

EUROPEAN ECONOMIC COMMUNITY  
COMMISSION

Second

GENERAL REPORT

on the

**Activities of the Community**

*(18 September 1958 - 20 March 1959)*

31 MARCH 1959

The President  
and the Members of the Commission  
of the European Economic Community

to

The President of the European Parliamentary Assembly

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Mr. President,

We have the honour to submit to you the second General Report on the Activities of the Community, which the Commission is required to publish under the terms of Article 156 of the Treaty establishing the European Economic Community.

In accordance with Article 122 of the Treaty the Commission also prepares a Report on the Social Situation in the Community, to be included in the General Report. It will not be possible to submit this document before the beginning of May. The competent Parliamentary Committee has been informed of the technical reasons for the delay and has accepted them.

Please accept, Mr. President, the expression of our high consideration.

*Brussels, 31 March 1959.*

Walter HALLSTEIN,  
*President*

Piero MALVESTITI,  
*Vice-President*

Sicco L. MANSHOLT,  
*Vice-President*

Robert MARJOLIN,  
*Vice-President*

Robert LEMAIGNEN  
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## INTRODUCTION

1. Experience with the First General Report has brought out the fact that the publication of this document in the month of September is a source of real difficulties both for the Executives of the Communities and for the European Parliamentary Assembly itself. The three European Executives, in consultation with the Committee of Presidents of the Assembly, have therefore been led to examine whether an alteration of the dates of deposit of the three General Reports would not make it possible to reduce these difficulties, while respecting the letter of the three Treaties.

It was thus agreed that the reports of the High Authority, of the Euratom Commission and of the Commission of the European Economic Community would in future be submitted at relatively close dates during the early months of each year, the dates of submission to take account of the calendar that the Assembly has drawn up for its work.

This grouped presentation also has a political significance. It throws into relief the deep unity of the three European Communities and makes it easier for the Assembly to co-ordinate its control over the activity of the three Executives.

The Report now submitted is therefore limited to the activities of the Community during the period from 17 September to 20 March. For this reason it has been conceived as a completion of the first Report, particularly as far as plan and general editing are concerned.

## **General Activities of the Community**

### *Co-operation between Institutions*

2. At the same time as the installation of the institutional structures of the Community was being completed, the European Commission devoted its attention to establishing close co-operation with all the Institutions without upsetting the balance of powers fixed by the Treaty.

The plenary sessions of October 1958 and January 1959 furnished the occasion for developing collaboration between the European Parliamentary Assembly and the European Commission. It is the intention of the Commission not only to afford the Assembly every possibility of exercising its control, but to keep it permanently supplied with information so that it may be able to participate fully in the daily life of the Community. The Commission plans to associate the peoples of the six countries, through the Assembly, with the activities of a Community whose unvarying aim is "the constant improvement of the living and working conditions of its peoples".

The European Commission has explained in detail to the Assembly and its committees the motives behind its decisions and the principal elements of its policy, and it will continue to follow this practice. The conclusions reached in the Assembly's debates have made important contributions to the fixing of the Commission's policy. In particular, the confidence shown in the Commission on the most important issues has been an extremely valuable support in its discussions with the governments and the Council.

3. The European Commission has continued to develop active co-operation with the authorities of the various countries and with the Council.

It organizes frequent meetings of experts or senior officials of the administrations of the Member States, either

for the purpose of co-ordinating the action of their services in the implementation of the Treaty (it was thus possible to ensure homogeneous application of the measures to be taken on 1 January 1959) or to acquire better information on existing problems and the intentions of the authorities concerned, or, finally, to associate the administrations of the six countries with the working out of the Commission's proposals. Thanks to these consultations, the Commission is assured of complete information without necessarily being bound by the conclusions reached. They also make possible the establishment of mutually confident relations between the services of the various countries and those of the Commission.

Collaboration with the Council has developed in the course of the frequent sessions held by the latter. On several occasions, when very difficult problems were involved, the Council has called on the European Commission to help work out agreed solutions.

The European Commission has continuously participated in the work of the organs created by the Council: Committee of Permanent Representatives, working parties, committee of experts. It has kept in constant touch with the permanent representatives of the Member States attached to the Communities and has never failed to receive most valuable help from them.

4. The European Commission attaches great importance to the work of the Economic and Social Committee, to which it has submitted requests for an opinion on several matters. In addition, the Commission has shown itself willing to take part in general debates on several important problems in order to associate occupational circles with its activities.

5. The European Commission has welcomed the installation of the Court, whose jurisdictional control will give to the Institutions and Governments, and to all citizens of the member countries, the highest assurance that the Treaty will be interpreted and applied in conformity with the law.

*The Implementation of the Treaty*

6. The major event during the six months of activity covered by this Report is the application of the provisions of the Treaty concerning the first stage of tariff and quota disarmament. The European Commission is in a position to state that the opening of the markets on 1 January 1959 was carried out in a satisfactory manner. Among the problems which arose during the preparatory work leading up to this dateline and at the time when the provisions of the Treaty were put into force, all but a very few have been resolved — thanks to the readiness shown by the Member States to apply the Treaty fully — and those remaining are of minor importance. Contacts between the European Commission and the governments have made it possible for uniform solutions to be adopted.

7. The opening of markets has also been genuinely effective in the agricultural field, although here the problems involved in the increasing of quotas and their conversion into global quotas are appreciably more difficult than in other sectors.

A first long-term contract was recently concluded between France and the Federal Republic. It provides for growing imports of French cereals into the Federal Republic.

8. Meanwhile the entry into force, on 1 January 1959, of Council Regulation No. 3 concerning the social security of migrant workers and of implementing Regulation No. 4 pursuant thereto has completed, on the social plane, this body of measures in the sphere of trade. In future, frontiers will no longer prevent wage-earners benefiting by rights acquired in the field of social security. The new régime thus eliminates an important obstacle to the movement of labour.

9. The series of measures of an economic and currency nature taken by the French Government on the eve of the



dateline of 1 January 1959 greatly facilitated the implementation of the provisions of the Treaty on the opening of markets. The special situation of France, whose total trade, with the exception of ECSC products, had remained subject to quotas, might have introduced an element of imbalance into relationships between the Member States. This situation was remedied by the decision of the French Government to liberalize imports up to 90%, in conformity with its obligations towards OEEC. The simultaneous fixing of a new exchange rate should enable the country to ensure the balance of its payments account at this high level of liberalization. The European Commission has publicly recognized that the measures of financial and currency adjustment taken in France would reinforce the cohesion of the European Community.

At the same time, the restoration of the convertibility of the Community currencies — including the French franc — meant a further step along the road leading to that free movement of goods, capital and persons required by the Treaty.

10. The decisions taken by the French Government also had an influence on the atmosphere of the negotiations on the European Economic Association. They gave their full value to the measures with respect to non-member countries which had been agreed upon by the Council, on 3 December 1958, after the breaking off of the work of the Inter-governmental Conference of OEEC.

It is the desire of the European Commission to establish a European economic association in which the unity and integrity of the Community would be maintained. To this end, and in view of the impending negotiations, it has endeavoured to work out, in close co-operation with the Member States, a common platform for the Six in conformity with the letter and the spirit of the Treaty.

It was from this angle that the Commission set about carrying out the mandate given it by the Council on 3 December to "undertake a detailed examination of the problems and of the possibilities of resolving them" for the purpose of reporting "on the joint position which could be taken up by the Member States".

The European Commission found that the question of the relationships between the Six and the Eleven needed to be taken up again in a wider setting and at the same time with perhaps less rigid procedures than those so far thought possible if the search for a new economic balance both on the world plane and on the European plane were to be helped forward.

The Commission was thus led to submit proposals to the Governments on the general policy of the Community *vis-à-vis* non-member countries as a whole, specifying at the same time the closer European commitments which the Community should propose at the present stage.

In this field the European Commission has preferred a pragmatic approach to the difficulties and to make concrete proposals on the immediate possibilities of taking action within the existing institutions in Paris and Geneva on the application of a liberal policy aligning the quota and tariff systems of the Community and the Eleven, while at the same time it continues to search for permanent solutions.

The European Commission hopes to pursue, in close contact with the representatives of the Governments of the Member States, the more detailed study of its proposals with a view to their implementation at an early date.

11. Now that the various regulations have been adopted, the Development Fund for the overseas countries and territories has begun to operate. The financing of several social projects has already been approved by the European Com-

mission, which has also submitted certain economic projects to the Council for approval. During the coming months the European Commission will intensify the action thus begun. The Commission realizes that the success of the association between the Community and the overseas countries and territories may be an important factor for the free world.

### *Towards a Common Policy*

12. The Treaty lays down several very important deadlines for 1959, notably in respect of agriculture, the right of establishment, and transport. The European Commission has taken all necessary steps for these time-limits to be respected in order to complete the first steps towards the opening of markets taken on 1 January 1959.

However, the major task of the Institutions remains the elaboration and implementation of a common policy which will ensure the strength and cohesion of the Community.

The first problem is to frame an overall economic policy consonant with the objectives of the Treaty and within which trade policy, social policy, agricultural policy and transport policy can be carried out in co-ordinated fashion.

The Report on the economic situation of the Community gave, last autumn, the first material of a general nature required for the shaping of such a policy. This Report has led to thorough studies being undertaken in liaison with the Governments and the business and professional circles concerned. These will continue throughout 1959.

Even at the present stage, the implementation of the Treaty requires that rapid progress be made towards a common policy in several fields. During the coming months, the European Commission will bring its efforts to bear more especially on these fields while continuing at the same time to pursue its long-term tasks.

13. Thus the first measures of tariff and quota disarmament have shown the need and the urgency of a common commercial policy in order that the provisions of the Treaty concerning products freed from or not subject to customs control may be implemented efficaciously. The European Commission has established effective co-operation with the leading officials responsible for trade policy in the administrations of the different countries. It intends to ensure that concrete measures are taken in this field parallel to the measures for the opening of markets laid down by the Treaty.

The co-operation of rural circles and of labour is essential to the success of the Economic Community. The European Commission will strictly respect the time-limits fixed by the Treaty for the submission of its proposals on a common agricultural policy. For its preparatory work the Commission will not hesitate to draw widely on the institutions, the authorities in the various countries and occupational circles, and it will urge the Council to give a rapid decision on its proposals.

With the setting up of the European Social Fund and the adoption of the first regulations on the free movement of workers, which will form a corollary to the arrangements already made for the social security of migrant workers, the Commission also expects to have available, before the end of 1959, the first instruments of a European social policy.

The year 1958 has been a year of inauguration and of preparation. The European Commission is confident that 1959 will see the Community strengthened and the first tangible results of its efforts becoming manifest.

### **Functioning of the Services of the European Commission**

14. Although the organization of the administrative services of the European Commission is already in a very advanced stage, the key personnel of the Directorates-

General still have to be brought up to strenght between now and the end of 1959.

On 28 February 1959, 1,108 officials had been recruited or appointed by the Commission to its Directorates-General or the EEC elements of the Joint Services. These included 372 officials in category A, 182 in category B, and 496 in category C; 58 interpreters and translators had also been appointed.

A table of organization of the services of the Commission with the names of the principal responsible officials will be found as an annex to this Report.

15. The European Commission considers that a single statute of service should be adopted as soon as possible for the officials of all the institutions of the Communities. To this end, the Commission has requested that the competent authorities of the European Coal and Steel Community (the so-called Committee of "Four Presidents" provided for under Article 78 of the ECSC Treaty) be fully associated with the elaboration and adoption of the statute. Under the Treaty of Rome (Article 212) this task is the responsibility of the Council, acting in collaboration with the Commission and after consulting the other institutions concerned. For the present, the Council has entrusted the preparation of a first draft to a working party in which the Commission participate, along with observers from the High Authority, the Secretariat of the Assembly and the Registry of the Court.

16. The European Commission has submitted to the Council, in agreement with the Euratom Commission, a first proposal for the introduction of a Community tax, in implementation of Article 12, 1 of the Protocol on Privileges and Immunities. The study of this proposal is linked with the working out of the statute of service.

17. The European Commission concluded the preparation of the provisional estimates of its own expenses for the

financial years 1958 and 1959 in time for their submission to the Council by the date laid down in the Treaty. Article 203 of the Treaty instructs the European Commission to combine the estimates of each of the institutions of the Community in a preliminary draft budget and to lay this before the Council not later than 30 September. However, as some institutions had been unable to submit their provisional estimates in due time, the European Commission could not transmit the two preliminary draft budgets to the Council until 24 October.

At its session of 4 November, the Council approved the total sum shown in the preliminary draft budget for the financial year 1958. The European Parliamentary Assembly noted the draft budget at its December session.

At the meeting of 4 November, the Council decided to postpone the drawing up of the draft budget for the financial year 1959, pending the examination by a group of experts in collaboration with the representatives of each of the institutions of the Community of the preliminary draft budget submitted to the Council. The time-limit for the conclusion of this examination was fixed at 31 January 1959.

At its session of 3 February, the Council drew up the draft budget for 1959 and agreed on the tables of establishment.

Although, as a result of its discussions with the Council, the European Commission succeeded in obtaining the rejection of cuts which might have jeopardized the very execution of the Treaty, it cannot conceal the fact that the cancellations of posts decided on by the Council will hamper its activities, in particular with regard to the launching of certain studies or the time-limits for their completion.

The draft 1959 budget has been forwarded to the European Parliamentary Assembly.

*Co-operation between the European Executives*

18. During the six months of activity covered by this General Report, co-operation between the three European Executives has been strengthened in several fields.

In October 1958 the three Executives, of which only the Presidents and various members who sit in the inter-executive groups had until then met regularly, decided to hold plenary meetings at which all their members would participate. As a general rule, these meetings take place on the second Monday of each month.

On the occasion of these "inter-executive days", the Presidents of the Executives and the different inter-executive groups continue to meet as before in order to deal with questions which are more especially of their competence.

19. Co-operation between the various services is developing steadily.

The Joint Legal Service and the Joint Statistical Office, which have been operating for several months, have already been considerably enlarged to meet the growing calls of the Commissions on their services. The problems which arose are now resolved and the set-up of the two services has been adopted by the three Executives.

The Joint Information Service is at present being organized. An agreement on its set-up should be reached shortly. It is already understood that day-to-day information concerning the activities of the Executives will be a matter for the spokesman nominated by each of these for the purpose, while programmes of general information will be managed by the Joint Information Service in liaison with these spokesmen. The latter will themselves be members of the Joint Service, together with their staffs.

20. Co-operation between the services of the High Authority and of the Commission has been rapidly established,

notably in the following fields: transport, social affairs, energy, external relations.

In the transport field, a co-operation agreement has been concluded between the High Authority of the ECSC and the European Commission. It lays down procedures to ensure close collaboration between the two Executives and the respective services. Each Executive, before taking or proposing a decision likely to exercise an influence on the action of the other Executive, will request the opinion of the latter before putting into operation the procedure laid down by the relevant Treaty to ensure the final adoption and application of the decision in question.

Co-operation between the services of the three Executives has not been limited to the ground covered by agreements previously established. It has developed in particular in the administrative and technical fields with excellent results.

### **The Activities of the Institutions and Organs of the Community**

#### *THE EUROPEAN PARLIAMENTARY ASSEMBLY*

21. The European Parliamentary Assembly met in ordinary session in Strasbourg from 21 to 24 October. The Assembly heard the introductory statement by which the President of the European Commission presented the body of reports, including the General Report of the Commission, which had been submitted to the Assembly in the course of the weeks preceding the resumption of parliamentary work.

Before the opening of the general debate on the statements made by the Commissions of the European Economic Community and Euratom and on the General Reports of the two Communities, the Assembly was also addressed by a representative of the Councils.



22. The Assembly resumed its session on 15 December. It then took up the study of the draft budgets of the European Economic Community and Euratom for the financial year 1958, the draft opinion on basic standards for the protection of health (Article 31 of the Euratom Treaty) and the situation of the coal market.

After having heard the Commissions and the representative of the Councils, the Assembly voted a resolution taking note of the draft budgets for 1958 before dispersing on 17 December 1958.

23. The Assembly met in ordinary session from 7 to 15 January 1959. It re-elected M. Robert Schuman as President of the Assembly and appointed its various committees.

Most of the meetings during the January session were devoted to discussion of the reports of the parliamentary committees on the various chapters of the Reports on the Activities of the European Economic Community and Euratom. The Assembly concluded these discussions by adopting eight resolutions on 15 January.

During the interval between sessions, the committees of the Assembly met, most of them on several occasions ; members of the European Commission were present at their discussions.

#### *THE COUNCIL*

24. The Council has been closely associated with all the activities of the Community described in the body of this Report. Details of the measures which it has taken will be found in the various chapters. It will be sufficient here to give a brief chronological list of its activities since the publication of the first General Report.

Since the publication of the first General Report, the Council has held ten sessions, of which six were chiefly devoted to the European Economic Association and related problems.

At its 10th session (15 September) the Council drew up the statute of the Transport Committee provided for in Article 83 of the Treaty of Rome.

The Council devoted its 11th, 12th and 13th sessions (from 18 to 20 September, from 7 to 8 October and from 23 to 30 October respectively) to the study of problems concerning the European Economic Association and the elaboration of a common position of the Member States.

At its 14th session (4 November) the Council adopted without deduction the draft budget of the Institutions of the Community for the financial year 1958. After consultation with the European Commission, it decided on the sums to be allocated for the financing of social institutions and of economic investments of general interest by the Development Fund for the overseas countries and territories during the financial year 1958. There was also an exchange of views on the proposals concerning new tariff negotiations submitted by the United States to the 13th session of GATT. A part of the session was devoted to the negotiations at present in train on the European Economic Association.

At its 15th session (13-14 November) the Council held discussions in preparation for the meetings of the Maudling Committee of the same dates. It decided to recommend to the Governments of the Member States that they instruct their representatives in Geneva to accept officially the establishment of a special GATT Committee with the task of studying the possibility of organizing a new round of multilateral tariff negotiations within the framework of the General Agreement.

At its 16th session (3-4 December) the Council, acting on a proposal of the European Commission, adopted Implementing Regulation No. 4, pursuant to Regulation No. 3 on the social security of migrant workers, and Regulation No. 6 on the responsibility of paycommissioners and accountants of the Development Fund for the overseas coun-

tries and territories. It approved, jointly with the Euratom Council, the draft rules of procedure of the Economic and Social Committee.

Finally, the Council made important decisions concerning the measures to be taken by the Member States on 1 January 1959 in the field of the external relations of the Community.

The Council devoted its 17th and 18th sessions (15 December and 14 January 1959) to working out a common attitude of the Member States in preparation for sessions of the Council of the OEEC.

At its 19th session, the Council drew up the draft budget for the Community for the financial year 1959. The two Councils have adopted, in agreement with the two Commissions, a draft order fixing the particulars of application of Article 6 of the Convention relating to certain institutions common to the European Communities. This text has been submitted to the Institutions of the ECSC.

At its 20th session (16 March), the Council instructed the European Commission to provide the secretariat of the administrative commission set up under Regulation No. 3. In application of the provisions of Articles 206 of the Treaty establishing the European Economic Community, and 180 of the Euratom Treaty, the Councils have set up a single committee of control, consisting of six members, for the two Communities. Finally, the Council discussed the memorandum on problems of the European Economic Association submitted by the European Commission on 27 February 1959, and requested the six Governments to transmit their remarks and suggestions to the Commission. The Council instructed a special committee, the chairman of which shall be a member of the Commission, to examine these remarks and suggestions and to report conclusions.

