireland. Improving the security of energy supplies would be of special benefit to this country as we are now dependent for up to 70 per cent of our total energy requirements on imported fuel, particularly oil.

14.8 Peat, which accounts for about 20 per cent of our primary energy requirements, is not referred to specifically in the proposals for a common energy policy. The proportion of our energy requirements which will be supplied by peat will decline from now on and it is unlikely that the continued promotion by the State of its use would cause difficulty for Ireland as a member of the Communities.

CHAPTER 15

FINANCIAL IMPLICATIONS OF MEMBERSHIP OF THE THREE COMMUNITIES

15.1 As a member of the Communities Ireland, in common with the other member States, would have responsibilities in regard to the financing of the Communities' activities and those of the associated financial institutions, namely, the European Investment Bank* and the European Development Fund.** At this stage it is not possible to give a firm indication of what these obligations would amount to. There is the obvious difficulty of forecasting the size of the Communities' budgets in the years ahead, particularly in the context of an increase in membership from six to ten. The major element is the financing of the common agricultural policy and this would be significantly affected by the enlargement of the Communities and by the rhythm agreed in the negotiations for the extension to the acceding countries of the obligations and benefits of that policy. The possibility of some changes in the common agricultural policy following the submission of the Mansholt Plan must also be borne in mind. Secondly, there is uncertainty as to the extent to which Ireland would be required to contribute to the financing of the Communities during the transitional period fixed for the purpose of her accession. This is also a matter for negotiation. Thirdly, while a decision was adopted recently providing for the financing of the EEC and EURATOM from the Communities' "own resources" as from 1975 (see paragraph 15.4) the possibility is not excluded of this decision being amended in the context of an enlargement of the Communities. Finally, the expenditure of the European Investment Bank and the European Development Fund would no doubt increase substantially with the enlargement of the Communities and revised scales of contribution would have to be negotiated.

*See Chapter 9.

**The Development Fund was established to finance development projects in the overseas countries and territories associated with the Community. Member States are required to contribute to the Fund according to a prescribed scale.

15.2 Given all the above uncertainties, it is not possible to give a firm figure for the overall financial obligations of membership of the Communities. Where estimates are given in the following paragraphs they merely serve to illustrate the order of magnitude of the contributions Ireland would have to make as a member of the Communities. Of necessity, the estimates are tentative and are subject to many qualifications.

EEC and EURATOM

15.3 Up to and including the year 1970, the EEC and EURATOM were financed by direct contributions from the member States. The scales of contributions to the EEC expenses, which were fixed by negotiation between the member States, varied as between expenditure on (a) the EAGGF* (b) the European Social Fund and (c) the general budget. The scales for the EURATOM expenses, which were also fixed by negotiations, varied as between working expenses and research and investment expenses. The scale for the working expenses was the same as that for the general budget of the EEC. The bases on which the different scales were settled have not been published.

15.4 Under a decision taken by the Council on 22 December 1969, national contributions to the EEC and EURATOM (other than to the EURATOM Research and Investment special programmes, which are mentioned separately in paragraph 15.12) will be replaced in full, as from 1975, by the Communities' "own resources" which will be provided by the payment to the Community by the member States of (i) the yield of levies on agricultural imports, (ii) the yield of the common customs tariff and (iii) the yield from the standard added-value tax at a uniform rate not exceeding 1 per cent—the rate being calculated at a level sufficient to finance expenditure not covered by the receipts under (i) and (ii). Ten per cent of the levies and of the common customs tariff will be returned to the mem-

*Under the arrangements which applied immediately prior to 1970, a portion of the Guarantee Section of the EAGGF was financed by the payment over to the Communities of 90% of the levies on imports of agricultural products into the member States.

ber States to cover collection expenses. In the three years from 1975 to 1977, the annual variation in the percentage share of each member State in total payments to these budgets may not exceed 2 per cent compared with the preceding year.

15.5 The system of "own resources" will be brought into operation progressively over the four-year period 1971-74. During this period the member States will pay over to the Communities :—

(i) all levies on agricultural imports,

(ii) a portion of the receipts from the common customs tariff equal to the difference between the amount of the levies and a reference amount. The reference amount will be 50 per cent of the sum of customs duties and levies in 1971. In each subsequent year the percentage of customs duties and levies will be increased by annual increments of 12½ per cent so that the reference amount will be 100 per cent of the sum of customs duties and levies in 1975.

Ten per cent of the levies and of the common customs tariff will be refunded to the member States to cover collection costs.

Expenses not covered under (i) and (ii) above will be apportioned among the member States on the basis of the following percentage scale which was agreed by negotiation between the member States:—

	%
Belgium	6.8
Germany	32.9
France	32.6
Italy	20.2
Luxembourg	0.2
Holland	7.3

During the interim period (1971-74) the annual variation in the percentage share of each member State in total payments to these expenses may not exceed 1 per cent upwards or 1.5 per cent downwards as compared with the preceding year.