*THE COURT OF JUSTICE*

25. The Court of Justice of the Communities was installed in Luxembourg on 7 October 1958. M. Donner was appointed President of the Court. M. O. Riese is President of the first Chamber of the Court, consisting of:

M. R. Riese  
M. L. Delvaux  
M. N. Catalano  
M. M. Lagrange, advocate-general

M. J. Rueff is President of the second Chamber of the Court, consisting of:

M. J. Rueff  
M. Ch. L. Hammes  
M. R. Rossi  
M. K. Röker, advocate-general.

The Court appointed M. A. Van Houtte to the position of Registrar.

The Councils have now adopted by written procedure the rules of procedure established by the Court.

*ECONOMIC AND SOCIAL COMMITTEE*

26. The Economic and Social Committee held its third session on 15 October in Brussels. It elected M. R. de Staercke to the chairmanship. At its fourth meeting (27-28 November) the Committee adopted the draft rules of procedure proposed by its officers.

The Councils have approved the draft submitted to them in conformity with the provisions of Article 196 of the Treaty establishing the European Economic Community and Article 168 of the Treaty establishing the European Atomic Energy Community (see § 24 above).

The Economic and Social Committee has set up seven special sections under Article 8 of its rules of procedure. These sections are as follows :

- Specialized section for nuclear energy (30 members);
- Specialized section for transport (27 members);
- Specialized section for independent activities and services (27 members);
- Specialized section for overseas territories (26 members);
- Specialized section for agriculture (34 members);
- Specialized section for social questions (42 members);
- Specialized section for economic questions (42 members).

27. The Committee met again on 26 and 27 February 1959. It was called upon to formulate two opinions :

- The first was on the secretariat of the administrative commission provided for in Articles 43 and 44 of Council Regulation No. 3 on the social security of migrant workers, and the mandatory consultation was requested by the Council. The Committee expressed the opinion that the European Commission should be entrusted with providing the secretariat for the administrative commission.
- The second was on the draft directives drawn up by the European Commission for the progressive introduction of the right of establishment in the overseas countries and territories. This consultation, which was not provided for in the Treaty, was requested by the European Commission. The Committee decided that it required further time before pronouncing on this request for an opinion. By agreement with the European Commission the Committee will give its opinion at the latest by 30 April.

The European Commission explained the main lines of its social policy to the Committee, at the latter's February session. The statements of the Commission will be discussed at the next session of the Committee.

28. In order to enable the Economic and Social Committee to plan in good time its work for the coming months, the European Commission has informed the chairman of the Committee that it intends to ask the Economic and Social Committee for an opinion on certain important points and has proposed to the Committee that the general discussions on other problems be organized with the participation of the Commission.

#### *THE MONETARY COMMITTEE*

29. The Monetary Committee has met seven times since it was established. Meetings have been devoted to the study of the financial and monetary situation of Member States of the Community and to the examination of the effects of convertibility on the Common Market.

#### *THE CONSULTATIVE COMMITTEE ON TRANSPORT*

(Article 83 of the Treaty)

30. The Council drew up the statute of the Consultative Committee on Transport in the course of its 10th session.

This statute provides that each government shall nominate one or two experts from among senior officials of its central administration and a maximum of three experts of known competence in each of the sectors (railways, road transport and inland waterways) falling within the competence of the Community.

The members of the Committee and their alternates are appointed in their personal capacity and cannot be bound by any mandatory instructions.

The Committee was convened in constituent session by the European Commission on 27 and 28 January 1959. At this session it elected its chairman, M. Vrebos (Belgium) and vice-chairman, M. Dorges, (France).

During the same session, the Committee drew up its rules of procedure. The services of the Commission are responsible for providing the secretariat of the Committee.

The Committee has met several times since its inauguration.

## CHAPTER I

### EXTERNAL RELATIONS

#### **The Six and their Partners in OEEC**

31. In its first Memorandum on the Creation of a Free Trade Area, which was submitted to the Council on 19 March 1958, the European Commission pointed out that the time which the negotiations would probably take, and the slowness of ratification procedure, might make it advisable to consider an interim solution to cover the period from 1 January 1959 until the end of the negotiations. This suggestion found clear expression in Memorandum Number 4, presented to the Council on 12 June 1958. The Memorandum was discussed at the 8th and 9th sessions of the Council which took place on 1 and 2 July and on 23 and 24 July.

32. On 18, 19 and 20 September the Council met again, in Venice, for its 11th session. Apart from the first version of the Community's Memorandum on the Free Trade Area (the Ockrent Report) which was intended for the Member States of OEEC, certain other papers prepared by the European Commission were submitted to the Council in Venice for study. In the course of the session the Council gave detailed consideration to the questions connected with the institutions and voting procedure, with the escape clauses, with the transition from one stage to another, and with the problem of the origin of goods. The Council requested the European Commission to work out detailed proposals concerning the problem of the institutions and the question of sectors.

33. The Commission immediately began its work on the basis of these instructions. Under its chairmanship a number



of high officials of the Member States held several meetings to study the question of the institutions. A proposal by the European Commission, which was submitted to the Council at its 12th session on 7 and 8 October 1958, contains in summary form the outcome of these deliberations.

The Council adopted the essential points of the proposal submitted by the European Commission. At the same session it concluded its examination of the Community's paper on the Free Trade Area (the Ockrent Report), which was submitted to the Chairman of the Council of the OEEC on 17 October.

These thorough studies, completed under the chairmanship of Professor Müller-Armack, Under-Secretary of State (Staatssekretär) in the Ministry of Economics of the Federal Republic of Germany, will prove a valuable contribution towards the finding of a solution for certain problems and towards defining those which remain to be solved; they will be most useful when the final decisions are being worked out.

34. The sector studies were carried out under the chairmanship of the European Commission by working parties composed of government and industrial experts from the Member States. The working parties dealing with the mechanical engineering industry, the chemical industry, textiles, the wood and paper industry, and the non-ferrous metals industry, had by the end of the year, held more than 30 meetings. Work was speeded up after the Intergovernmental Committee for the Establishment of a Free Trade Area (Maudling Committee) had at its 9th session (23-30 October) decided to set up a Special Committee to study the problems of origin; this Committee was to meet at ministerial level under the chairmanship of Mr. Maudling. The results of the sector studies were to be submitted to this Committee as they were completed.

The European Commission completed the report on the mechanical engineering industry on time; it was the one which was to be submitted first. Though the negotiations on the Free Trade Area had meanwhile been suspended, the European Commission nevertheless considered that for reasons of substance the sector studies should be continued, in the first place until the end of 1958, in order to provide a preliminary picture of the various possible solutions.

35. The above-mentioned Memorandum of the Community (the Ockrent Report) was the subject of discussion at the 9th and 10th sessions of the Intergovernmental Committee (the Maudling Committee) which took place in Paris from 23 to 30 October and from 13 to 14 November.

The negotiating parties were not able to agree on a number of essential points. As a result the Chairman of the Intergovernmental Committee, Mr. Maudling, informed the House of Commons that Her Majesty's Government was suspending the negotiations until further notice.

36. After the suspension of negotiations, the European Commission decided that its President and the Chairman of the External Relations Group should visit the Heads of Government of the Member States in order to hear their views and to study with them any measures that might be taken.

Following these talks, the President of the European Commission was in a position to state the unanimous opinion that an interim solution must be sought in view of the date line of January; negotiations for a final solution could then be resumed later, after careful preparation.

In a memorandum dated 19 November, the Belgian Government had already expressed the idea of resorting to an interim arrangement. The same notion appears in the communiqué published after the talks between the German Federal Chancellor and the French Premier on 26 November at Bad Kreuznach.

37. Following upon these studies and personal contacts, the European Commission submitted to the Council a memorandum on the interim action to be taken. On the basis of these proposals and of other suggestions, many of them made by the Benelux Governments, the Council at its 16th session on 3 and 4 December adopted a resolution which envisages *inter alia* the following measures :

- A unilateral reduction of 10%, to benefit Member States of GATT and countries enjoying most-favoured-nation treatment, of customs duties levied on industrial products on their entry into Community countries, wherever such customs duties are higher than the future common external tariff, and are not brought below that level;
- The offer to increase, by 20% of their total value and subject to reciprocity, the volume of the normal quotas applicable to industrial products coming from OEEC Member States, each quota being automatically increased by 10%, while a second increase of 10% of the total volume would be freely negotiated.

The resolution envisages the possibility of concessions within the second 10% slice in the case of very small or nil quotas.

In dealing with agricultural products, the resolution stipulates a 10% reduction of customs duties under the same conditions as apply to industrial products, at least where non-liberalized merchandise is concerned.

With regard to the procedure for the increase of quotas, the resolution envisages bilateral negotiations, to be co-ordinated by the European Commission.

38. This resolution of the Council was discussed by the Council of Ministers of OEEC in Paris on 15 December. The arrangements proposed in connection with quotas gave rise to criticism. The Member States of the Community were

reproached with not according to their partners in OEEC the advantages to which they had agreed amongst each other on the subject of small or nil quotas; under the terms of the Treaty of Rome these were to be brought up to 3% of national production on 1 January 1959. The British delegation proposed to the Community that the benefits of this arrangement should be extended to the other Member States of OEEC, and offered in exchange the guarantee of reciprocity.

No agreement having been reached on this point, the Council of Ministers of OEEC adjourned to a later date.

39. At its 17th session, held in Paris on 14 and 15 January 1959, the Council of the European Economic Community once more discussed the British proposal. In its resolution, the Council restricted itself to stating that there were no longer any objections of principle to the initiation of the bilateral negotiations referred to in the resolution of 3 December. Such negotiations have since begun between the United Kingdom and France.

40. Alongside the negotiations for the elaboration of interim arrangements, efforts were undertaken immediately after 15 November 1958 for finding ways and means of reaching a permanent settlement between the Community and its partners in OEEC.

At its 16th session, which was held in Brussels on 3 and 4 December 1958, the Council requested the European Commission to submit, by 1 March 1959, a report on the common position which the Member States could take up on the issue of the European Economic Association. A resolution adopted on 3 December stated that in the light of that report the Council would decide on the procedure to be followed. The resolution further declared that, once the Council had taken note of the Commission's report, the latter

might take up official contact with other Governments in order to examine the problem with them.

41. From 26 January onwards, the European Commission was in a position to undertake exchanges of views with the Governments of the Member States on the outcome of its initial studies. Between 26 and 29 January, a delegation of the European Commission visited first Rome and then Bonn and Paris, in order to examine the various possible solutions with the Italian, German, and French Governments. These governmental deliberations ended on 31 January in Brussels with an exchange of views between the delegation of the European Commission and representatives of the Benelux Governments.

42. The European Commission kept the European Parliamentary Assembly and its Commercial Policy Committee informed on the course of developments. It explained its position on the problems raised by the establishment of a European Economic Association to the European Parliamentary Assembly on 13 January, and to a joint meeting of the European Parliamentary Assembly and the Consultative Assembly of the Council of Europe on 16 January 1959.

43. A delegation of the European Commission also visited London on 16 February for an exchange of views with the British Government.

44. Consequent upon these studies and contacts the European Commission submitted its report to the Council on 27 February as a "First Memorandum".

As the title of the report indicates — and its conclusions expressly confirm — the Memorandum does not represent the complete and final execution of the task with which the Council had charged the European Commission in its resolution of 3 December 1958. It is the wish of the European Commission that the ideas expressed in the Memorandum

be further developed in co-operation with representatives of the Governments of the Member States.

45. In the introduction to the Memorandum the European Commission sets out the present state of the negotiations and analyses the reasons why they were suspended on 15 November. In particular, it points to a certain number of misunderstandings concerning the legal and political fundament of the relations between the Community and the other Member States of OEEC. Before dealing with the extra-European aspects of the problem, the memorandum examines the diversity of the relationships existing between the Community and the other Member States of the OEEC.

46. Taking as its point of departure that in any examination of the problem of a European Economic Association the world-wide responsibilities of the Community must be taken into due account, the European Commission asks whether the idea of a Free Trade Area, such as has hitherto inspired the negotiations, is calculated to meet the various problems raised by such an undertaking. The Memorandum arrives at the conclusion that, in order to attain the goal of free trade, a certain number of pre-conditions must be fulfilled, on which, however, it has not so far been possible to reach any agreement.

The Memorandum states that the present framework of the negotiations must be extended and that, in the first place, practical solutions must be sought which will make co-operation in the coming years possible without prejudicing the settlement of the questions of principle which are still open.

47. As stressed in the Memorandum, the relations of the Community with the European countries must be seen in the setting of general policy on the world level. If the Community were to follow a liberal policy in the widest sense of the word, this might in itself solve a certain number of the problems. In this context the Memorandum points to steps

which the Community might well take in the fields of customs duty and quota policy, and in that of agriculture.

At the same time, the Memorandum draws attention to the fact that such a policy must be an expression of the will to create a state of balance in economic relations within the free world. Many problems, such as that of relations with countries in the course of development, require concerted action on the part of the great industrialized economic units, such as for instance the United States, the United Kingdom, and the Community, upon which falls a particular responsibility. The Memorandum goes on to define in broad outline the aims and the substance of a common policy in this field.

48. Nevertheless, this global aspect does not mean that European solidarity can be forgotten. The policy recommended by the European Commission comprises on the one hand certain undertakings of value for the immediate future in Europe, and on the other a strengthening of co-operation with regard to European external relations as a whole.

49. The Memorandum repeats the European Commission's agreement with the need to establish a multilateral association between the Community and its European partners. It states, however, that it is at present difficult to determine what might be the ultimate form of an association intended to strengthen European co-operation. For many reasons on both the world and European plane, and also because the Community is still in its initial phase, it is not yet possible to define the conditions or forms of long-term European co-operation. It is therefore necessary, and the Memorandum stresses this, to find a *modus vivendi* for the coming years which will make it possible to deal with the difficulties they hold in store and to tackle these difficulties without delay under satisfactory conditions and in a liberal spirit.

50. Constant observation of European commercial trends could safeguard the interests of the European partners of the Community. Moreover, the Memorandum proposes a procedure which would mean a return to the efforts at liberalization undertaken within OEEC. In this context, the Memorandum proposes an annual increase of 20% for the existing quotas. It further recommends that a study be undertaken to find out to what extent it might be possible to grant greater customs reductions for goods which figure primarily in intra-European trade. Finally, it suggests that consultations should take place to work out a joint platform for the European countries at the time of the GATT tariff negotiations.

Other proposals deal with agriculture and European countries in course of development.

51. The fundamental conclusions reached by the report can be summarized as follows :

The world and the European aspects of the external relations of the Community cannot be considered separately; at the same time, account must be taken of the fact that European solidarity is an absolute political necessity and must, therefore, be strengthened.

So far as Europe is concerned, certain more clearly defined undertakings in the field of quantitative restrictions can be envisaged, since European co-operation in OEEC can claim considerable results in this particular sector.

In dealing with customs duties the most should be made of the possibilities offered by the negotiations on the Dillon proposals.

These measures, which would have to be taken at short notice, would enable long-term solutions to be sought for the establishment of an economic association between the Common Market and its European partners in OEEC.



Finally, the common responsibilities of the United States, the United Kingdom and the Community must lead to closer co-operation at world level.

52. At its meeting of 16 March, the Council discussed the proposals contained in the First Memorandum of the European Commission. At the end of this discussion the Council adopted the following resolution :

*"The Council:*

takes note of the memorandum submitted by the Commission of the European Economic Community in implementation of the instructions given by the Council to the Commission at the session of 3 December 1958, and in particular of the proposals contained in that memorandum;

thanks the Commission for the work accomplished in studying the problems raised by the creation of a European Economic Association;

reaffirms its determination to pursue the efforts for the creation of a multilateral association between the EEC and the other countries of the OEEC and desires that the conditions necessary for its realization may be established at an early date;

anxious in this spirit henceforward to strengthen the solidarity existing between the countries of the OEEC and thus to prepare the foundations for a closer association;

requests the Government Members of the EEC to inform the Commission before 15 April 1959 of their comments on the memorandum and of their proposals;

instructs a special committee composed of representatives of the Governments of the Member States and of members of the Commission — one of the latter to be chairman — to study these comments and proposals and to report to the Council."

### **The Six and GATT**

53. The European Commission took part as an observer at the 13th session of the Contracting Parties under the General Agreement on Tariffs and Trade which was held in Geneva from 14 October to 22 November 1958. During the first days of the session, which were set aside for statements of a general character made by ministers of several of the GATT Member States, the European Commission was

represented by two of its members, who voiced the view of the Community on the main points on the agenda.

54. The Contracting Parties took note of the declarations made by the representatives of the European Commission, who stressed that the European Economic Community had never been designed as a closed organization and would never become an autarky. The European Commission stated that it was fully conscious of its responsibilities vis-à-vis other countries in the field of international trade.

The representatives of the European Commission further made it clear that the Community is prepared to take part, either in GATT or in any other international organization, in a discussion of national agricultural policies in order to lay the foundation for a "code of good conduct" in the agricultural sector.

55. During the 13th session the study of the Treaty of Rome did not give rise to any major developments.

The Contracting Parties had, in fact, decided at the plenary meeting of the full Intersessional Committee in May 1958 to leave the legal problems aside for the time being and to revert to the normal procedure of consultation provided in Article XXII of the General Agreement in order to seek practical and constructive solutions for the difficulties with which some countries are faced as a result of the entry into effect of the Treaty of Rome. In implementation of this decision consultations were taken up during the 13th session on the subjects of tea, coffee, cocoa, sugar, tobacco and bananas. In these talks the representatives of the Community agreed to take note of the difficulties experienced by their partners in GATT, even in cases where the latter were not able to show any concrete examples of damage having been caused. In this way the representatives of the Community proved their willingness to co-operate with the Contracting Parties, to endeavour, by means of frank dis-

cussion, to remove any misunderstandings, and to carry out an objective study of the specific problems which the implementation of the Treaty of Rome raises for other countries. These consultations will also make it possible for the Community to learn more about the difficulties of its partners in GATT and to take them into account wherever possible in working out its common trade policy.

56. One of the important features of the 13th session was a proposal made by M. Dillon, United States Under-Secretary of State and Head of the United States Delegation.

Mr. Dillon proposed that another multilateral tariff conference be called at a fairly early date, so as to allow the President of the United States to make use of the powers conferred on him by the Reciprocal Trade Agreement Extension Act of 1958, authorizing him to reduce by 20% the existing American tariff rates on all products with the exception of those affected by the "peril point". These powers will expire on 30 June 1962.

The European Commission has already expressed the Community's interest in a world-wide reduction of tariffs in general and in Mr. Dillon's proposals in particular.

57. At the 12th session, when studying the general situation and international trade prospects, the Contracting Parties had noted the failure of the trade of less developed countries to develop as rapidly as that of industrialized countries. They had decided to entrust a panel of independent and specially qualified experts with the task of making an objective study of the trends of international trade.

The report submitted by these experts (the Haberler Report) was the main subject of discussion at the 13th session. All delegates recognized the necessity for a thorough study of the problems raised therein and of the recommendations it contains for the improvement of the prospects of trade amongst the Member States of GATT.

To this end, and also with a view to the proposals made by Mr. Dillon and the discussions which took place at the ministerial session, it was decided to set up three committees with the following tasks :

- To study the possibilities of organizing a new series of multilateral tariff negotiations;
- To consider, after having assembled the necessary data on the agricultural policy pursued by all the Member States of GATT and on non-tariff measures for the protection of agriculture taken by many countries, whether the rules of GATT and their application have proved inadequate to promote the expansion of trade in agricultural products, and to report on steps that might appropriately be taken;
- To consider measures for the expansion of trade, with particular reference to the importance of helping the less developed countries in the complete development of their economies.

At the 14th session of the Contracting Parties the three committees, in the work of which the European Commission was officially invited to share, will report on the progress they have achieved.

### **The Common Commercial Policy**

58. Co-ordination of commercial relations between Member States and other must, in accordance with the provisions of the Treaty, be carried out in such a way as to bring about, not later than at the expiry of the transitional period, the conditions necessary to the implementation of a common policy in the matter of external trade. It has proved necessary to begin immediately with important preparatory work and in particular to ensure that the progressive emergence of the Common Market shall in practice keep broadly in step with the mutual adaptation of the various foreign trade policies of the Member States of the Community.

59. The attention of the European Commission has been drawn to the manifold difficulties which would be sure to arise if, after the removal of all customs control on the movement of goods within the Common Market, the Member States were not at the same time to take co-ordinated measures concerning commercial policy *vis-à-vis* certain other countries. With the agreement of the Member States the European Commission is at present studying various problems created by the diversity of the measures of liberalization adopted by the Six in their dealings with other countries. In addition, the import and export policies followed with regard to some countries or monetary areas are under general review.

If these differences were too marked they could, once Article 10 of the Treaty of Rome (goods freed from or not subject to customs control within the Common Market) had come into effect, bring about diversions of trade and lead to the invocation of the saving clauses. In order to avoid frequent recourse to the escape clauses, the European Commission plans to submit to the Member States proposals for the co-ordination of their commercial policies *vis-à-vis* certain countries and geographical or monetary areas of particular interest to the Community's trade.

60. Further, the European Commission has asked the Economic and Social Committee for a report stating to what extent and with regard to which countries commercial policy should, in its view, be fully co-ordinated from now on.

In its commercial policy the European Commission will bear in mind the problems peculiar to the countries producing raw materials.

## **Representation and Contacts of the Community with non-member States and with International Organizations**

61. Since the publication of the first General Report, the European Commission has deepened and widened the contacts established during its first eight months of work.

### *COUNCIL OF EUROPE AND OEEC*

The European Commission has taken part in the joint meeting of the European Parliamentary Assembly and the Consultative Assembly of the Council of Europe, and has submitted to them its statutory Report.

Useful co-operation was established with the European Productivity Agency and with a number of technical committees of the OEEC in order to avoid any overlapping which might impede the institutions in their work.

### *UNITED NATIONS*

62. Discussions are going on between the European Commission and the United Nations with the purpose of defining the most suitable formula of official relationship in the mutual interest of the two organizations, account being taken of their specific characteristics.

Meanwhile, until this problem is finally settled, the established practice of the United Nations has made it possible to settle the form of co-operation between the European Commission and some specialized agencies and Regional Economic Commissions of the Economic and Social Council.

Under the terms of the understanding concluded with the International Labour Organization on 7 July 1958, the European Commission was, *inter alia*, invited to take

part in the tripartite conference on the European Social Charter which was called by the ILO at the request of the Council of Europe and met in Strasbourg from 1 to 13 December 1958.

Contacts have been made, and steps taken, with the Food and Agriculture Organization of the United Nations for the purpose of establishing liaison with that body.

63. Relations between the European Commission and the United Nations Economic Commission for Europe were established on a most satisfactory formula of practical co-operation based on an exchange of letters between the European Commission and the Executive Secretary of that regional commission. This arrangement provides for an exchange of papers and gives the European Commission the opportunity of being represented at all meetings of the regional commission which are of interest to it.

Contacts are being made in order to establish a similar official relationship with the Economic Commission for Asia and the Far East and the Economic Commission for Latin America.

Finally, the European Commission has followed with great attention the proceedings of the first conference of the Economic Commission for Africa, held in Addis Ababa from 29 December 1958 to 10 January 1959.

64. The European Commission is fully aware of the importance of the part played by non-governmental organizations in international co-operation. It maintains manifold contacts with such organizations.

## CHAPTER II

### ECONOMIC PROBLEMS

#### Economic Trends

65. As indicated in its first General Report, the European Commission is striving steadily to improve the supply of economic information required to analyse economic trends.

It is endeavouring to increase both the quantity and the quality of this information and is making every effort to ensure comparability. To this end the European Commission periodically convenes or consults experts of the Member States. The first meetings showed that in several fields, such as stocks, orders, delivery period, the composition of national revenue, etc., information should be collected more frequently and on a more comprehensive scale. This task does not present any insurmountable difficulties, but it will of necessity take some time before it can be accomplished.

66. In order to make more readily comparable the statistics on money, credit and the balance of payments, at present submitted in differing form by the Member States, the services of the European Commission are endeavouring to harmonize these too. The Monetary Committee, which is specially charged with observing the monetary and financial situation of the Member States and of the Community, has dealt with these matters in several of its meetings; it has expressed its wish that monetary and balance-of-payments statistics should be drawn up to an increasing degree along uniform lines. In fact the co-ordination of policy on economic trends and monetary policy provided for in the Treaty to some extent presupposes a homogeneous basis of evaluation.



67. In its desire to give the widest possible circulation to the information it has been able to collect and to make known the results of its analysis of economic trends within the Community, the European Commission regularly publishes notes and reports on economic trends. It also carries out enquiries into problems peculiar either to a certain sector or to particular Member States.

Since January 1959 Brief Notes <sup>1)</sup>, issued monthly in the form of diagrams with concise comments, have recorded the movements of some of the more important economic indicators. The European Commission undertakes a more detailed quarterly analysis of the economic situation of the Community, which also serves as a basic document for the preparation of the coal and steel programme forecasts prepared by the High Authority. The latest is published in the Official Gazette of the European Communities (April 1959). In this way the European Commission endeavours to draw up a diagnosis of current economic trends and to make very short-term forecasts concerning future developments.

Finally, a study to be completed in the near future will place these developments in a wider perspective by tracing the course of economic trends in 1958 and by deducing the prospects for the current year.

The preparation of this latter paper does, however, give rise to considerable difficulties which flow not only from the differences in presentation of accounts of the past and forecasts of the future, but above all from the different methods of intervention employed by each of the Member States.

Especially with regard to the national budgets the diversity of forms in which they are presented and the varying periods which they cover — the fiscal year coinciding with the calendar year in some countries, but beginning on 1 April or 1 July in others — causes serious difficulty not only for

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<sup>1)</sup> Available in Dutch, French, German and Italian.

understanding and analyzing the economic situation in each country, but also for the co-ordination of the policy in the Member States relating to economic trends. It is therefore most important that national budgets be drawn up on comparable lines. Consequently, the European Commission considers it essential that some method be devised for rendering the budgets concerned comparable. This task has been taken up by the Commission in co-operation with experts of the various nations.

68. In order to ensure the implementation of Article 103 of the Treaty, which provides for the co-ordination of policies of the Member States relating to economic trends, the European Commission is also maintaining contact with the competent authorities of the six countries. By these exchanges of views the Commission keeps itself informed about the problems of the Member States and is enabled to study with them the means of reconciling differences.

The Commission is anxious to stress the importance it attaches to maintaining a rapid rhythm of economic expansion in the Community. It does not consider sufficient the avoidance of large-scale unemployment resulting from a slackening of economic trends. A high average increase of production must also be achieved. Pauses are clearly inevitable and often even useful, but they must be of short duration and followed by vigorous recovery. The European Commission feels that such a recovery within the Community is desirable for the coming months.

69. One of the most important events of the last six months has been the complex of economic and monetary measures taken by the French Government at the end of 1958.

As pointed out in the first General Report, the European Commission had been following with interest the development of the economic and financial situation in France;

after consulting the Monetary Committee, the Commission had planned a series of measures to remedy the situation and thus to facilitate the attempt to establish a balance within the Community.

Though it is not within the terms of reference of the European Commission to pronounce upon the details of the internal arrangements entailed by the measures of the French Government, it has taken note with satisfaction of the overall programme which that Government has brought to its notice. The introduction of a new rate of exchange and the restriction of internal demand must contribute to a marked increase of exports, which is the outstanding French problem, and in consequence it must help in re-establishing the balance of payments and in raising the level of production and employment. The liberalization of imports, which marks the return to a normal situation in European trade, will restrict the rise of prices to the mechanical effects of the cancellation of certain subsidies in the new budget and to those of devaluation.

These new measures will put a temporary brake on consumption expenditure, but they will tend to bolster up the economic situation through an increase of public investments. Moreover, they are the essential pre-condition for a later recovery of expansion without risk to the stability of prices or to the equilibrium of the balance of payments.

These decisions enabled the French Government to take, without any reservations, all the measures of implementation required by the Treaty of Rome for 1 January 1959.

70. The measures taken in France become even more significant when linked with the decision taken at the end of December 1958, by which all the Member States of the Community made their currencies convertible. Internal and external financial stability must be regarded as the indispensable condition for the maintenance of this convertibility. This stability will also permit the removal of obstacles which still

stand in the way of the transferability of currency between Member States, and in particular impede the movement of capital. The implementation of the Treaty of Rome will in fact mean that the currencies of the Member States will be made transferable within the Community before the end of the transition period, at the moment the level of convertibility attained by the Member States varies from one to another.

### **The Free Movement of Capital**

71. The European Commission attaches outstanding importance to obtaining free movement of capital between Member States and has caused the regulations governing such transfers in each country to be studied.

This analysis shows that, with certain exceptions, a satisfactory level has been attained in the current payments connected with movements of capital referred to in Article 67 of the Treaty.

On the other hand, it is clear that the restrictions on the movement of the capital itself are greater. Article 67 lays down that the Member States shall abolish such restrictions as between themselves in the course of the transitional period and to the extent necessary for the proper functioning of the Common Market. The European Commission has, therefore, given instructions that a study be made of the problems which arise in connection with the attainment of this aim. It has concluded that, in order to ensure the best combination of factors of production, the movement of capital should be freed simultaneously with that of goods and services.

The European Commission has also begun a study of the problems connected not only with the structure and the trends of the capital market in each Member State, but also with legislation governing, or directly or indirectly influencing, the working of these markets.

Finally, in order to make possible the implementation of Article 72 of the Treaty, which obliges all Member States to keep the Commission informed of any movements of capital to and from third countries known to them, a plan for the classification of all such movements of capital and for the best methods of recording them has been put in hand. These studies will help in working out the recommendations which the Council has instructed the European Commission to submit.

### **Problems of Energy**

72. In the energy market the situation has been characterized by a persistent excess of supply over demand, resulting in the accumulation of large stocks at the pit-heads in Germany and Belgium. This is partly due to a heavy and prolonged slump in the maritime freight rates for the transport of fuels, which has resulted in a considerable reduction in the price of imported coal. The disequilibrium of the market has given rise to problems concerning the stability of employment in the mines, the maintenance or the closing down of marginal production capacity and equality of excise charges on the various competing fuels; it has also raised the question of import regulations.

Being by virtue of the Protocol of 8 October 1957 associated with the work of the Mixed Committee and of the High Authority of the ECSC, the European Commission did not fail to take these matters up, especially from the angle of the co-ordination of national policies.

These policies must deal with a large variety of difficulties.

In the first place, the formation of prices for coal imported into the Community is decisively influenced by fluctuations in maritime freight rates, which are in turn governed by the supply of and demand for the transport of dry cargo, of which coal is no more than one element. From

this, there results a considerable fluctuation in the price to the consumer of imported coal; meanwhile the European coalmines have great difficulty in following a sufficiently flexible sales-price policy because of their working conditions and the economic situation.

In addition, there are geological and social factors which contribute to the rise in production costs of European coal. The effect which this situation has on the various types of coal depends on whether they are more or less directly in competition with other fuels.

Of these, petroleum products play a part which is increasing in importance from year to year, as is borne out by the trend of the energy balance-sheets of the Community. Contrary to the picture shown by European coal, the production costs of crude petroleum do not seem to be undergoing a long-term rise in the areas from which Europe draws the greater part of its supplies.

These uncertainties cannot but give rise to considerable difficulties in assessing the profitability of long-term investments in those coalmines whose output is in direct competition with petroleum products. There is particular difficulty in making a precise forecast of the market for semi-bituminous coal in ten or fifteen years from now.

The concurrence of all these difficulties makes it especially awkward to work out an energy policy; in any event it necessitates close co-operation between the six countries of the Community.

The study of the problems outlined above is being made in collaboration with the High Authority and the proposals under review at the moment will be submitted to the six Governments.

73. The seriousness of the situation of the coal industry in general and the acuteness of the crisis in certain areas, especially in the Borinage, is constantly under review in the

European Commission, which is anxious to state once again that it intends, wherever its assistance is sought, to use all the means at its disposal under the Treaty in order to bring about the recovery and the economic conversion of the areas in difficulties.

### **Investment, Expansion and Regional Policies**

74. A programme has been worked out for studying the problem of adjusting the economic levels in the various areas of the Community in the light of the long-term development of the Member States.

The European Commission proposes in the first place to define the economic regions and to analyse their structure. A preliminary study has been made on the basis of the production figures per head of population.

General speaking, this analysis shows that the most highly developed regions of the Community constitute a powerful bloc extending on either side of the Rhine and Rhone valleys along a north-south axis from the Netherlands to the north of Italy. This area covers approximately 30% of the territory of the Community, accounts for some 45% of its population and provides nearly 60% of the total product of its economy.

The peripheral areas, then, are those relatively least developed, and the further away they lie from the central region, the lower is their level of development on the basis of production figures per head of population.

In relation to average output figures per head of population in the Community, dispersion is very accentuated. The least favoured areas in the south of Italy show an output per head of 30% of the average, and the most highly industrialized areas in the north a figure of 150%.

Apart from the south of Italy, which represents a typical case of underdevelopment in the proper sense of the

word, several countries show regional differences of development which give rise to lesser but nevertheless real problems. Thus the product per head of population in Brittany and Schleswig-Holstein reaches 75-85% of the Community average, whereas that in the Grand Duchy of Luxembourg comes near to 150%; in the Paris area it rises to 170% and in Land Hamburg to 190% of the average.

Further studies will be prepared on the basis of other criteria (unemployment, social and economic structures) in order to single out those regions which are at the moment undergoing economic difficulties and to which priority attention should be given.

The European Commission is also preparing an analysis of the regional policies pursued by each of the Member States and of the repercussions of national economic policies on the regional programmes. A study of this nature will enable the Commission in the first place to find whether these national measures are compatible with the Treaty and, where necessary, to suggest appropriate steps. It will also afford an opportunity to make proposals concerning the elements of a Community policy relating to regional matters, taking into account the means at the disposal of the various institutions and of the Bank for reducing gaps between the several levels of development.

75. The work of the European Investment Bank during its first business year was devoted to the establishment of its services, to an analysis of the essentials of its credit policy, and to the preparation of its first loan operations.

In accordance with the statutes, the Board of Governors of the Bank laid down the first general directives on credit policy on 4 December 1958. These directives show that the Bank will, in the main, have to give consideration to projects calculated to advance less developed regions; they further show that finance for projects of common interest to several Member States should be made available, in partic-



ular for those which are likely to contribute to the adjustment of markets and to the integration of the economies; finally they lay down that the financing of projects aimed at the modernization or conversion of enterprises, or the creation of new activities called forth by the progressive establishment of the Common Market, will be undertaken as soon as the repercussions of the development of this market on the enterprises concerned can be forecast with adequate precision.

After recalling that projects financed by the Bank must fulfil the conditions imposed by the statutes and in particular those laid down in Article 20, the directives further invite the Bank to observe the following principles :

- a) In the initial period of its activity the Bank shall grant loans rather than guarantee them.
- b) It shall finance individual projects.
- c) In order not to dissipate its resources, it shall generally use them to finance projects of a certain magnitude.
- d) The granting of loans shall be made subject to the provision of other capital, either by the borrower or by a third party.
- e) Special attention shall be given to projects in which capital coming from several Community countries is involved.
- f) In its operations, the Bank shall pursue the general objective, which is the gradual unification of the capital markets of the Member States.

The contents of these directives meet with the full approval of the European Commission.

Close and entirely satisfactory collaboration has been established between the agencies of the Bank and those of the Commission, and this should further the unity of views and actions between the Bank and the European Commission.

## CHAPTER III

### THE OPENING OF THE MARKETS

#### The Dateline of 1 January 1959

76. The first measures of tariff and quota disarmament have been carried out under satisfactory conditions despite the difficulties met with in the implementation of the Treaty, certain of which were mentioned by the European Commission in its first General Report. Some of these difficulties disappeared following the trade liberalization introduced in France at the end of December; it has proved possible to resolve others thanks to the good will of the Member States, which have accepted the common solutions proposed to them by the European Commission.

77. Certain problems of detail remain unsolved, but there is nothing abnormal either in their number or scope. Some of them arise from the need to co-ordinate the implementation of the general articles of the Treaty with that of the articles concerning the common agricultural policy. Others are inherent in the very complexity of the matter in hand and call for changes in administrative habits and even in regulations. None presents greater difficulty than could reasonably be expected to accompany measures which abolish the old bilateral methods, establish competition on the wider basis of six countries, and come to grips with those trade relationships which, either by their very nature or as a result of deliberate policy, had so far defied the liberalization practiced within the Organization for European Economic Co-operation (OEEC).

The European Commission, which was entrusted under the Treaty with the task of watching over the imple-

mentation of the provisions on the abolition of obstacles to trade, has spared no pains to find the most appropriate solutions in agreement with the governments concerned. The Commission is resolved to make full use of the powers vested in it to ensure that the obligations laid down by the Treaty are fully carried out.

78. The volume of the increase in trade likely to result from the measures taken on 1 January 1959 is difficult to appraise. The figures of quota increases and of actual increases in trade do not necessarily correspond. It may, however, be calculated that the volume of trade with the rest of the Community will increase by 3 to 5% in the case of countries which have already liberalized on a large scale, such as the Federal Republic of Germany, Italy or the members of Benelux, whereas this increase will approach 15% for France, without taking into account the effects of the liberalization of trade under the aegis of the OEEC.

This remark must be qualified by the observation made above that the products included in the quota frameworks<sup>1)</sup> are among the most sensitive. In fact the new provisions, except in the case of France, essentially concern agricultural products, the import of which was even prohibited in certain cases.

79. The automatic nature of the reduction of customs duties explains why very few difficulties have been met with in this sphere. It will be noted in this connection that the Federal Republic had already reduced rates on a large number of industrial products in the light of general market conditions, so that the reductions of 1 January were only applied to textiles, leather and certain agricultural products.

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<sup>1)</sup> Quota framework : a document showing for each country all the non-liberalized products, with an indication for each product of the total of the previous bilateral quotas on the one hand and of the amount of the global quotas opened on 1 January on the other.

Some of the Member States have been led to introduce new internal taxes, basing their action, moreover, on the provisions of the Treaty. This procedure has set up an unfavourable psychological reaction in the public opinion of the different countries and there is no denying that it involves the risk of depriving consumers in the future of a part of the benefits which they are entitled to expect from the Common Market. The European Commission will take care that nothing is done on these lines which does not conform to the letter and to the spirit of the Treaty.

#### *ELIMINATION OF QUANTITATIVE RESTRICTIONS*

##### *Preparation of measures of quota disarmament*

80. In its first General Report, the Commission mentioned its anxiety to concert with the Member States the implementation of those articles of the Treaty which aim at the elimination of quantitative restrictions on trade. During the months of September, October, November and December 1958, a series of meetings to this end took place between the services of the Commission and the experts of the Member States.

Agreement was reached on most of the basic questions and also on the definition of the obligations incumbent on the Member States in the matter of the progressive abolition of quota barriers still existing in Community trade. A considerable number of common solutions have been adopted for the implementation of these obligations and of the executive details of the general provisions of the Treaty, particularly in regard to the increase of bilateral quotas and their conversion into global quotas.