15.6 The extent of Ireland's obligation during the transitional period in respect of the financing of the EEC and EURATOM is a matter for decision during the accession negotiations. It would no doubt be related to the timetable agreed for the extension to Ireland of the obligations and benefits of membership of the Communities. As Ireland's accession would probably take place during the interim period 1971-74 referred to in paragraph 15.5 the form of her contribution during the transitional period might be related to the system agreed for the present member States for 1971-74 but this also would be a matter for negotiation.

15.7 It may be expected that the system of financing the budgets from the Communities' own resources would be fully in operation for the present member States by the end of Ireland's transitional period. If there were no substantial change in this system, Ireland would be required, with effect from the end of her transitional period, to pay over to the Communities the yield from:

(i) levies on agricultural imports from non-member countries,

(ii) the common customs tariff, and

(iii) the standard added-value tax at a uniform rate not exceeding 1 per cent.

15.8 The yield from the levies on agricultural imports into Ireland would depend on the volume of imports of leviable goods from non-member countries and the rates of levy in force for the products in question. The volume of imports could differ substantially from the present level as the levy system tends to have the effect of encouraging the deflection of purchases to Community sources of supply. As for the rates of levy, they depend on the level of world prices in relation to that of Community prices. In view of these uncertainties it is obviously impossible to forecast accurately what the amount of levies on imports into Ireland would be after the end of the transitional period. If one takes the level of imports from non-member States in 1968 and 1969 and the rates of levy in force in those years, the levy yield works out at about £5 million a year and this may give some indication of the order of magnitude.

15.9 As regards the common customs tariff, the rates of duty are known but the difficulty is to predict the level of our imports from third countries after the end of the transitional period. The elimination of duties on imports from the members of the enlarged Community, as well as on imports from associated countries, would tend to deflect purchases away from those countries which will not be associated with the Community. On the other hand, imports from such countries might be stimulated by the reduction in our import duties to the generally lower level of the common customs tariff. The likely level of prices and of import demand are also major unknowns. Taking the level of imports in 1969 from countries which are not likely to be associated with the Communities, and applying the common customs tariff as it will be after the Kennedy Round reductions are completed, gives a yield of £6 million a year but it must be stressed that this makes no allowance for changes in the volume of imports from the countries in question or for price changes.

15.10 The yield from an EEC-type added-value tax would depend on the levels of economic activity, consumption and prices and it is not possible to predict what these would be after the end of the transitional period. As in the case of the agricultural levies and the common customs tariff, therefore, the yield from added-value tax at 1 per cent is calculated on the present levels of trade and prices giving a figure of approximately £9 million.

15.11 In summary, the likely upper limit of Ireland's payment to the EEC and EURATOM after the end of the transitional period would be of the order of £19 million per annum, which would be made up as follows:

	£m.
(a) 90 per cent of receipts from the agricultural levies	4.5
(b) 90 per cent of receipts from the common customs tariff	5.4
(c) the yield from an EEC-type added-value tax at 1 per cent	9.0
	18.9

It must be stressed once again that these estimates merely serve to illustrate the order of magnitude of the payments involved and are subject to substantial limitations based as they are on the present geographical distribution of imports, the present volume and value of imports, the present rates of agricultural levies and the present levels of economic activity, consumption and prices.

EURATOM Research and Investment Expenses

15.12 These expenses are divided into two categories—one for common research programmes which will be financed from the Communities' " own resources " and one for special programmes which need be financed only by countries interested in these programmes. Ireland's contribution to the special programmes would depend on the extent of her participation in them.

European Investment Bank

15.13 The present capital of the bank (£417 million) will be enlarged on the accession of new members. The extent of the enlargement and the liability of each of the new members will be matters for negotiation. Ireland's subscription to the capital of the Bank might be of the order of £3–£4 million, 25 per cent of which would be called up and would be payable over a period of years.

European Development Fund

15.14 The existing Fund provides for development expenditure of £83 million per annum until 1975. It can be assumed that the enlargement of the Community would lead to an increase in the number of overseas countries and territories associated with the Community which in turn would necessitate an increase in the level of activities financed from the Fund. The extent of this increase and the level of Ireland's contribution are, however, matters for negotiation but the contribution could possibly lie between £0.5 million and £1 million a year.

European Coal and Steel Community

15.15 The activities of the ECSC are financed from the pro-

ceeds of levies on coal and steel production and from borrowings in the capital markets of member States. Levies are payable by producers and are assessed on an annual basis. At present the rate amounts to 0.3 per cent of the average value of the production of coal and steel. The application of this levy to the present value of Irish coal and steel production would involve the payment by the producers to the Community of amounts totalling about £20,000 a year in all.