81. The European Commission has nevertheless had to note that on some points the positions adopted and the measures contemplated by the Member States were diver-

gent and involved the risk not only of jeopardizing the unity of views indispensable at the beginning of the Common Market but, in the long run, of creating difficulties likely to impede its normal functioning.

82. The European Commission has endeavoured to find suitable methods to bring about gradual and total liberalization of trade.

By letter of 21 December 1958, the Commission suggested to the Member States that the following solutions be applied :

a) *Definition of the Basis for the Conversion of Bilateral quotas into global quotas*

The European Commission expressed the opinion that Member States should convert into global quotas all quotas granted to other member countries during the annual reference period, that is to say not only the quotas of a contractual nature expressed in specific figures in trade agreements (including the confidential annexes), but also the supplements to normal quotas granted by unilateral decision and the specific amounts set out in improvement clauses <sup>1)</sup> in the agreements, to the extent that normal and regular trade is involved.

b) *Increase of Global Quotas in Existence on the Entry Into Force of the Treaty*

As some Member States already have a system of global quotas for the import of certain products which is applicable to more or less extensive geographical areas, and sometimes to all countries, the European Commission consid-

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<sup>1)</sup> Improvement clause: a commitment of a contractual nature for the purpose of increasing the quotas written in the agreements. These commitments more especially concern agricultural products. They complete the bilateral agreements.

ered that the most convenient formula, having regard to the requirements of the Treaty, would be to split up these global quotas and increase only that part reserved to the other member countries, Nevertheless, the Commission did not feel that it should oppose the retention of the existing structure of these quotas, provided that guarantees were given to member countries of the Community so that, in practice, they might be able to make effective use of that part of the quotas which would have been granted to them in the event of a double globalization.

c) *Calculation of Quotas in Relation to National Production*

The application of the 3% rule to small or non-existent quotas has been accompanied by considerable difficulties resulting from the vagueness of the Treaty on the specific method of calculation and the absence of a homogeneous basis of comparison. In point of fact, the meaning of the two terms production and quota in economic parlance is not easily comparable. The European Commission has therefore suggested a solution which would ensure the import of a quantity of products at least equal to 3% of internal production.

The Commission has proposed that, as a general rule, production and quotas be calculated quantitatively.

Starting from this principle, to which the Member States had no difficulty in giving their assent, the desire for homogeneity led to the adoption of the following methods of calculation for industrial products when the estimate is made in terms of value : calculate the national production at price ex-works, exclusive of taxes, and then apply to the result a reduction equal to the incidence of customs duties. However, in order to avoid taking into consideration that portion of the customs duties of clearly prohibitive character and not the portion intended to offset disparities in production costs, the European Commission proposed that account be taken of these duties only up to a limit of 20%. This

method of calculation is proposed on a trial basis for the year 1959. It will be possible to modify it later, if necessary, in the light of a thorough study of its results.

As far as the evaluation of agricultural production is concerned, the European Commission has suggested that the portion corresponding to consumption by the producers themselves be excluded.

d) *Application of the General Provisions of the Treaty to Trade in Agricultural Products*

Study of the conditions under which the general rules of the Treaty concerning the abolition of quantitative restrictions would be applied in the agricultural sector, has brought to light a large number of problems which arise from the special features of external trade in agricultural products; this trade is closely bound up with conditions of production and marketing and with the objectives and machinery of agricultural policy in the various countries. It was further necessary to take account of the special provisions of the Treaty concerning agriculture, which aim at working out a common agricultural policy: certain elements of this policy directly concern foreign trade and involve particular forms of increased exchange of products.

The European Commission considered that the gradual implementation of a common agricultural policy as provided for in the special provisions of the Treaty, could not be hindered but must, on the contrary, be favoured by the development of exchanges resulting from the implementation of the general rules of the Treaty. It appeared indispensable and possible to the Commission to take all measures to ensure that the agricultural sector should be included when the Common Market was launched on 1 January 1959.

The European Commission therefore requested that all agricultural products for which import quotas exist should be made the subject of global quotas enlarged in accordance

with the rules of Article 33 and open without discrimination to other Member States.

For products which are the object of a national market organization or a *de jure* or *de facto* monopoly and when a need of imports exists, the development of exchanges shall in principle be pursued by the conclusion of long-term agreements or contracts until the substitution of the national market organizations by a common organization.

In respect of the products fulfilling the two conditions laid down in Article 45, the European Commission has proposed that, with effect from 1 January 1959, and pending the implementation of the special measures mentioned above, the Member States take all necessary action to permit the import of quantities at least equal to the average of imports over the last three years, and see to it that the volume of imports is increased from 1959 onwards.

83. As for the supplementary external trade measures such as import time-tables or certain import taxes, which are an integral part of the agricultural policy of each Member State, the European Commission is at present carrying out a full study of their scope, nature and relation to national agricultural policies and to the common agricultural policy. Before drawing up directives for adjusting or abolishing these measures, the Commission will study with the Member States the problems posed by their possible elimination.

The exchange of views which has taken place between the services of the European Commission and the experts of the Member States on the one hand, and the position adopted by the European Commission on the questions at issue on the other, made it possible to settle upon a general line of action which the administrations in the various countries were able to use as a guide when preparing the quota measures to be applied on 1 January 1959.



*Execution of measures of quota disarmament*

84. On 1 January 1959, a new trade procedure came into force for all products whose import had not then been liberalized. Its salient feature was the abolition of bilateral relationships and the introduction of a system of global quotas which would from then on be open to all other member countries without discrimination

The implementation of this system involved the establishment of new quota frameworks consisting of the former bilateral quotas increased and converted into global quotas in accordance with the rules laid down in Article 33 of the Treaty.

85. It was not possible for the Member States to file the quota frameworks in time for the European Commission to examine them in detail before 1 January 1959. This checking is at present going on. It must be carried out with particular care, since the figures arrived at on 1 January 1959 will furnish the basis for enlarging quotas during the next ten years.

Italy has drawn up a complete quota framework which includes all industrial and agricultural products not liberalized and not subject to state trading. It should be noted that this country intends to carry out the obligations of the Treaty in a comprehensive and liberal fashion.

The Federal Republic of Germany has established a list which includes nine industrial products still subject to quota, and two lists of agricultural products: one consisting of those items for which increased global quotas are being granted under Article 33, and the other of those for which the Federal Republic contemplates or desires the conclusion of long-term contracts. In the case of these latter products, import licences will be granted as a provisional arrangement, on the basis of average imports over the last three years.

Meanwhile, a first long-term contract has been concluded between France and the Federal Republic of Germany. It concerns deliveries of French cereals.

It should, however, be noted that for one important item — fruit and vegetables — the Federal Government has informed the European Commission of serious technical difficulties raised by the procedure of conversion into global quotas. The particulars of the conversion and of quotas will need to be fixed in agreement with the European Commission.

The Benelux countries have established a common framework for industrial products and separate ones for the majority of agricultural products. In addition, the autonomous world quotas which existed in these countries before the Treaty came into force have been maintained and increased in respect of all countries. The administrative particulars of these quotas are at present under discussion with a view to securing for the other Member States the full guarantees which they are entitled to claim under the Treaty.

Because of the important measures taken in the field of foreign trade at the end of 1958, France was not in a position to communicate its complete quota framework to the European Commission on 1 January. It has proved necessary to revise the work already done in order to take account of the 90% liberalization of private trade which took place on 29 December 1958. This framework has now been communicated to the European Commission and its study has begun. It must be emphasized that the liberalization measures carried out in the setting of the OEEC enable France to fulfill, in the same way as the other Member States, its obligations under Article 31 of the Treaty of Rome, the aim of which is to consolidate the level of liberalization fixed by the decisions of the Council of the OEEC on 14 January 1955. These measures place France in a situation similar to that of the other Member States.

It is none the less true that for France the increase of the new global quotas will be particularly important because

of the incidence of the 3% rule, which is applied for numerous products. The quota framework prepared by France moreover includes all non-liberalized industrial and agricultural products for which global quotas are fixed in conformity with the provisions of Article 33.

86. The services of the European Commission are at present carrying out a detailed study of the structure and amounts of the new global quotas and a check of the basic factors employed in each case. Contact has also been made with the administrative services of each Member State with a view to comparing conclusions drawn from the study of the quota frameworks.

Generally speaking it is already possible to conclude that the principles worked out in the informatory meetings and the suggestions made by the European Commission have been followed. Nevertheless, some Member States continue to express reservations on the extent to which account should be taken of the improvement clauses, on the method proposed by the European Commission for calculating quotas in relation to national production, and on the maintenance of the world framework of the autonomous global quotas which existed on the entry into force of the Treaty. The European Commission is continuing discussions on these points with the Governments of the Member States.

It should also be noted that, although roughly homogeneous methods have been applied in the industrial field, the measures taken in the agricultural sector sometimes differ fairly sharply from one country to another and prove that certain Member States are tending to adopt an attitude of wait-and-see or of reserve. The European Commission will take special care to examine all difficulties raised by the gradual opening of frontiers to agricultural products and to work out, with the Member States, common solutions taking into account both the exigencies of the Treaty and the particular character of this trade.

87. The granting and allocation of global quotas have been effected in accordance with the administrative procedures in force in each Member State.

For most products, partial quotas have been granted and they are valid for a part of the year 1959 only. There is moreover no obligation on Member States to allocate all global quotas simultaneously, and this could in any case not be done until their amounts have been definitively approved. The European Commission will watch with special care that the administrative procedures followed by the various States allow the quotas to be used fully during the annual period of their validity, and that the system of awarding licences does not conceal any discriminatory practices vis-à-vis Member States.

The general problem of the administration of the quotas will moreover be the subject of regular exchanges of views with the Member States, the objective being to make the national procedures increasingly homogeneous and to eliminate practices which may be considered to constitute measures with effect equivalent to quantitative restrictions.

*INCREASE OF TRADE IN PRODUCTS  
SUBJECT TO AN IMPORT OR EXPORT MONOPOLY*

88. The provisions of Articles 30 to 36 of the Treaty of Rome establish the rules for the abolition of quantitative restrictions between Member States for products in private trade.

These rules for the increase of trade between the six countries apply also to products subject to import or export monopolies.

The difference between the obligations laid down for the increased exchange of products in private trade and those subject to an import monopoly arises from the fact that, for the first, the Member States are obliged to respect the methods and timing laid down in Article 33 for bringing

about equal conditions of competition (conversion of bilateral quotas into global quotas) and for the gradual increase of mutual trade during the transition period (fixed percentage of quota increases), whereas, for the second, the choice of procedures to be followed for the abolition of all discrimination and all restrictions on trade is entrusted by the Treaty exclusively to the Member State itself. Nevertheless, even in the first stage, the European Commission may address recommendations to the Member States (Article 37, § 6).

The European Commission has already requested each Member State to inform it of its programme of increased imports for products which are the object of a monopoly.

#### *REDUCTION OF CUSTOMS DUTIES*

89. On 1 January 1959, the six Member States carried out the first of the reductions which are to lead to the abolition of customs duties in their mutual trade.

90. In November 1958, the European Commission called a meeting of experts nominated by the Member States to seek common solutions for the problems raised by the implementation of the first reduction.

At this meeting, the following facts were emphasized :

- a) That the reductions in customs duties concern the metropolitan territories of the Member States and Algeria, the French Overseas Départements, the countries and territories listed in Annex IV of the Treaty (in this case with the reservations laid down in Article 133, §§ 3 and 4) and " Land Berlin ";
- b) That the successive reductions do not apply, on the one hand, to the customs duties on products coming under the ECSC Treaty and Lists A<sub>1</sub> and A<sub>2</sub> of the Euratom Treaty, and on the other hand, the customs duties of a fiscal nature declared as such by the

Member States before 1 July 1959 and whose provisional retention has been authorized by the European Commission in accordance with Article 17, § 4 of the EEC Treaty;

- c) That customs duties of whatever form linked with tariff quotas are not exempted by the Treaty from the reduction measures. This being so, they must be progressively eliminated between Member States, except in the case of possible recourse to the escape clauses provided for by the Treaty;
- d) That the Member States are free to round off the rates of new duties provided the 10% reduction is effective.

91. The reductions of customs rates applied by the Member States on the dateline of 1 January 1959 are at present being studied by the European Commission. These reductions affect practically all customs duties included in the customs tariffs of the Benelux countries, France and Italy.

Thanks to the particularly favourable situation of its balance of payments, the Federal Republic of Germany, at the date mentioned, had already reduced a large portion of the duties which it was applying on 1 January 1957 by a percentage greater than the 10% fixed by the Treaty. As a result, the diminution affected only customs duties not included in the previous reductions carried out in the light of general market conditions, in particular those in the agricultural sector and on textiles and leather.

#### *CUSTOMS DUTIES OF A FISCAL NATURE*

92. In the course of the meeting of experts mentioned in paragraph 90 above, the problem of the substitution of internal taxes for duties of a fiscal nature (within the meaning of Article 17 of the Treaty) was raised. The Member States were to report these duties to the European Commission

before 1 January 1959. The Commission is at present in possession of the lists of the duties in question for the following products :

- a) Benelux countries : tea, maté, wines, sparkling and still, other fermented beverages and certain spices;
- b) Italy : coffee, tea, maté, manufactured tobacco, matches, ferrocerium, cigarette paper and certain spices;
- c) Federal Republic of Germany : coffee, tea, cocoa, alcohol, crude or manufactured tobacco, matches, mineral oils and their derivatives and certain spices.

France has reported that its tariff contains no duties of a fiscal nature.

The Federal Republic of Germany has not reduced duties on petroleum products covered by the Protocol concerning mineral oils and certain of their derivatives, thus making use of the facility provided for in paragraph 1 of the said Protocol. For products closely allied to those mentioned in the Protocol but not shown therein, the Federal Republic has requested authorization, under Article 17, § 4 of the Treaty, to retain the duties which are of a fiscal nature, for a period of six years.

93. The European Commission has already been informed of certain cases in which internal taxes have been substituted for customs duties :

- The Federal Republic of Germany has reduced the duties on coffee and tea in general down to the level of the common external tariff, and at the same time increased the consumer taxes applicable to these products;
- The Benelux countries have replaced entirely or partially, according to the case, their fiscal duties on wine, vermouth and sparkling wines by an excise duty.

These measures are being studied by the services of the European Commission in the spirit indicated in paragraph 79.

*CHARGES HAVING AN EFFECT  
EQUIVALENT TO CUSTOMS DUTIES*

94. Under the terms of Article 13 of the Treaty, charges having an equivalent effect must, like customs duties, be progressively eliminated between Member States. Since the European Commission, which has the responsibility of fixing the timing of this elimination, has received only fragmentary information from the Member States, another method has been jointly adopted: charges which have come to the notice of the services of the Commission, and which are related to customs duties, are subjected to systematic scrutiny with the aim of deciding on the category to which they belong, whether their abolition should be requested and, if so, by what particular procedure.

The European Commission attaches the greatest importance to the resolution adopted by the European Parliamentary Assembly in which the Assembly expressed the wish that charges with effect equivalent to customs duties should be rapidly eliminated. The Assembly emphasized that such charges are to be considered not from a formally legal point of view, but from that of their economic incidence.

*THE CUSTOMS CIRCULATION CERTIFICATE*

95. In order to permit measures of tariff and quota demobilisation to enter into force between Member States on 1 January 1959, the European Commission, in conformity with Article 10, § 2 of the Treaty, drew up regulations which are based on the introduction of customs circulation certificate for goods. In future this certificate will cover all trade within the Community which benefits by the reductions in duties established by the Treaty. The decision of the European



Commission on 4 December 1958 concerning the use of a customs circulation certificate for goods was taken following studies carried out in collaboration with government experts in the course of numerous meetings held between July and December 1958 in Brussels.

96. The purpose of the customs circulation certificate is to establish :

- Either that the merchandise really originated in a Member State (Article 9, § 2);
- Or, in the case of merchandise from a non-member country, that the customs duties normally applicable in the Member State into which the merchandise was first imported, have actually been levied;
- Or, in the case of goods imported for processing and re-export, that the customs formalities in respect of the various elements imported from third countries and incorporated into the finished product have really been complied with in the processing country before the export of this product to another Member State. In this particular case, the European Commission required the introduction, in the first stage, of a countervailing levy to compensate for drawback or remission of import duties on raw materials originating in non-member countries.

The customs circulation certificate is filled in by the exporter and certified by the customs office at the point of exit. It is required at the time of import in order that the product which it accompanies may enjoy the customs and quota advantages laid down by the Treaty. Its scope is general; only postal packages and objects contained in travellers' luggage are exempt from it, subject to certain conditions. It is in use throughout all the customs territories of the Member States.

97. The introduction of this sort of "European passport" for merchandise was necessary. He who claims the benefits of a special customs system must show proof that he is entitled to them.

The procedure chosen has the advantage of relative simplicity. Any other system of proof would have been more complicated and would have led to the general introduction of a certificate of origin.

98. Thanks to this document, the European Commission was in a position to fulfil, at the date prescribed, the provisions of Articles 9 and 10 of the Treaty, on which the launching of the Common Market depended. The customs circulation certificate is the first European customs document in the framework of the Community.

Its introduction has certainly posed some problems of implementation; certain of these are inherent in the intermediary period when the system is being installed, others result from the juxtaposition of different laws and practices in customs matters. Most of the difficulties of the first type have already been settled thanks to the collaboration between the administrations of the various countries and the services of the European Commission. Those of the second type confirm the necessity of harmonizing the customs legislation of the Six. For certain commodities based on the transformation of agricultural products, processing traffic gives rise to special problems by reason of the fact that the basic products are subject to varying national regulations (price fixing, refunds, etc.). A further task of harmonization already seems desirable, *e. g.* that of the certificates in use in the different European Communities.

THE DATELINE OF 1 JANUARY 1958 IN THE  
ASSOCIATED OVERSEAS COUNTRIES AND TERRITORIES

*Increase and Conversion into Global Quotas of the Quotas granted to Member States in the associated Overseas Countries and Territories*

99. Article 11 of the Implementing Convention laid down the rules according to which the increase and conversion into global quotas of the quotas granted to Member States in the overseas countries and territories was to be carried out. Informatory meetings organized by the services of the European Commission with the national experts of all Member States have furnished an opportunity of specifying the practical details of the methods by which these quotas are to be increased and converted into global quotas, taking into account the letter and the spirit of the Treaty.

Finally, those points which were doubtful and on which it had not been possible to agree in the course of the meetings between national experts were submitted to the European Commission, whose opinion was then communicated to the governments concerned.

Only those overseas countries and territories in which import quotas existed have been affected by the measures of quota disarmament. These countries and territories include all those with which France has special relations. By contrast, the elimination of measures having an effect equivalent to quotas concerns all the overseas countries and territories listed in Annex IV of the Treaty, and raises delicate and complex questions which are still being examined by the services of the European Commission.

*Measures of Customs Liberalization in the Overseas Countries and Territories*

100. The obligations of the overseas countries and territories as formulated in Articles 132 and 133 of the Treaty

consist, for each of these countries and territories, in the gradual reduction of customs tariffs in favour of the Member States and of the other associated overseas countries and territories until, at the close of the transition period, they benefit by the same régime as the Member State with which each country or territory has special relations.

It was therefore in the setting of this programme, which is being carried out parallel with customs disarmament between the Member States, that the customs duties charged on imports into the associated overseas countries and territories of merchandise originating in the Member States or other overseas countries and territories were reduced with effect from 1 January 1959.

It should be emphasized, however, that this measure does not affect all the associated overseas countries and territories listed in Annex IV of the Treaty. In point of fact, only those countries or territories having a preferential customs tariff in favour of France were directly affected by this obligation (the Sudan, Senegal, Mauritania, the Ivory Coast, the Upper Volta, the Niger, Dahomey, New Caledonia and dependencies, the French Settlements in Oceania, St. Pierre and Miquelon).

Furthermore, the associated overseas countries and territories which, by reason of the international obligations by which they are bound (international conventions or trusteeship régime) have no preferential customs tariffs, have not carried out any tariff reductions. They have conformed to the provisions of Article 133, § 4 of the Treaty.

It will be noted, on the other hand, that none of the countries or territories which on 1 January reduced their customs duties in favour of the Member States and other associated overseas countries and territories of the Community, has manifested the intention of taking advantage of the provisions of Article 133, § 3 which allowed them to "levy customs duties which correspond to the needs of their development and to the requirements of their industrialization."

On the other hand the associated overseas countries and territories, taking advantage of the provisions of Article 133, § 3 concerning the possibility of levying customs duties which "being of a fiscal nature have the object of contributing to their budgets", have not introduced any reduction of this type of duties. This is the case whether these tariffs were established under international conventions (Gaboon, Chad, Middle Congo, Central African Republic, the French Trusteeship Territory in the Cameroons, the Autonomous Republic of Togoland, the Belgian Congo, the Italian Trusteeship Territory in Somaliland), or whether they were instituted by virtue of the territory's own legislation (Sudan, Senegal, Mauritania, Ivory Coast, Upper Volta, Niger, Dahomey, New Caledonia and dependencies, French Settlements in Oceania, Madagascar and dependencies).

This attitude is justified moreover by the non-discriminatory character of these fiscal duties which, in every case, are applied both to the imports from the Member States with which the overseas countries and territories have special relations and to those from all other countries.

*Opening of the Market of the Member States to Imports of Products from the Overseas Countries and Territories*

101. In conformity with Article 133, § 1 of the Treaty and the provisions of Articles 10 and 12 of the Implementing Convention, imports into the Member States of products originating in the overseas countries and territories have benefited, since 1 January 1959, by the same measures of customs reductions and quota disarmament as those introduced between Member States in implementation of the Treaty.

Particulars for the application of the provisions of Articles 10 and 12 of the Implementing Convention, which deal with the obligations of the Member States *vis-à-vis* the associated countries and territories in the field of the elimination of quantitative restrictions, were drawn up in the course

of informatory meetings organized by the services of the European Commission with the participation of experts representing the Member States.

Since 1 January 1959, trade has been provisionally covered by the certificates of origin previously used between the metropolitan countries and the overseas territories with which they had special relations.

The customs circulation certificate, which is in force in the customs territories of the Member States, did not indeed appear to be applicable *ipso facto* to trade between the Community and the associated countries or to trade between these latter.

### **Common External Tariff**

102. The first General Report of the European Commission indicated that the introduction of the common external tariff raised numerous and complex problems despite the apparent simplicity of the rule of the arithmetical average which is applied to most of the tariff.

These difficulties arise principally from the cumbersome nature of the customs document which would result if the four tariffs in use in the Community were simply juxtaposed. Under Article 21, they must be settled within a period of two years after the date of the entry into force of the Treaty by directives issued by the Council acting by means of a qualified majority vote on a proposal of the European Commission. The latter has taken all necessary measures for this time-limit to be observed.

Under the aegis of the European Commission's services, two panels of experts nominated by the Member States are carrying out the work of juxtaposition, and of subsequent contraction, which has to be effected. The first panel began to operate at the end of 1957, the second took up its functions after the decision of the Council on 3 Decem-

ber 1958 extending to those non-member countries which benefit by the most-favoured-nation clause the reductions in customs duties resulting from the Treaty — however, within the limits of the common external tariff. The preliminary drafts thus established are submitted to the customs administrations, which formulate any remarks they may have to make. These remarks (which are of a technical or economic nature) are examined in wider working parties. The European Commission will draw up its proposals for the Council on the basis of these various studies.

The major part of the preliminary draft of the common tariff is already completed.

The final draft is being drawn up as the Member States transmit their remarks and these are discussed under the aegis of the European Commission.

103. This procedure obviously does not cover the fixing of duties for products taken from List G, which is done, not on the basis of the arithmetical average, but by negotiations between the Member States.

Under the terms of Article 20, by which the European Commission is called upon to take “appropriate steps” before the end of the second year after the date of entry into force of the Treaty, discussions with the Member States were started in the second half of 1958 and the method of negotiations worked out. This method, which requires the setting up of specialist working parties responsible to a central group, should begin to operate during the second quarter of the year.

It is too soon to indicate a likely date for the completion of the negotiations, since the products included in List G are those in respect of which differences of opinion between the Member States were sufficiently lively to have defied all attempts to overcome them before the signature of the Treaty. The European Commission is however making every effort to have the whole tariff worked out by 1 January 1960.

## **Right of Establishment and Services**

104. The Treaty of Rome requires the Council, before the expiry of the first stage, to lay down, by unanimous vote on a proposal of the European Commission and after the Economic and Social Committee and the Assembly have been consulted, a programme for the abolition of restrictions on the freedom of establishment and on the free supply of services. The European Commission, which will, therefore, have to be in a position to submit a programme before the end of 1959, has approached in turn the administrations concerned in the various Member States. Direct conversations between its representatives and the competent officials of the countries concerned have made it possible to define the scope of the principal provisions of the chapter of the Treaty concerning the right of establishment and services, and have brought to light the problems in these spheres which particularly exercise the attention of the several administrations.

105. As a result of these discussions, the European Commission has called together a general working party, made up of officials of the Member States, which has undertaken the study of possible elements of a general programme for the abolition of restrictions. It will also be for this group to give an opinion on the best time to begin co-ordination of the conditions under which independent occupations may be taken up and exercised.

On 10 and 11 February 1959, the general working party decided to set up nine specialist working parties whose conclusions would be submitted to it for approval. The competence of the first two working parties is of a general nature, while that of the others is limited to occupational sectors. These groups are made up of delegates nominated by the governments of the Member States. Thus the method of work followed is based essentially on close collaboration



with the national authorities, as laid down by Article 54, § 3b. The fields of activity of the nine working parties are allocated as follows :

- 1) General problems of occupational activity, form of enterprise (agency, branch, subsidiary, company);
- 2) Special regulations for various commercial, industrial and artisan activities (possible subdivision between artisans and small traders) and ancillary occupations;
- 3) Agriculture, fishing, forestry;
- 4) Exploitation of the sub-soil, mines, petroleum;
- 5) a) Banking,  
b) Insurance;
- 6) Transport, tourism and entertainment;
- 7) Medical and paramedical professions, veterinary surgeons, pharmacists;
- 8) Liberal professions;
- 9) Civil engineering.

The European Commission will establish, on the basis of the conclusions reached by these working parties, the general programmes which it is to submit to the Council in conformity with Articles 54, § 1 and 63, § 1.

106. The European Commission has drawn up a provisional list of restrictions on the right of establishment and supply of services. For their part, the six Governments are compiling for the Commission the necessary documentary material, including the texts of bilateral establishment agreements.

The Commission is also endeavouring to define how the common policy to be implemented in the agricultural and transport fields will affect the problems of the right of establishment. The Commission has recommended to its services that they attach particular importance to the mutual recognition of diplomas, certificates and other titles.

## CHAPTER IV

### THE COMPETITIVE SYSTEM

107. In working out the guiding ideas for a policy on competition, the European Commission based itself on the general conditions described in the first General Report. All measures concerned with policy on competition are closely related.

The necessity of intervention does not arise from the formal aspect of the practices which distort the free play of competition. It is therefore not sufficient to eliminate customs duties and quotas. Dumping practices, State aid, restrictions on the freedom of establishment, unequal taxation, differences in legislation, etc. distort competition in just the same way as restrictive practices and taking improper advantage of a dominant position in the market.

108. The implementation of a uniform policy on competition is a difficult matter. Account must be taken of the particular characteristics of the different sectors of the economy. The Treaty has recognized the special structure of agriculture, and to some extent also of transport, and has laid down special provisions for these sectors.

If it thus becomes necessary to intervene in the workings of the market, care should be taken to safeguard the price mechanism as far as possible, and not to jeopardize healthy competition. An appropriate method has therefore to be sought and, in this task, use can be made in particular of those provisions of Article 85, § 3, which refer to the admissibility of agreements between enterprises and lay down principles of considerable importance for the framing of policy on competition.

109. The disparities between the legal systems in force in the different Community countries have proved a particularly serious obstacle to a uniform policy on competition. The powers of governments vary widely, particularly in the sphere of legislation on understandings. There are also important differences in the possibilities of action against dumping practices. Several requests addressed to the European Commission for the approximation of divergent legislation show that disparities in this field can distort the conditions of competition. The same is true for certain provisions of tax legislation.

Economic structures also differ greatly between Member States, particularly as concerns the conclusion of understandings and the existence of concentrations. Similarly, the importance and the economic power of State monopolies as well as the manner in which the existing systems of aid are used vary considerably from country to country.

110. Policy on competition must be uniform in conception, carefully co-ordinated in the different measures by which it is applied and implemented in a concerted fashion. This is the only way to avoid the nationals of one Member State being placed at a disadvantage in relation to those of another.

It will be the responsibility of the European Commission to watch over the uniform application of policy on competition, and the Treaty provides for sufficient means of action to this end.

111. The European Commission considers that the entry into force on 1 January 1959 of the first measures for the abolition of restrictions on trade imposed by the States renders an active policy on competition indispensable. As the restrictions in public law are eliminated in trade between Member States, it will become increasingly important to avoid the effects of the progressive abolition of State restrictions — in particular those concerning the lowering of customs duties and the abolition of quotas — being offset, either by

restrictive practices on the part of private persons, or by Government measures such as State aid or discriminatory charges on foreign merchandise.

The tasks incumbent on the European Commission in this field are extremely vast. They are rendered all the more difficult in the initial stages by the lack of data concerning market conditions. Only when the European Commission has gathered together extensive documentary material will it be able to pinpoint with a certain degree of accuracy the existence of practices, restrictions and distortions interfering with the free play of competition. This will naturally require time, but the necessary work is progressing satisfactorily.

112. Collaboration with the Governments of Member States and their representatives in the field of policy on competition has been carried on in a constructive spirit. Collaboration between the Commission and the circles concerned has been equally fruitful.

### **Rules applying to Enterprises**

113. Under Article 88, it is the authorities of the Member States which are competent to rule on the admissibility of understandings, decisions or concerted practices as well as any improper advantage taken of a dominant position within the Common Market. There is thus decentralization of competency. In addition, Article 89 vests certain powers in the European Commission.

The fact that competency is thus divided between various authorities makes it necessary that these should adopt a uniform concept of policy on understandings.

114. With the aim of working out this uniform concept, the European Commission organized meetings of government experts on 18 and 19 November 1958 and 15 and 16 January

1959. These resulted in agreement being reached on important questions of principle and also on the necessary pre-conditions for the working out of a uniform policy on understandings. Other meetings of a like nature are envisaged.

115. On the legal position in respect of Articles 85 and 86, agreement was finally reached on the basis of the opinion already expressed by the European Commission in the first General Report. Consequently, when the policy on these understandings is being progressively applied, the European Commission will be able to base its actions on the fact that the competent authorities of the Member States also accept that Articles 85 and 86 constitute legally binding provisions and not simple declarations of principle. The Cartel Office of the Federal Republic has since expressly adopted this interpretation in reaching one of its decisions.

Since the provisions of Articles 85 and 86 have thus become an integral part of the legislation of the Member States, all these have available uniform legislation on understandings which conforms to the provisions of these articles. This legislation takes precedence over any provisions which conflict with it. The real task of the European Commission and the competent authorities in the various countries is to apply these provisions. On this point, too, agreement was reached.

116. The Treaty does not specify which authorities in the Member States are responsible for applying the provisions of Article 88, what procedure they are to follow, nor what sanctions they may apply to ensure that their decisions are respected. The legislation in force in each Member State is the determining factor in this matter.

In those countries which possess legislation on understandings, regulations on this point are generally adequate. In Belgium on the other hand, as well as in Italy and Luxembourg, appropriate provisions are lacking. Since all that is required is to designate the competent authorities and deter-

mine the procedure to be followed and the sanctions necessary to ensure respect for decisions, it should be possible to promulgate these provisions in a relatively short time.

On 20 October 1958, the European Commission addressed itself to the Governments of these three Member States and requested them to expedite the adoption of appropriate measures of procedure. The Commission will strive to attain this result rapidly by discussions with the representatives of these States.

117. Furthermore, close collaboration is necessary for the preparation of the decisions to be taken under Article 88. On this point too it has proved possible to reach an agreement at the second meeting on understandings. A uniform policy on understandings presupposes that the decisions to be taken under Article 88 in each Member State shall not conflict with each other when they apply to the same or to a similar case.

Furthermore, it is advisable that measures for combatting practices which distort the free play of competition be applied simultaneously and in a uniform manner in the Member States. It follows that these measures must be drawn up in concert by those States.

118. Only the administrative authorities can bring about such harmonization of viewpoints.

In the Netherlands it is the administrative authorities which take decisions in implementation of Article 88. The situation is practically the same in France since the courts, when they are competent, always wait for a ruling from the administrative authorities. In the Federal Republic of Germany, it is mainly an administrative authority which is competent, but certain powers are also vested in the legal authorities.

It would be desirable for the other three Member States to attribute to administrative authorities competence

in the matter of decisions under Article 88 in order to permit, as far as possible, concerted implementation of the measures in question.

119. The interpretation of Articles 85 and 86 is of prime importance for the application of a concerted policy on understandings. In order to reach identity of views it is planned to discuss one by one the special problems of interpretation, both theoretically and in the light of concrete cases.

The European Commission considers that this procedure will make it possible to give concrete reality to Articles 85 and 86 in the shortest possible time. In addition, it is the procedure most in keeping with the concept of a gradual implementation of the Common Market. In point of fact the obvious cases, which are the first to be raised, are those which most especially hinder the building of the Common Market.

This method will make it possible to determine immediately the extent to which it will be necessary to make use of the possibilities offered by Article 87.

120. The problem of export understandings, which was raised in the first General Report, will also need to be handled in the most uniform manner possible, by harmonizing the points of view of the authorities competent, under Article 88, to take decisions. In this case, however, there are still some special problems which will need to be cleared up in bilateral discussions.

121. The problem of whether Articles 85 and 86 formulate general and immediately applicable prohibitions which may be invoked by all concerned, or whether the prohibitions contained therein become effective only after a decision of the national authorities acting by virtue of Article 88, has not yet been resolved. The question whether the ruling on the admissibility of agreements, decisions and concerted

practices and on the impropriety of any advantage taken of a dominant position within the Common Market is purely declaratory or, on the contrary, is binding, is irrelevant to the action of the European Commission and the national authorities under Article 88. When the ruling is given, the prohibition is valid in both hypotheses and must be applied. The European Commission therefore considered it advisable not to take up a position on this problem, the more so as only the courts and, in the last instance, the Court of Justice of the Communities, are qualified to rule on this question. The government experts accepted this argument at the second meeting on understandings.

### **Dumping**

122. Article 91, § 1 is applicable with effect from the entry into force of the Treaty. It provides that the Commission shall act only at the request of a Member State or other interested party. The European Commission has begun the examination of several requests of this kind, but their study has not yet produced conclusions which would enable the Commission to formulate recommendations at the present stage.

123. The rules provided for in Article 91, § 2, and appropriate for the application of the paragraph, are being worked out. As far as possible, they must be so framed as to keep down the amount of administrative work. Before they are promulgated, thorough discussion with the Member States of questions concerning Article 91 will be necessary, so that the different conditions existing in each country may as far as possible be taken into consideration.

### **Discrimination**

124. Article 7 is at present being submitted to a thorough examination for the purpose of determining more exactly its field of application and of seeing whether it is necessary to



promulgate rules for the implementation of the provisions it contains.

### **Approximation of Laws**

125. The approximation of laws is of great importance for the effective realization of the economic integration of the Member States.

The European Commission has undertaken the study of the methods best calculated to achieve the objectives laid down in the Treaty which in this case did not fix any precise time-limit.

The relevant texts in the matter are :

- Article 3 (h), which lays down the general principle of the action of the Community, limiting it to the “ extent necessary for the functioning of the Common Market ”;
- Article 100, which provides for this intervention in cases which have a “ direct incidence on the establishment of functioning of the Common Market ”;
- Articles 101, and 102 which also allow of action in cases where distortions result from differences in the legislative and administrative provisions of the Member States.

126. Apart from this general right to intervene the European Commission is required under Articles 27, 54, § 3 (g), 56, § 2, 57, § 2, 66, 99 and 117 to co-ordinate or harmonize the legislative and administrative provisions of the signatory States in certain precise fields.

127. Along with these methodological tasks, the European Commission has already undertaken the study of certain concrete cases. Among these, national laws on the protection of industrial and intellectual property are at present being submitted to thorough scrutiny. It has become apparent that

the divergencies in these legislations represent a grave danger to the efficient functioning of the Common Market.

The European Commission sent observers to the "Diplomatic Conference on the Revision of the Convention for the Protection of Industrial Property" held in Lisbon in October 1958. The Commission intends to bring this problem to the attention of the governments. The work carried out with the participation of the latter will aim at establishing in the Member States a harmonized system for the protection of the rights to intellectual property.

### **Fiscal Problems**

128. It has become clear that the problem of harmonizing turnover taxes and indirect taxation must be taken up without delay; the direct influence of this category of taxes on prices, the wide diversity of national systems, the anxiety manifested by certain States to reform their turnover tax in order to allow for economic necessities and the prospects of wider markets, have led the European Commission to undertake a first study of the possibilities of harmonizing the different systems. Contacts and study sessions on this subject are shortly to be organized with the representatives of the governments. The European Commission is in addition keeping in touch with the groups concerned.

129. The services of the European Commission have also directed their attention to the economic repercussions of direct taxes, and various studies have been undertaken in this field. Thus, the influence of taxes on distributed profits and, more generally, of all taxes likely to have an effect on the movement of capital and the investment of money, is to be the subject of a thorough comparative examination. The aim is to determine the extent to which the fiscal system in each Member State encourages or discourages possible investments by its own nationals or by natural or legal persons

from other Member States or non-member countries. The recent easing of the conditions for convertibility of currencies and assets lends immediate interest to these problems.

130. Finally, certain practical questions have been examined; these concern notably the application of Article 95 of the Treaty: conversion of customs duties of a fiscal nature into excise duties and increase in the rate of turnover tax on imported products. All these cases are being studied closely in order to furnish the European Commission with the necessary material on which to base an opinion.

### **Aids granted by States**

131. In conformity with the line of conduct laid down for it by the Treaty of Rome, the European Commission has, as first step in the study of the systems of aid in force on the territories of the Member States, undertaken an inventory of these systems. The Commission has considered it advisable to examine with the authorities of the countries concerned the detailed methods to be followed in the study, which is to begin shortly.

In the opinion of the European Commission and of the representatives of the Member States, the inventory should cover the various categories of aid likely to come within the provisions of Articles 92 et seq. of the Treaty. However, for practical reasons on the one hand, and because of the existence of special provisions on the other, it has been proposed to exclude in the first stage aid connected with the products listed in Annex II of the Treaty, and aid in the transport field, and to limit the inventory, in the other spheres, to aid of a financial nature.