Receipts from the Community Budgets

15.16 The estimates which have been made in the previous paragraphs refer to the *gross* financial costs of membership of the Communities and of the associated financial institutions, almost all of which would fall on the Exchequer. These costs must be set against our receipts from the Community Budgets, which would arise under the Agricultural Fund (the EAGGF) and the European Social Fund. While most of these receipts would not be paid into the Exchequer, they would, however, represent a saving on present expenditures which have to be met from the Exchequer.

15.17 Receipts from the Agricultural Fund would comprise reimbursements from the Guarantee Section of the Fund towards (a) the cost of subsidising exports of agricultural products to non-member countries and (b) the cost of intervention measures in support of prices in the internal Community market. In addition, we would be entitled to benefit from the Guidance Section of the Fund, through contributions towards the cost of suitable structural improvement schemes. In view of the uncertainty concerning the future trends of production, consumption and prices in an enlarged Community and the extent to which our agricultural exports would be disposed of within the enlarged Community and, having regard to the considerations set out in paragraph 15.1 above, it is impracticable to make an estimate of the level of our receipts from the Guarantee Section of the Fund. For example, much of the agricultural benefits could take the form of higher market prices rather than cash receipts from the Fund. Neither is it practicable to estimate what our drawings from the Guidance Section would be as these would depend on the types of structural programme that would be eligible for assistance from the Fund.

As already mentioned in Chapter 5 paragraph 5.18, on the basis of expenditure in 1969-70, the saving in respect of agricultural price supports and export subsidies which would no longer have to be met by the Irish Exchequer would be at least £36 million a year. If certain State aids at present in operation were not allowed to continue, the saving would be of the order of £46 million.

15.18 The difficulties involved in attempting estimates of our receipts from the Social Fund are: (a) no decision has yet been taken on the Commission's proposals for the reform of the Fund and the extension of the scope of its activities, and (b) it is impossible to estimate accurately the future level of our retraining and resettlement programmes.

CHAPTER 16

CONCLUSION

16.1 The Government's view of membership of the European Communities has been made clear on many occasions. It is, in the first place, that membership affords an opportunity of participating fully in the movement towards European unity, a movement which evokes a strong and sympathetic response in the Irish people. Secondly, membership of the enlarged Communities would provide conditions more favourable to our economic development than would be obtainable outside.

16.2 While the present White Paper gives a quantified assessment of the consequences for Ireland of entry to the Communities in respect of certain areas, it is not possible to demonstrate in national-accounts terms the economic consequences of, on the one hand, membership of the Communities and, on the other hand, not becoming a member. There is, nevertheless, a substantial basis for a qualitative conclusion which indicates that the national interest would be best served by entry to an enlarged EEC which included the United Kingdom. To remain outside would place our agricultural exports at a severe disadvantage and would leave very much in doubt the possibility of maintaining, let alone expanding, our industrial exports.

16.3 Because of its small scale, the domestic market does not of itself afford a sufficient basis for the expansion of the economy at a pace and to an extent that will enable the country to achieve its principle economic objectives, namely, full employment, the cessation of involuntary emigration and a standard of living comparable with that of other Western European countries. In Irish circumstances, therefore, economic growth of necessity depends on an expanding export trade.

16.4 Approximately half of all agricultural production is sold abroad; it follows that any increase in production must likewise

be exported. The difficulties of finding export outlets at remunerative prices for many of our agricultural products are well known. These difficulties would be greatly accentuated if Ireland were not to become a member of the enlarged European Communities. It is only necessary in this connection to advert to the sharp drop in our exports of cattle and beef to the present Community since the coming into operation of the common market organisation for these products. Membership would ensure access for Irish agricultural products to a large market at remunerative prices and enable them to compete on equal terms with those of the other member States. This would result in considerably higher returns for our exports of cattle, beef, dairy products, lamb and pigmeat.

16.5 Irish industry has been the main source of growth in the economy over the past decade. The rapid expansion of the industrial sector is a reflection of the rising trend in the value of our industrial exports which has exhibited a striking rate of increase—from £33 million in 1958 to £149 million in 1968. In achieving this increase, Irish industry has shown that it is capable of competing not alone in the British market where it has the advantage of duty-free entry but also in the EEC which now provides an outlet for industrial exports valued at £29 million. The removal of protection in the domestic market could entail difficulties for some sectors of Irish industry. The scale of these difficulties would depend on the response of Irish management and workers, in the firms affected, to the new trading situation as it emerged over the period leading to the assumption of the full obligations of membership. The possible losses in this regard, however, must be viewed in relation to the overall balance of advantage to the economy as a whole.