132. This solution in no way prejudices the real scope of the provisions of Article 92. In the light of experience and on the basis of examples which the Member States have been

requested to furnish, the European Commission will attempt to define the interpretation which should be given to these provisions. In excluding the agricultural field, the aim of the European Commission is simply to avoid prejudging the action which it is called upon to undertake on other grounds in this matter. The Commission does not however exclude the possibility of the inventory of the aids in force in agriculture being undertaken at the same time, even if only to furnish a basis for the decision which the Council must take under Article 42. The Commission will moreover not be able to ignore these aids when it is called on to judge the merits of aid granted to a foodstuffs industry which, although it uses agricultural raw materials, is not mentioned in Appendix II of the Treaty.

133. Taking the above remarks into account, the representatives of the Member States have agreed to furnish their replies within three months from the date of the request of the European Commission. Agreement has also been reached on the principle of a multilateral examination of aid measures covered by the inventory, this procedure being the best to apprise the extent to which the aid in question affects trade and is likely to distort or threaten competition. When it has received the replies of the Member States, the European Commission will examine their contents and call government experts together to determine whether and in what manner an order of priority should be established in the procedure for their study. The Commission will organize meetings of experts for the study both of general systems of aid and of measures proper to one branch, one sector or even one individual enterprise.

Without prejudice to other systematic action, the European Commission will deal immediately with any special difficulties which may be brought to its notice.

134. The European Commission has taken note of the importance which the authorities of the Member States

attach to defining clearly the relations existing between measures of a fiscal nature and systems of aid, and also of their anxiety to harmonize respect for the obligations under the provisions of Article 93, § 3 assumed since the entry into force of the Treaty — guaranteeing their partners, and therefore the whole Community, against the introduction of new aids not compatible with the objectives of the Treaty — with all the various requirements, administrative, parliamentary or economic, to which the relevant decisions are subordinated.

135. The European Commission has also had to busy itself with existing aids in a very special sector, that of ship-building. In point of fact, the Treaty contains special provisions concerning these aids and lays down that, to the extent that they merely offset the absence of customs protection, they must be progressively reduced under the same conditions as apply to the abolition of customs duties, subject to the provisions of the Treaty relating to the common commercial policy in regard to non-member countries (Article 92, § 3c).

It is for the European Commission to appreciate what proportion of the aids considered could be made subject to the above rule; this does not mean that the said aids shall cease to be subject to common law. The Commission is anxious to carry out this provision strictly and endeavoured to gather the indispensable information to be able to put the provision into operation, if necessary, on the date laid down for the first reduction of customs duties.

In fact it was not possible to complete by 1 January 1959 the examination of the information received. In particular, it seemed desirable to obtain more detail on the replies of the different governments through discussions at a meeting between the experts of the countries concerned.

136. After this meeting, which took place in an atmosphere of reciprocal confidence, the European Commission was in a position to complete its information and to reach agreement on the procedures by which the problem posed by the ex-

istence of aids in favour of shipbuilding could be studied most efficaciously.

It became clear that the systems of aid to shipbuilding, which fall under the above-mentioned special provisions of Article 92, § 3c, were motivated by many different considerations, particularly of a military nature or connected with regional policies. Furthermore, the European Commission noted that the amount of the aid allocated had already been reduced by comparison with the situation existing before 1 January 1957, either through the automatic operation of the legislative provisions or by re-adjustments occurring in the calculation of these aids as a result of economic and currency measures.

In these circumstances the European Commission, after having noted the opinion expressed on this point by the experts of the member countries concerned, considered that it was not for the time being in a position to give a ruling on the application of the said provision. The Commission considered it advisable first to undertake the study of all aids from which shipbuilding in the six Member States benefits directly or indirectly with a view to determining, in the light of common law, whether and to what extent they are compatible with the Common Market, without prejudice to the provisions of Article 112 of the Treaty on relations with non-member countries.

## CHAPTER V

### THE COMMON AGRICULTURAL POLICY

137. The principal task with which the Community, and in particular the European Commission, is faced in the agricultural sector is that of working out a common agricultural policy. Before the end of the year the European Commission will, after consulting the Economic and Social Committee, submit to the Council its first proposals for putting into practice a common agricultural policy.

The problems related to the common agricultural policy are the subject of searching discussion amongst agriculturists and are also of lively interest to economists, politicians, and scientists both within and without the Community.

The institutions of the Community responsible for putting the common agricultural policy into practice are following these discussions with careful attention and are taking note of the encouragement and the warnings, of the fears and the hopes communicated to them.

138. The objectives of the common agricultural policy are laid down in the Treaty of Rome. They fit into the general outline of economic and political objectives given by the Treaty. The agricultural objectives were also further defined and completed in the final resolution adopted by the Stresa Conference and especially in the principles contained in Chapter III of this resolution.

The First General Report on the Activities of the Community contained a detailed account of the main elements governing the general lines of the common agricultural policy, and also quoted the final resolution of the Stresa Conference.

139. In working out the common agricultural policy it is in the first place necessary to take account of the present state of agriculture in the Member States and of the internal trends of development. These are much influenced by the general development of the economy.

At the same time, the common agricultural policy must link up with the agricultural policies currently pursued by each of the Member States. It must also take into account the economic ties existing between the Community, with its Associated Countries and Territories, and the Member States of the Organization for European Economic Co-operation (OEEC) and the other parts of the world.

*Agricultural situation and development*

140. The First General Report on the Activities of the Community has already stressed that the difficult position of agriculture in the Community was mainly reflected in the inadequacy of the incomes of the rural working population as compared with those of the working population in the other branches of the economy. Efforts are being undertaken in all the Member States to reduce the gap between income per head in agriculture and in other economic branches, or at least to prevent this gap from widening. In the fiscal year 1957/58 the Federal Republic of Germany succeeded in reducing the gap between the income of persons employed in agriculture and that of comparable workers in other sectors from 30 to 22% on average. This reduction was made possible thanks to the concurrence of several favourable circumstances. Occupational retraining of inefficiently used agricultural manpower and the employment of these workers in other sectors have proved to be essential factors in increasing the income per head in agriculture.

The number of the rural working population is slowly but constantly decreasing in all countries, as is its share in the total working population. Compared with the pre-war



period the number of agricultural workers in the Netherlands, in Italy and in the Federal Republic of Germany has dropped by 15 - 20% and by 30 - 35% in France and Belgium. The share of agriculture in the total working population was roughly 35% before the war, now it amounts to only about 25%.

141. In a large part of the Community the number of agricultural enterprises is also falling, especially so far as small, and up to a certain point, the very large enterprises are concerned, whereas the absolute figures for medium-sized family holdings show a certain advance. There is good reason to believe that adequately sized and economically viable family holdings are the type of agricultural enterprise which will progressively dominate the agricultural structure of the Community.

142. During the last year agricultural production in the Member States has made great progress. This is in the first place due to the accelerated development and wider use of modern methods of production. Nevertheless, there are still great differences between the yield of agricultural land in the various areas of the Community. In the case of wheat the national average yield per hectare ranges between a minimum of 20 and a maximum of nearly 40 quintals. The annual milk-yield per cow varies from 2,000 to 4,000 kg.

As in the case of yields, wide disparities also exist in the use of means of production. In Belgium and in the Netherlands the quantity of fertilizer applied to each hectare of agriculturally used land is four times as great as in France and five times as great as in Italy. For each 1,000 hectares under cultivation there are some 60 tractors available in the Federal Republic of Germany, 40 in the Netherlands, 20 in France, and about 12 in Italy.

143. The differences noted in yield and in means of production show that there are considerable possibilities for

increasing agricultural production if the economic situation develops propitiously and if, above all, the level of occupational training among the agricultural population is raised.

The progressive reduction in the numbers of agricultural manpower, the structural improvement of agriculture and the simultaneous rise in agricultural production have resulted in a constant increase of the return per unit of manpower and per unit of surface in agriculture throughout the Community. A corresponding rise in the income of the rural working population however presupposes that the produce can be sold at a remunerative price and that the cost of production is maintained at a low level or can be brought down even further.

144. Nevertheless, marketing possibilities and the evolution of prices set a certain limit to the growth of agricultural income in the Community. On the whole, agricultural production in the Community is progressing more rapidly than the consumption of food products. The production of eggs, potatoes, sugar, vegetables, meat, cheese, and butter in the Community has reached a level almost equal to current overall consumption, if not already above it. In the case of wheat internal production covered 81% of requirements in 1950/52 and 87.3% in 1957/58. Some 90% of the current fruit requirements are covered by internal production. Only in the case of oils and fats (butter excepted) does the internal production of the Community fail by far to meet its requirements (nearly 50% are met by imports).

The growing degree of self-sufficiency, especially should production outpace requirements, might cause pressure on the prices of agricultural products. There is but limited scope for bolstering agricultural producer prices by means of import regulations. For certain of its products agriculture within the Community will have to engage more than hitherto in the competitive struggle in outside markets.

145. In the course of last year this situation has made itself felt on certain markets in the Member States. In Italy, an outstanding wheat harvest caused marketing difficulties and a slump in producer prices. Likewise, the Belgo-Luxembourg Economic Union had serious difficulty in maintaining the stability of the wheat market, production having risen considerably. The Federal Republic of Germany, Belgium, and Italy hold growing sugar stocks, for which outlets are hard to find.

Especially in the first quarter of 1958 all Member States experienced difficulties with dairy products, particularly butter. The situation in this sector shows the difficulties to which the use of subsidies may in certain circumstances give rise; there is a risk of a disequilibrium being created between national production and national consumption, and of this being passed on to the neighbouring countries. Also, the burden on public finance may become excessive, as was the case in the Netherlands.

In the long run, however, the increase of agricultural production entails the possibility of demand for certain products increasing also. This applies in particular to products the consumption of which is very elastic when overall incomes expand. Poultry, eggs, beef and veal and, in certain areas of the Community, high grade fruits and vegetables are likely to benefit from such a development. In certain countries or areas of the Community the consumption of butter, cheese, pork and milk might rise to some extent. Private trade plays an important part in marketing these products, not only as an intermediary between producer and consumer, but also because it provides the producer with information on the requirements of the consumer, his tastes with regard to the quality, the processing and the presentation of merchandise, etc.

The part played by the foodstuffs industry is growing in importance especially for the marketing of products intended for human consumption.

In fact, much of agricultural production undergoes a great deal of processing before it is ready for human consumption.

This branch of economic activity plays a very important role, both by stimulating consumption and by establishing greater stability of prices and markets, especially in the case of certain highly perishable goods, where production is frequently subject to very marked seasonal fluctuations.

The technical and structural improvement of this industry, as well as the constant search for new ways of making use of production are essential factors in the widening of markets for agricultural products at profitable prices, in order to place at the consumer's disposal a growing range of products whose quality and commercial characteristics increasingly meet the requirements of the different groups of consumers.

The great gaps between the various Member States in the consumption of these goods per head of population; and a comparison with the level of consumption in other industrialized countries, show that there is room for expansion. Average consumption per head of population per year varies, *e. g.* for meat from 20 to 77 kg., for eggs from 7.6 to 14.2 kg., for butter from 1.3 to 9.3 kg. and for fresh milk from 53 to 197 kg.

146. Detailed enquiries into the principal problems of the agricultural situation and its trends of development are amongst the preparatory tasks which the European Commission has undertaken with a view to working out proposals for submission to the Council before the end of the current year.

The European Commission is making a special effort to forecast the probable supply and demand trend for the most important products. It is studying the causes of the fluctuations to which markets and prices are constantly subject and is giving its attention to the repercussions which

any prices changes might have on agricultural undertakings, and on agricultural incomes. The European Commission has undertaken a study of the situation in the various agricultural areas of the Community in order to appreciate more fully the diverse effects which the market and prices policy may have on different regions, and better to analyse to what extent this or that region should be assisted in its development.

Finally, the European Commission is taking stock of the measures at present applied by the Member States in their agricultural policy in order to further agriculture and to stabilize markets. One part of this enquiry has been entrusted to scientific institutes in the various Member States. The rest is being carried out direct by the European Commission, which consults well-known experts and experienced civil servants of the Member States on points of importance.

#### *Agricultural policy of Member States*

147. Action taken by the Governments of the Member States to assist agriculture varies in degree, in method, and in the means employed. Without exception, the six countries devote a large part of their public resources to developing the infrastructure of agricultural areas, to improving the structure of agricultural enterprises, to encouraging the introduction of modern means of production, and to sponsoring agricultural research, vocational training, and technical assistance to farmers.

148. The control of a considerable part of their agricultural markets is another common feature of the policies followed in all the Member States. However, the differences of degree and method are particularly noticeable in this field. The grain market, for instance, enjoys State aid in all the Member States, but there are great differences between the price levels at which assistance is brought into play. In

France, the producer's price of wheat for bread per quintal amounts to 6.80 units of account for 1958/59, in Belgium to 9.40, in the Federal Republic of Germany to 10.31, and in Italy to 10.96. This means that looked at from the arithmetical average for all the Member States of the EEC, the margin of difference extends from +21% for Italy to -25% for France. In the case of fodder barley the extreme limits are +23% for the Federal Republic of Germany and -25% for France.

The reactions to developments in the agricultural markets shown in their market policies by the various Member States have also differed widely. France and Italy have decided to reduce the support given to the grain market. Under the pressure of an outstandingly fine harvest, Italy was even compelled to reduce the guaranteed price of wheat for bread for the year 1958/59. Belgium and the Federal Republic of Germany, on the other hand, have tended to increase support for their national production of cereals. In recent years all the Member States have attached growing importance to animal production. At the same time, however, certain marketing difficulties have arisen for dairy products. Again, the short-term means employed to overcome these have varied greatly. Belgium, the Netherlands, and — up to a certain point — France have reduced or slackened their assistance to the milk and dairy produce market. Italy felt it necessary to introduce a system of minimum prices for butter imports. The Federal Republic of Germany reduced from DM 400 million in 1958 to DM 376 million in 1959 the credits granted under the "Green Plan" to award high quality bonuses to producers of dairy products. The amounts set aside under the "Green Plan" for the reduction of commercial fertilizer prices have also been considerably reduced. On the other hand, credits made available under the "Green Plan" for the improvement of agricultural structure were appreciably increased (from 403 to 573 million DM). These changes were explained by the argument that "the establishment of the Common Market must be expected to bring in

its train changes in the situation of the agricultural markets and the conditions of production.”

149. At the end of 1958 and the beginning of 1959, experts of the various Governments and of the European Commission studied a whole series of current marketing problems. Also, the Chairman of the Agriculture Group has had several meetings with the Ministers of Agriculture.

These discussions were mainly concerned with markets for cereals, dairy produce, wine, fruit, vegetables and malt. They also dealt with the entry into effect of quota increases and the first reductions of customs duties.

#### *Agricultural policy and International Economic Relations*

150. The First General Report on the Activities of the Community had already brought out the point that the common agricultural policy must take account of the ties linking the Community with the other parts of the world. Since then this need, which is borne out not only by considerations of commercial policy, but also by economic and political arguments, has emerged even more clearly. The European Commission in its public statements has given expression to its resolve that the agriculture of the Six shall in no circumstances be separated from the rest of the world. The Commission is on the contrary endeavouring to promote a solution of agricultural policy problems on the world level.

151. In meeting their obligations to the agriculture of the Associated Overseas Countries and Territories, the Member States can not limit themselves to reducing, as required by the provisions of the Treaty, the customs duties and quantitative restrictions on importation of agricultural products from these countries and territories. The Treaty calls for a very much wider measure of support for them. For that reason the resolution adopted at the Stresa Agricultural

Conference stipulates that "the development of production and demand in the associated countries and territories should be taken into account when the common agricultural policy is being worked out".

152. The European Commission has always stressed that any economic association with other European countries must include agriculture. Its position is still based on the proposals for agriculture contained in the Memorandum which the Member States submitted to the Maudling Committee on 27 July 1958. In its "First Memorandum" addressed to the Council of the Community on 27 February 1959, the European Commission, therefore, restricts itself to proposing, for the initial stage, the *status quo* as far as customs duties and quotas are concerned in order to take into account the particular circumstances which gave rise to special arrangements for agriculture within the Community. The elimination of commercial barriers is envisaged for later stages, to the extent that a policy agreed between the members of the association can be put into practice.

153. In the wider setting of GATT, which covers 37 contracting parties, the problems of agricultural policy have recently come to the fore. At the 13th session of that body in November 1958, the contracting parties, acting in unanimous agreement with the Member States of the Community, set up a special committee to deal exclusively with problems of agricultural policy. The terms of reference of this committee were set out as follows :

- a) To assemble, in consultation with other competent international organizations, and in particular with the Food and Agriculture Organization, data regarding the use by contracting parties of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers, and the agricultural policies from which these measures derive. On the basis of such data and in consultation



with the contracting parties concerned, to examine the effects of these measures adopted by individual contracting parties on international trade as a whole, and in particular on the trade in products entering importantly into international trade.

- b) To consider, in the light of such data, the extent to which the existing rules of GATT and their application have proved inadequate to promote the expansion of international trade on a reciprocal and mutually advantageous basis as contemplated in Article I (revised) and to report on the steps that might appropriately be taken in the circumstances.
- c) To suggest procedures for further consultations between all contracting parties on agricultural policies as they affect international trade.

Finally, the Food and Agriculture Organization (FAO) which also includes the Member States of the Community, has given the following instructions to a working party for the establishment of co-operation in the field of agricultural policy :

- 1) To analyse the effects of the various systems of support for agriculture, including the various levels of price support, in order to evolve a safer basis for the appreciation of the advantages and disadvantages of each system. This study should cover the effects of the various measures of support on the expansion of production and agricultural investments (especially in little developed countries and areas) and should deal with price pegging contained in other measures taken to raise the level of agricultural production or income;
- 2) To recommend guiding principles with a view to reducing to a minimum the untoward repercussions which support for agriculture may have on international trade. The Governments of the Member States will take this into account when working out

or re-examining their agricultural policy. In drawing up these principles, the working party will give full consideration to the situation and the special problems of each country.

The European Commission must bear in mind the results of the work of these various organizations when it comes to draw up the common agricultural policy.

However, the Community is not limiting its efforts to a study, on the international level, of the problems of agricultural policy in general; it is also seeking an international solution for the problems of raw materials. All the Member States have acceded to the International Sugar Agreement which was concluded at the end of 1958 and entered into effect on 1 January 1959. Likewise, all the Member States took part in the negotiations for the conclusion of a new International Wheat Agreement.

#### *Towards the Common Agricultural Policy*

154. In working out the common agricultural policy the European Commission will, for obvious economic, social and political reasons, seek means calculated to improve the income of the farming population and to increase the productivity of agricultural work. However, any effort directed towards reaching these objectives by expanding production and the quantity of produce for sale, or by raising producer's prices, will sooner or later come up against the limits set by the demand for foodstuffs. Measures taken in the various countries with a view to increasing agricultural income have already brought in their wake an expansion of production which has aggravated the difficulties afflicting a large number of agricultural markets.

It is of particular importance to seek an equilibrium between production and outlets.

A marked increase in national income, accompanied by a progressive rise of the purchasing power of the population, will create better outlets for growing production, especially where higher grade foodstuffs are concerned.

It is, therefore, important that the future common policy on markets and prices should assist in adapting production to changes in demand.

155. The cereals market is of outstanding importance for the common policy on markets, because of the interdependence between production in the cereals and other agricultural sectors.

All progress made in establishing the common market in the cereals sector is calculated to facilitate the laying down of the common agricultural policy. For this reason the importance and desirability of the long-term agreement concluded at the end of February 1959 between France and the Federal Republic of Germany within the framework of the provisions of Article 45 of the Treaty deserves to be underlined.

This agreement, concluded for a period of 4 years, deals with supplies of French cereals to the Federal Republic of Germany in increasing annual quantities. For the first year the agreement envisages the delivery of 700,000 t. of cereals, including 325,000 t. of wheat, whereas in 1962 the quantity supplied will be 825,000 t. including 400,000 t. of wheat. The agreement also provides for a progressive annual approximation of the sales prices to the prices paid to German producers, at the rate of one twelfth of the difference between the two.

In accordance with Article 45 this agreement will terminate automatically as soon as a common market organization for cereals enters into force. Under the terms of the Treaty, the establishment of such an organization remains one of the important tasks of the European Commission.

156. The progressive introduction of a common policy on markets and prices means that each Member States must make certain changes in its methods of supporting markets and must, in particular, adapt itself to the common price level.

The effects of these changes will vary, not only from one Member State to another, but also in relation to the different agricultural areas and types of farming in each Member State.

As a result, different types of aid may have to be granted to the various regions so as to facilitate transition towards a common market policy.

157. On the subject of agricultural structure, the policy of the Community and of the Member States must distinguish between the various regional structures. Different agricultural areas have different requirements according to their present structure.

The achievement of the best possible social and economic relationship between soil and means of production on the one hand and manpower on the other, constitutes an especially important element in the structural improvement of agriculture.

Here again the overall economic development of the Community plays an essential part. Nothing but the expansion of the industrial economy will make it possible to provide sufficient employment to absorb the surplus agricultural manpower. However, a solution which would encourage an exodus from the agricultural regions to the large cities and industrial centres, leaving rural areas depopulated, would not be sound from either the economic or the social point of view. For this reason, the Community should encourage regional industrialization and a more general regional economic policy. The European Investment Bank will be able to help in this and the European Social Fund will facilitate the transfer of surplus agricultural manpower to other activities.

158. Agriculture is closely linked to these other sectors of the economy, and especially to industry, from which it obtains means of production and services. For this reason the total integration of the economies of the Member States and the advantages to be expected from it in the form of an expansion of industrial mass production, and the greater division of labour brought about by the rules governing competition under the Treaty will have considerable repercussions on the development of agriculture.

## CHAPTER VI

### SOCIAL POLICY

159. The first General Report on the activities of the Community pointed out that the provisions of the Treaty of Rome governing the action to be taken by the Community in the social field are in general less rigid than the provisions affecting the economic field. This is in a way balanced by the fact that the field of activity of institutions in the social sphere is not strictly delimited.

This comparative lack of precision in the Treaty forces the European Commission to interpret certain of the articles and to work out, on the basis of these articles, certain lines of policy. The European Commission has already been able to state to the European Parliamentary Assembly and to the Economic and Social Committee that it is not the Commission's intention that the interpretation shall be restrictive; it cannot conceive that the Community has not got a social purpose, and it has grounds for supposing that the other institutions of the Community share its views in this connection.

160. The general line of policy which the European Commission expects to work out is indicated by the interpretation to be given to Article 117 of the Treaty. The European Commission considers that Article 117 provides for the equalization in an upward direction of the living and working conditions of labour, and a functioning of the Common Market which will favour the harmonization of social systems cannot imply a levelling on a theoretical average standard of living, as this would, for example, force those countries with the most advanced economic and social development to hold up their

social evolution till the less fortunate countries have managed to catch up.

Against this equalization should be placed the desire to encourage and help all peoples in the Community to improve their existing social situation, as the equalization provided for by the Treaty must be sought by means of more rapid progress in those areas where progress seems to be most needed.

161. The European Commission has noted with satisfaction that the social problems before it are of considerable interest to the European Parliamentary Assembly. The frequent meetings held by the Social Affairs Committee of the Assembly during the period covered by this General Report have enabled the Commission to discuss important subjects such as the harmonization of wages in the Community, the social conditions of agricultural workers, the statute of the European Social Fund and freedom of movement for workers.

When the Economic and Social Committee met on 26 and 27 February, the European Commission was able to explain the action it intended to take on social affairs. At a later date there will be a discussion of the Commission's plans.

162. Under Article 122 of the Treaty, the European Commission is required to include in its annual report to the Assembly a special chapter on the development of the social situation within the Community.

In accordance with this provision the European Commission is drawing up, with the aid of a group of experts, a study which will be appended to this Report. For technical reasons this study will not be published till the beginning of May 1959.

163. The social activities undertaken by the European Commission since it began to function concern in the main three sectors for which the Commission has been given direct responsibility by the Council : the social security of migrant workers, the Social Fund and freedom of movement for workers.

### **Social Security for Migrant Workers**

164. On 1 January 1959, Council Regulation Number 3, concerning the Social Security of Migrant Workers, and Council Regulation Number 4, laying down the method of applying Regulation Number 3, came into force.

These two Regulations are of considerable importance from the social angle. Their application will put an end to one of the handicaps facing workers in situations outside their home country. In effect, equality of rights between natives and foreigners is made general, periods in insurance are added together and in certain cases benefits are paid out in another Member State. Consequently frontiers no longer prevent wage-earners from benefiting from the rights acquired in the field of social security.

165. As early as April 1958 the European Commission had proposed turning the European Convention on Social Security, drawn up on the initiative of the High Authority of the European Coal and Steel Community and signed in Rome on 7 December 1957 by the Governments of the Member States, into a regulation pursuant to Article 51 of the Treaty of Rome. This action was intended largely to avoid the inevitable delays of parliamentary ratification in the six Member States, which would have been necessary in the case of a convention. The Council accepted the European Commission's proposal, and on 16 December 1958 the regulation was published in the Official Gazette of the Communities as Council Regulation Number 3, together with



Council Regulation Number 4, drafted, put forward and accepted in the same way.

166. Articles 43 and 44 of Regulation Number 3 came into force on 19 December 1958, three days after the publishing of the Regulations in the Official Gazette.

These articles concern the Administrative Commission whose duty it is to help forward the application of the Regulations. The powers of this Administrative Commission are many and can be summarized under three main heads :

- Juridically, it is required to settle questions concerning the interpretation of the Regulations, to supply certain definitions, etc.;
- Administratively, it draws up the proformas for certificates, declarations, requests and any other documents required by those seeking to obtain social security benefits on the basis of the Regulations;
- Financially and statistically, the Administrative Commission decides the criteria to be used in the fixing of exchange rates for certain monetary operations, it settles the method of calculating certain lump sum repayments between social security institutions and it arranges the settlement of accounts between institutions in different Member States through a general clearing system for debts and credits.

In addition, the Administrative Commission may initiate co-operation between Member States in health and social matters,.

This summary of the tasks before the Administrative Commission shows that its role is to be not merely that of a consultative commission but of a permanent institution, armed in many cases with executive authority.

167. The Administrative Commission consists of representatives of Member States. A representative of the European

Commission and a representative of the High Authority of the European Coal and Steel Community take part in its deliberations on a consultative basis.

The supplementary protocol to the European Convention concerning the Social Security of Migrant Workers, signed at the same time as the Convention itself, laid down that if the Convention should be converted into a regulation the Secretariat of the Administrative Commission should be provided by the European Commission which, under Article 155 of the Treaty, is required to ensure the application of these provisions since they are annexed as Regulations pursuant to Article 51 of the Treaty.

When the Convention was converted into a regulation, it was not found possible to follow this provision directly. Under Article 121 of the Treaty, the Council can assign to the Commission functions relating to the implementation of common measures, particularly in regard to the social security of migrant workers, referred to in Articles 48 to 51. A decision to this effect can, however, be taken only after the Economic and Social Committee has been consulted.

The Council, having consulted the Economic and Social Committee at its session of 26 and 27 February 1959, made the European Commission responsible for providing the Secretariat of the Administrative Commission.

*168.* In October the members of the Administrative Commission were brought together in their capacity as experts by the European Commission and they worked out the first practical measures that had to be taken if the regulations were to become effective on the date laid down:

As a result the Administrative Commission was able, at its first official meeting on 19 December, to approve the draft proformas and certificates required by migrant workers and their families in order to obtain short-term benefits, especially in cases of illness, which present the most urgent difficulties.

In order to make these documents usable by the personnel insured, by the employers and by the institutions in the various countries between which they are to pass, each proforma has been drawn up as a single document written in four languages.

The twenty-one proformas approved were published on 16 January 1959 by the European Commission in the Official Gazette of the Communities.

169. A second series of draft proformas concerns long-term benefits (for example the settlement of pensions).

A working party composed of statistical experts has already studied measures to be taken in order to make possible the settlement of benefits. These provisions deal with the lump sum payments covering benefits in kind supplied by the institutions in the country of residence of the family on behalf of a wage-earner who is working and paying contributions in another Community country. The same problem arises for persons in receipt of pensions and for their families when they reside in a country other than that where the institution paying the pension is established.

The Administrative Commission has decided to meet every month during the initial period in order to help solve the many problems raised for social security institutions by the application of Regulations No. 3 and No. 4.

### **The European Social Fund**

170. The European Social Fund is intended to be a cornerstone in the edifice of social security which is to be built up side by side with the measures of economic expansion in the Community. Through its retrospective financial activities the Fund will serve as a powerful corrective helping those States and bodies under public law which have taken positive action in connection with re-employment to prevent the workers in

certain economic sectors or certain areas from being harmed by the structural changes which are inevitable, and which can even be considered desirable.

Action by the Fund must be a great deal more than just a form of assistance.

The European Commission even hopes that the Fund will be given a positive role to play in addition to the furnishing of assistance. Occupational re-training, which will be helped forward through action by the Fund and by the States which apply to the Fund, can make some contribution to freedom of movement for workers within the Community and this in turn may help in the attainment and continued existence of a high level of employment.

171. The European Commission will shortly put forward for approval by the Council a draft Social Fund regulation. The opinion of the Economic and Social Committee and of the European Parliamentary Assembly will be sought in this connection.

In preparing the draft regulation the European Commission began by making a first list of actions in the social field taken in 1958 by Member States or by bodies under public law, where such action may give entitlement to the partial refund of expenses provided for in Article 125 of the Treaty.

This draft falls into three parts :

- A first part, which defines the Fund's sphere of application, deals with the conditions which provide a claim to help from the Fund.
- The second part lays down the procedure for granting this help.
- The third part concerns the Advisory Committee provided for by Article 124 of the Treaty.

It has proved necessary to define very clear concepts such as "unemployed worker", "occupational re-training", "resettlement" and "conversions". In view of the eminently social purposes of the Fund, the interpretation of these concepts will be in line with the spirit and the letter of the Treaty.

The draft regulation has subsequently been submitted to experts in the Ministry of Labour and experts in the Ministry of Finance in each of the six countries. Contacts with representatives of the trade union and employers organizations are also planned, in order that their views shall be available. It is by drawing on their experience, as well as by taking account of their interests, that the regulation concerning the Fund can best be drawn up.

172. In a resolution adopted during the January session the European Parliamentary Assembly expressed the wish :

- a) That as wide a field of action as possible be accorded to the European Commission and that sufficient financial means be granted to the Fund;
- b) That close collaboration be established between the Social Fund, the European Investment Bank and the High Authority;
- c) That the Assembly be consulted as early as possible on the draft regulation.

On this last point a discussion of the principles underlying the draft occurred in the Social Affairs Committee of the Assembly. A statement on the subject was also made to the Economic and Social Committee.

### **Freedom of Movement for Workers**

173. The services of the European Commission have practically completed the preparatory work which will enable the Commission to draw up its proposals for the application of Articles 48 and 49 of the Treaty.

Before the European Commission submits the matter to the Economic and Social Committee for an opinion and to the Council for approval, the Commission's services will submit a draft for examination by experts in the various countries.

174. The preparatory work has been concerned primarily with :

- a) The legislative provisions and administrative procedures in force in the Member States covering the entry and employment of foreign workers and their families, the holding of paid posts and the conditions of residence;
- b) Bilateral or multilateral agreements between the Member States concerning the employment of foreign nationals;
- c) Existing methods of bringing together offers of work and persons seeking work.

This has provided a complete and to some extent comparative picture of the legal and practical aspects of the present situation in regard to the employment and movement of workers who are nationals of Member States.

175. The legal instrument being prepared will provide a first step towards the suppression of existing forms of discrimination, particularly in the following fields :

- a) Entry of workers and of their families;
- b) Employment and residence on the territory of Member States;
- c) The right to remain in the territory concerned and the right of establishment on that territory if desired.

Provision will be made for measures helping to create between the administrations of the various countries close collaboration in bringing together offers and demands for work, for co-ordinating under the aegis of the European

Commission the activities of employment services in this field and, if need be, for direct action at Community level. Provision will also be made for setting up a committee to assist the European Commission and to propose practical measures by which freedom of movement for workers shall be established. Freedom of movement, as defined in Article 48 of the Treaty, is to be introduced gradually. For this reason the first measures will have limited objectives and will cover only a first stage.

176. The application of the measures suggested is to be accompanied by practical action intended on the one hand to produce gradual harmonization of the working methods in the various institutions responsible in the different countries for placing workers and to acquire a general picture of the various problems while seeking means to establish a regular exchange of information on the employment situation in the Member States and on the shortages or surpluses of manpower in the different areas or branches of activity.

177. A final task to be undertaken by the European Commission, as logical result of the provisions relating to freedom of movement for workers, will be to initiate a thorough and systematic study of the legal position of nationals of Member States who have established themselves on the territory of another Member State as the position now exists under bilateral treaties covering employment and establishment or under multilateral conventions and agreements made prior to the Treaty of Rome.

### **General Labour Problems**

178. Preparatory work has been undertaken on surveys concerning holidays with pay, official holidays, hours of work, overtime and working conditions in the more important sectors of the Community. These are fields concerning which

the Commission has definite tasks under the terms of the Treaty (articles 117, 118, 120 and the Protocol relating to certain provisions of concern to France). Other studies, to be made in certain important economic branches; will cover such points as the costs of labour; an attempt will be made to express these costs in as exact a form as possible.

179. A comparative study of the legal situation concerning collective agreements in the six countries has already been started, as has been a study of the way in which the principle of equal remuneration for equal work as between men and women workers is applied.

Action will be taken on the wish expressed by the European Parliamentary Assembly that the European Commission should contact the qualified representatives of employers and of workers in connection with the study of gradual harmonization of social conditions.

180. An international conference on the social consequences of automation is in course of preparation.

A small group of experts from Member States has been consulted on various aspects of this conference, which will if possible be held before the end of the year.

### **Employment Problems**

181. In its first General Report the European Commission expressed its intention "to produce, with as much precision and detail as possible, an up-to-date general picture of the situation in the labour market throughout the Community". In order to accomplish this it would "take in hand detailed examination of the current situation" and so far as possible "prepare forecasts for the next few years on the manpower situation".

A general study is in hand; it will cover the two points referred to above.



This study is being made in two stages : in the first stage the present situation will be analysed as precisely as is possible on the basis of available statistics and with full regard for recent developments. At a later stage the lines on which the employment situation is likely to develop in the coming years and the future shape of the problem of a balanced labour market will be examined in the light of medium-term demographic and economic forecasts.

The inquiry is going into the following points :

- a) Analysis of the employment situation as it has developed in Member States during the last few years (1954 to 1958). This will include separate analyses of the trend of employment for men and of employment for women;
- b) Bringing out the main lines of development : the drop in agricultural employment; the expansion of non-agricultural employment; the disparity in rates of expansion in the different branches of activity and the different regions; differences in the rhythm of the increase in male and female employment; changes in internal migration and in migration abroad, etc.
- c) Preparation, using as basis the structural trends that emerge from the foregoing, and the probable medium-term changes in the demographic and economic fields, of forecasts concerning changes in the employment situation during the next few years. These forecasts will make it possible to take up the problem of balancing the labour market in the future; how elderly workers can be replaced, how it will be possible to meet the needs of branches that are expanding, the regrading called for by technical advances, reductions in activity, conversions and the elimination of underemployment;
- d) A study of existing or proposed measures intended to establish the required equilibrium : vocational training, decentralization, regional development, mobility of manpower.

182. There is a further aspect of activities in connection with employment which conforms with the provisions of Article 118 of the Treaty; this aims at improving the employment services and at co-ordinating their action inside the Community.

A general scheme which would supply a basis for such co-ordination and lay down lines of action in this field to be followed by the European Commission will shortly come up for discussion with the authorities concerned in the various countries.

### **Occupational Training**

183. The provisions of the Treaty dealing with occupational training have led the European Commission to draw up a general programme in this field covering the year 1959. This programme attempts to lay down an order of priority for such action as may be undertaken.

It has been found that the study of the proposals on the establishment of the general lines of a common policy for occupational training, as laid down in Article 128, takes rather a long time; practical steps with more immediate effects are, however, under consideration. An attempt will be made to find practical means of co-ordinating national policies on certain aspects of common interest.

184. Article 125 stipulates that the Social Fund shall cover 50% of the expenses incurred by a state or by a body under public law in ensuring the productive re-employment of workers by means of occupational re-training. The technical concept of re-training, which remains to be defined by the regulation concerning the Fund, has been examined in the light of existing systems in order to find an interpretation likely to help forward occupational re-training in a more methodical manner.

185. Article 50 lays down that Member States shall, under a common programme, encourage the exchange of young *workers*. Preparatory work on this point is in hand.

With reference to *migrant workers* the programme under consideration will concern itself largely with those occupations which occasion the major currents of migration.

186. In order to avoid overlapping of work in study and in investigations, contact has been made with those international organizations which already have wide experience of vocational training. In addition, observers from the European Commission have attended meetings arranged by the High Authority and meetings on rapid vocational training held in Paris under the aegis of the OEEC.

The European Commission is also endeavouring to attain close co-operation in this field with the International Labour Office.

### **General Problems of Social Security**

187. An important advance in our knowledge of the systems of social security in Member States has occurred with the issue by the High Authority of the European Coal and Steel Community of publications containing analyses of the social security systems covering coal and steel workers in the Member States and in Great Britain. As the European Economic Community covers a much wider field, all parts of the social security systems affecting all categories of insured persons will have to be studied and compared.

Under a general programme of collaboration with the High Authority of the ECSC the European Commission will produce monographs to cover those fields not dealt with by the publications of the High Authority.

In addition, the two executives have agreed to exchange information in the field of social security in the

form of written matter or by inviting each other to send representatives to any meetings they organize.

The experts brought together by either of the executives will thus find it easier to consult each other and to keep each other informed; co-ordination of activities such as the division of work will be dealt with gradually.

*188.* An investigation on wages is being prepared from the angle of the total labour costs of enterprises. This investigation will bring out the level of all actual wages paid and of the related social expenditure by employers in certain branches of industry. It will then become possible to compare in the six States the relative levels of social security contributions, which constitute an important element in these "social burdens".

### **Safety, Industrial Hygiene and Health Protection**

*189.* The European Commission has been giving constant attention to the important problems which exist in these fields.

Already the relations that have been established with the High Authority of the ECSC and with the International Labour Office give promise of a most fruitful collaboration. Observers from the European Commission have taken part in the more important of the meetings of these two institutions at which the above subjects have been discussed.

Contact has been established with the Euratom Commission in order to watch the effects produced, outside the atomic field proper, by the standards of protection worked out by Euratom; these could concern in particular persons working in radiological units and laboratories; they could also provide a basis for the approximation of certain social

security regulations which may be required in connection with the introduction of these standards.

190. In order to comply with the wish expressed by the Parliamentary Committee on Safety, Industrial Hygiene and Health Protection, the services of the European Commission have drawn up a comparative table of the lists of occupational diseases recognized in the Member States. This table is nothing more than a first working paper for the study of occupational diseases which the Commission intends to produce.