16.6 In the light of the growing strength of the economy and given equitable transitional terms, it is reasonable to conclude that membership of the European Communities would give a strong impetus to production and exports, both agricultural and industrial, and so to the growth of the economy. The enlarged Communities would constitute a market of over 250 million people capable of a high and sustained rate of growth and so would provide an external environment more favourable

to economic growth than that in which the Irish economy has heretofore been obliged to operate and substantially more favourable than that which would obtain if Ireland were to remain outside the enlarged Communities.

APPENDIX 1

COMMUNIQUE OF THE MEETING OF HEADS OF STATE OR GOVERNMENT OF THE MEMBER STATES AT THE HAGUE ON 1 AND 2 DECEMBER 1969

1. On the initiative of the Government of the French Republic and at the invitation of the Netherlands Government, the Heads of State or Government and the Ministers for Foreign Affairs of the Member States of the European Communities met at The Hague on 1 and 2 December 1969. The Commission of the European Communities was invited to participate in the work of the Conference on the second day.

2. Now that the Common Market is about to enter upon its final stage, they considered that it was the duty of those who bear the highest political responsibility in each of the Member States to draw up a balance sheet of the work already accomplished, to show their determination to continue it and to define the broad lines for the future.

3. Looking back on the road that has been traversed, and finding that never before have independent States pushed their co-operation further, they were unanimous in their opinion that by reason of the progress made the Community has now arrived at a turning point in its history. Over and above the technical and legal sides of the problems involved, the expiry of the transitional period at the end of the year has therefore acquired major political significance. Entry upon the final stage of the Common Market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its traditions and its mission.

4. The Heads of State or Government therefore wish to reaffirm their belief in the political objectives which give the Community its meaning and purport, their determination to

carry their undertaking through to the end, and their confidence in the final success of their efforts. Indeed, they have a common conviction that a Europe composed of States which, in spite of their different national characteristics, are united in their essential interests, assured of its internal cohesion, true to its friendly relations with outside countries, conscious of the role it has to play in promoting the relaxation of international tension and the rapprochement among all peoples, and first and foremost among those of the entire European continent, is indispensable if a mainspring of development, progress and culture, world equilibrium and peace is to be preserved.
The European Communities remain the original nucleus from which European unity has been developed and intensified. The entry of other countries of this continent to the Communities—in accordance with the provisions of the Treaties of Rome—would undoubtedly help the Communities to grow to dimensions more in conformity with the present state of world economy and technology.
The creation of a special relationship with other European States which have expressed a desire to that effect would also contribute to this end. A development such as this would enable Europe to remain faithful to its traditions of being open to the world and increase its efforts in behalf of developing countries.

5. As regards the completion of the Communities, the Heads of State or Government reaffirmed the will of their governments to pass from the transitional period to the final stage of the European Community and accordingly to lay down a definitive financial arrangement for the common agricultural policy by the end of 1969.
They agreed progressively to replace, within the framework of this financial arrangement, the contributions of member countries by their own resources, taking into account all the interests concerned, with the object of achieving in due course the integral financing of the Communities' budgets in accordance with the procedure provided for in Article 201 of the Treaty establishing the EEC and of strengthening the budgetary powers of the European Parliament. The problem of the method of direct elections is still being studied by the Council of Ministers.

6. They asked the Governments to continue without delay within the Council the efforts already made to ensure a better

control of the market by a policy of agricultural production making it possible to limit budgetary charges.

7. The acceptance of a financial arrangement for the final stage does not exclude its adaptation by unanimous vote, in particular in the light of an enlarged Community and on condition that the principles of this arrangement are not infringed.

8. They reaffirmed their readiness to further the more rapid progress of the later development needed to strengthen the Community and promote its development into an economic union. They are of the opinion that the integration process should result in a Community of stability and growth. To this end they agreed that within the Council, on the basis of the Memorandum presented by the Commission on 12 February 1969 and in close collaboration with the latter, a plan in stages should be worked out during 1970 with a view to the creation of an economic and monetary union. The development of monetary co-operation should depend on the harmonisation of economic policies.
They agreed to arrange for the investigation of the possibility of setting up a European reserve fund in which a joint economic and monetary policy would have to result.

9. As regards the technological activity of the Community, they reaffirmed their readiness to continue more intensively the activities of the Community with a view to co-ordinating and promoting industrial research and development in the principal sectors concerned, in particular by means of common programmes, and to supply the financial means for the purpose.

10. They further agreed on the necessity of making fresh efforts to work out in the near future a research programme for the European Atomic Energy Community designed in accordance with the exigencies of modern industrial management, and making it possible to ensure the most effective use of the Common Research Centre.

11. They reaffirmed their interest in the establishment of a European university.