The systematic study of every disease — beginning with those to which the largest number of workers are exposed, which have the most serious consequences or occasion the heaviest expenditure — will be undertaken in order to produce as complete a series of monographs as possible. These in turn will make it possible to publish a comparative study of the situation in this respect in each of the six Member States from the medical, legal, technical and statistical points of view. The plans for this study and the choice of methods to be used are nearing completion.

Wherever possible the European Commission will suggest to Member States that they make practical use of the conclusions reached in these studies.

### **Social Services and Social Dwellings**

#### *Social Services*

191. The European Commission has made a point of establishing preliminary contacts in each of the Member States with trade union and employers organizations, and also with the specialist public or private bodies concerned with the various forms of social service, especially those working in the fields dealt with in the next two paragraphs.

*Social Dwellings*

192. The European Commission is glad to note that the interest which it showed in the problem of social dwellings (for workers, large families, old people, refugees and repatriates, migrants and any other economically weak persons) corresponded with the wishes, repeatedly expressed by members of the European Parliamentary Assembly. In the present circumstances, however, the Commission has not felt that it was possible to act on the suggestions made to it for the creation of a common service for the European Commission and the High Authority of the ECSC, the fields of activity and, in particular, the means of action of the two institutions being too different.

The High Authority has been able to make its contribution to a considerable number of workers' dwellings, while the present lack of any financial means for such purposes at the disposal of the European Commission makes it impossible for it to take equally direct action in support of this type of building.

Work has, however, already been initiated to obtain and examine the necessary information on which to base future action.

*The Role of Social Welfare*

193. In December 1958 the European Commission organized in Brussels a meeting to discuss current problems of the social services and new fields of activity for social workers called into being by the Common Market. The meeting was attended by senior officials dealing with the subject, social service specialists and the heads of social welfare organizations and social welfare schools in the Member States.

This meeting brought out the important role of social service in various sectors, particularly in connection with migrations. The delicate problems raised by a worker's migration with or without his family do in fact require close liaison between the social services in the country from which the migrant worker has come and the corresponding services in the country to which he has moved.

The results of these deliberations will be published and will serve as basis for a work and study programme designed for the training, status and activity of the social worker.

## CHAPTER VII

### TRANSPORT

194. Under the terms of the Treaty the European Commission has a twofold task in the field of transport. First, and of immediate urgency, it must find suitable means to eliminate discrimination in transport rates and conditions and establish a system of supervision for the appropriate measures. Secondly, a common transport policy must be put into effect.

An outline of this twofold task was given in the First Report on the Activities of the Community.

#### *Immediate Tasks*

195. Under the Treaty of Rome the Council is required to lay down rules, before 31 December 1959, to ensure the removal of transport discrimination inside the Community not later than at the end of the second stage. After consultation with the Economic and Social Committee the Council will lay down these rules on a proposal of the European Commission. The latter has already requested the Consultative Transport Committee, which took up its functions at the beginning of 1959, to prepare a preliminary study of the special problems which the Commission should take into account when working out its draft rules.

In its report to the European Commission the Transport Committee will submit the views of its members in time for the Commission to draw up at an early date proposals for the consideration of the Economic and Social Committee and the approval of the Council.



The Transport Committee commenced its enquiries into these problems at a meeting held in Brussels on 25 and 26 February 1959. Work is in progress and the views of the Committee will probably be submitted to the European Commission at the beginning of May.

*Preparation of a common policy*

196. In order to assemble the initial elements required for the preparation of the common transport policy stipulated in Article 3 of the Treaty, the European Commission considered it necessary to request the Governments to inform it of the systems and legislation governing transport in the Member States. Knowledge of these provisions and a comparison of them will enable the European Commission to prepare the first steps towards mutual adaptation which will eventually be incorporated in the common transport policy.

*Long-term Development of Communications*

197. In order to establish the conditions of harmonization and co-ordination of the plans for the modernization and development of transport worked out in the various Member States, the European Commission has addressed questionnaires on this subject to the six Governments. The information the Governments have been asked to supply should in particular refer to any modifications or additions to the modernization and development plans as they stood at the time when the Treaty was under deliberation.

The necessary contacts having been established, the European Commission will be able to draw up its suggestions or recommendations; these will take into account the general economic trends, regional policies, and the special structure of transport. The Commission might wish to suggest priorities or, in the light of the criteria established by the European Investment Bank and agreed by the European Commission,

to advise on finance plans concerning transport development and modernization.

198. The European Parliamentary Assembly has expressed the wish that air transport be included in the terms of reference of the Community. During the Brussels negotiations following upon the Messina Conference the question of air transport had already received some attention. Though the report of the Heads of Delegation at the Inter-Governmental Conference included air transport in the "urgent problems", the Governments refrained from extending the provisions of the Treaty to cover this mode of transport.

It now appears that the rapidity of technical progress makes close co-operation between aviation companies necessary. Though this problem mainly concerns company management, the question of the advisability of a common aviation policy again arises. The European Commission is studying this matter. It will eventually be for the Council to take a decision on any possible extension of the provisions of the Treaty.

199. The growing importance of pipelines in the transport system of the Community has led the European Commission to put in hand a study of the problems arising under this heading.

*Participation of the Commission in the Work of Specialized International Transport Authorities*

200. Observers of the European Commission have attended the meetings of the Internal Transport Committee of the Economic Commission for Europe. They also took part in the work of the sub-committees and working parties dealing with international road transport, international passenger transport services by road and the law on inland waterways.

Close contact has been established between the European Commission and the European Conference of Ministers of Transport (ECMT).

## CHAPTER VIII

### **THE ASSOCIATION OF THE OVERSEAS COUNTRIES AND TERRITORIES**

201. Since the publication of the First General Report on the Activities of the Community, important changes have come about in the relationships between several of the associated countries and territories and the Member States having special relations with them.

At the same time, the associated countries and territories have taken the necessary measures to give material expression to those stipulations of the Treaty of Rome and of the Convention of Association which concern them. For its part, the European Commission has endeavoured to apply these texts in the manner most in harmony with the actual requirements and wishes of the overseas populations.

#### **The Immediate Results of the Application of the Treaty**

##### *Incidence of the Measures taken in the Field of Trade*

202. It is in the fields of trade and investment that the stipulations of the Treaty of Rome and of the Implementing Convention have so far had the most immediate effects.

Chapter III of this Report described the measures of customs and quota liberalization taken in the overseas countries and territories on 1 January 1959. Without describing again the machinery set in motion, it will be sufficient to point out here the general consequences which may be expected as a result of these measures.

203. The first measures for the reduction of customs tariffs cannot themselves have their full effect except for goods not subject to quantitative restrictions. The increase of quotas will, doubtless, have a more immediate incidence on the volume of imports from the Member States, but it is not yet possible to measure this exactly.

204. As for the consequences of the first measures of customs and quota disarmament taken by the Member States in favour of products from the overseas countries and territories, they also will doubtless be relatively limited at first, and will only attain their full scope in the course of the coming years.

205. Finally, there is a danger that the development of trade may be slowed down by deterioration in the prices of the principal products of the associated countries and territories. The sluggishness of the market for certain minerals, the great world surpluses of coffee and cotton, the decline in the prices for cocoa and the stagnation of those for oil-yielding plants, are the first signs of a difficult period ahead for the economies of the overseas countries and territories, unless there is an unexpected reversal of market trends. But a decline in the purchasing power of producers of tropical products will have its repercussions on imports of capital and consumer goods, and the increase of imports expected as a result of the enlargement of quotas may once again be affected by this.

The European Commission has therefore decided to push forward actively studies of tropical raw materials markets, with the special aim of making its contribution to the solution of the grave problem of the stabilization of prices or, at least, of the limitation of the fluctuations of world quotations for the products in question.

Indeed, from the point of view of the Community, this question does not arise only in general terms and on the world level; it stands out with striking clarity if it is placed in the setting of relations between the Community

and the associated overseas countries, and it might well demand the working out of appropriate measures in the event of a grave economic crisis. The present objective of the European Commission is therefore to prepare, against such an eventuality, solutions which have been studied and approved on the technical plane by the six Member States. The Commission has already sent the latter inforatory notes underlining the technical aspects of the problems studied. Finally, it has intensified a certain number of long-term studies, in particular on the markets for fats and oils and for tropical woods, in relation to the problems raised by the marketing of these products in the Community.

#### *The Development Fund*

206. During the last quarter of 1958 and the first quarter of 1959, the main texts governing the action of the Development Fund for the Overseas Countries and Territories drafted in conformity with the provisions of Article 6 of the Implementing Convention relating to the Association with the Community of Overseas Countries and Territories were adopted by the competent institutions; Regulation No. 5 of the Council lays down detailed procedure concerning appeals and the transfer of financial contributions, the budget system and the administration of the Development Fund; Regulation No. 6 of the Council organizes the control and responsibility of pay-commissioners and of accountants; Regulation No. 7 of the Commission, pursuant to Article 22 of Regulation No. 5, lays down the particular procedure by which the Development Fund shall operate (Implementing Regulation).

The distribution of the amounts to be allotted by the Development Fund to the financing of social institutions on the one hand and economic investments of general interest on the other, for the financial year 1958, has been fixed by the Council after consultation with the European Commis-

sion. Under the decision of the Council, 38,750,000 units of account are to be used for financing schemes for social institutions as defined in Article 3*a* of the Implementing Convention and 19,375,000 units of account to economic investments of general interest (Article 3*b* of the Convention).

The Council, not having been informed of the requirements expressed by the overseas countries and territories, has not yet decided on allocations for the financial year 1959. The European Commission intends to request the Council to take this decision rapidly in order to enable the Commission to pursue the examination of the dossiers presented by the Governments concerned.

The distribution adopted for the financial year 1959 in no way prejudices the decisions which will be taken for the following years.

207. The contributions of Member States for the year 1957 have been called up and partially paid into the special accounts of the European Commission; in order to ensure that the sums allotted to financing the various projects would be placed at the disposal of those concerned, agreements were at the same time concluded with financial institutions maintaining branches in all the associated overseas countries and territories.

208. The year 1958 was therefore devoted primarily to setting up and running in the necessary machinery; 1959 will be a year of experiment. However, the rate at which dossiers of investment schemes are transmitted to the European Commission and examined by its competent services has increased notably during recent months. On 31 January 1959, 91 projects had already been filed in due form with the Development Fund. They represent a total amount of 25,386,000 units of account : the European Commission took up the study of these schemes immediately and has sent several missions to enquire on the spot in connection with them.

209. At the end of February, the European Commission approved requests for financing four social projects in the Belgian Congo (public health programme and building schemes) and a fifth in Ruanda-Urundi (studies for the opening up of a region with a view to establishing agricultural population): the whole represents 2,534,000 units of account in commitments and 2,040,000 in disbursements for the fiscal year 1958.

In addition, in conformity with Article 5, § 2 of the Implementing Convention, the European Commission has decided to give effect to three economic investment projects proposed for Ruanda-Urundi and to communicate them to the Council for final approval. These projects, which concern the improvement of an overloaded stretch of road, the opening of a pioneer track, and the introduction of tea-growing in the native milieu, represent 926,000 units of account in commitments and 746,000 in disbursements for 1958.

Further projects are being studied. The European Commission will shortly decide on them and, if necessary, submit them to the Council for approval.

### **The Search for the Right Lines of Action**

#### *Fixing a Policy on the Basis of Concrete Requirements*

210. One of the constant ambitions of the European Commission in the matter of overseas territories is to extend its knowledge of the requirements of the local populations. At the beginning of 1959, the President of the Overseas Countries and Territories Group visited the Congo and Ruanda-Urundi at the invitation of the Belgian Government.

In December, a first mission composed of senior officials visited Madagascar, the Comoro Archipelago and the Italian Trusteeship Territory in Somaliland; in January and February, it travelled through West Africa, going first to Dakar, then to the young republics which have grown

out of former French West Africa. The mission also went to Liberia and Ghana and made contact with the Government of Guinea.

211. The advantage of these missions is threefold: they make it possible first to work out guiding principles for the choice and submission of investment schemes; they stimulate direct discussion on problems relating to association with the Community, such as that of the trading system, for instance, or the right of establishment; finally, they make it possible to establish concrete relationships between the functionaries of the European Commission and the administrations or trade associations in overseas countries, which result in very useful exchanges of information, particularly on technical problems.

These personal contacts established in the associated countries are completed by meetings, notably in Paris and Brussels, between Members and senior officials of the European Commission and leading Africans. At the beginning of March, the Commission organized a study and information trip through the Community for prominent African and Madagascan personalities.

#### *Right of Establishment*

212. The anxiety of the European Commission to refrain from undertaking any action without the widest possible consultation of the authorities of the overseas countries and territories is reflected in its decision to consult these authorities on the right of establishment through the intermediary of the Governments having special relations with these overseas countries and territories.

213. The preparatory work carried out has led the services of the European Commission to draw up as a first step an inventory of the discriminations between the nationals and



enterprises of States having special responsibilities overseas and those of other Member States.

Because of the extremely short time-limit provided for by the Convention, this preparatory work has been carried through very rapidly.

A programme for the abolition of a part of these discriminations within four years has been drafted in collaboration with the government experts of the Member States. It has been submitted for study to the Economic and Social Committee and to the authorities on the spot. Its final objective is the complete elimination of all discriminations by the expiry of the transition period of 12 to 15 years. As the Implementing Convention is only valid for a duration of five years, the elimination of certain discriminations has had to be put off to a later date.

Once the European Commission has heard the opinions of the Economic and Social Committee and of the authorities on the spot, it will submit its proposals for approval by the Council.

Furthermore, it has been agreed that the right of establishment in Europe of nationals and enterprises of the overseas countries and territories associated with the Community will also be governed by Articles 132 and 136 of the Treaty. However, the different timing of the procedure for the adjustment of the right of establishment overseas and in the Community raises a difficult problem.

#### *The necessary co-ordination of studies*

214. If in many cases the problems raised by the Overseas Countries are of a very specific character, this does not mean that they can be artificially isolated from the body of questions involved in the expansion of the world economy. The European Commission has therefore endeavoured to

approach these problems with the co-operation of all national or international organizations likely to aid it in its task.

Since the most urgent objective in this field is the effective launching of the Development Fund, a certain number of basic studies have been undertaken to facilitate more accurate appreciation of the projects submitted. Mention may be made in particular of a general inventory of the investments carried out in all countries associated with the Community, of a study on the administrative and economic structures of these countries, and of a report requested by the European Parliamentary Assembly on the social situation of the overseas populations.

However, the basic studies are not considered by the European Commission as an end in themselves : they are to serve primarily as the basis for the co-ordination of research work carried out by the different public or private bodies dealing with overseas problems in the Community or in the associated countries. The need for such co-ordination has moreover long been felt, but it cannot be brought about simply by organizing meetings for mutual information; it requires the prior drafting of a precise programme of work to be done, as well as the provision of adequate financial resources to stimulate the spirit of co-operation among the bodies concerned.

Pending such time as the reports on the missions carried out overseas and the analysis of the investment projects presented to the Fund have made it possible to specify the nature of the urgent problems requiring co-ordinated research, an inventory has been undertaken of the bodies prepared to co-operate in this direction with the Commission and contacts have been established, either in the course of individual missions carried out in the Netherlands, France, and the Federal Republic of Germany, or on the occasion of congresses such as that held in Rome in October 1958.

215. It would seem likely that the investment projects will need to be completed by measures of technical assistance : the Commission will therefore endeavour to make use of the experience of Member Countries participating in bilateral programmes, to work out the principles of action of this sort which might come under the designation of “any measure suitable for the promotion of the social and economic development of those countries and territories”, used in Article I of the Implementing Convention. Such action would give very welcome concrete expression to European co-operation in favour of certain less privileged countries.

A n n e x e s

ANNEX A

**INTERNAL ORGANIZATION OF THE EUROPEAN  
COMMISSION AND ITS ADMINISTRATIVE  
SERVICES**

**A — The Commission**

Walter HALLSTEIN, President	SCHNIPPENKÖETTER, Head of Private Office NARJES, Assistant Head of Private Office MEYER, Assistant Head of Private Office
MALVESTITI, Vice-President	MONDAINI, Head of Private Office CANTONO DI CEVA, Assistant Head of Private Office
MANSHOLT, Vice-President	MOZER, Head of Private Office VAN SLOBBE, Assistant Head of Private Office
MARJOLIN, Vice-President	RICHARD, Head of Private Office FLORY, Assistant Head of Private Office
VON DER GROEBEN, Member of the Commission	ALBRECHT, Head of Private Office WIRSING, Assistant Head of Private Office
LEMAIGNEN, Member of the Commission	FERRANDI, Head of Private Office VARENNE, Assistant Head of Private Office
PETRILLI, Member of the Commission	ARENA, Head of Private Office GIRARDIN, Assistant Head of Private Office
REY, Member of the Commission	LUCION, Head of Private Office HOVEN, Assistant Head of Private Office
SCHAUS, Member of the Commission	DUMONT, Head of Private Office KRAUS, Assistant Head of Private Office

*Secretariat of the Commission:*

- Executive Secretary : NOEL  
Assistant Executive Secretary : BEHR  
— Office of the Registrar  
— Internal relations  
— Administrative liaison with the other institutions of the  
Community, the other Communities and the European  
Assemblies  
— Periodical Reports . . .

*Special Adviser to the President:* BOURGUIGNON

**B — Composition of the Groups and Organizations  
of the Administration****I. External Relations**

- a) Group : External Relations  
President : REY  
Members : MARJOLIN, PETRILLI
- b) Directorate-General of External Relations  
SEELIGER, Director-General  
HIJZEN, Director of general affairs and relations with inter-  
national organizations  
DENIAU, Director of association with non-member countries  
FANIEL, Director of bilateral relations  
ERNST, Director of commercial policy (negotiations)  
LUZZATTO, Director for co-ordination

**II. Economic and Financial Affairs**

- a) Group : Economic and Financial Affairs  
President : MARJOLIN  
Vice-President : VON DER GROEBEN  
Members : MALVESTITI, MANSHOLT
- b) Directorate-General of Economic and Financial Affairs  
BOBBA, Director-General  
MILLET, Director of national economies and economic trends  
GLESKE, Director of monetary and financial matters  
DUQUESNE DE LA VINELLE, Director of economic structure  
and development

**III. Internal Market**

- a) Group : Internal Market  
President : MALVESTITI  
Members : SCHAUS, REY

- b) Directorate-General of the Internal Market  
ORTOLI, Director-General  
MINUNNI, Director of movement of goods  
DUBOIS, Director of customs  
SCHOLS, Director of right of establishment and services  
HEMMER, Director of problems of industry, commerce and the manufacturing handicrafts

#### IV. Competition

- a) Group : Competition  
President : VON DER GROEBEN  
Members : MARJOLIN, REY
- b) Directorate-General of Competition  
VERLOREN VAN THEMAAT, Director-General  
SCHUMACHER, Director of understandings, monopolies, dumping, discrimination  
DIEU, Director of approximation of legislation  
NASINI, Director of fiscal problems  
SACLE, Director of state aids and discrimination by States

#### V. Social Affairs

- a) Group : Social Affairs  
President : PETRILLI  
Members : MANSHOLT, LEMAIGNEN
- b) Directorate-General of Social Affairs  
DE MUYNCK, Director-General  
DÖRR, Director of social policy  
LAMBERT, Director of manpower  
VAN DIERENDONCK, Director of Social fund and occupational training  
RIBAS, Director of social security and social services

#### VI. Agriculture

- a) Group : Agriculture  
President : MANSHOLT  
Members : LEMAIGNEN, SCHAUS, VON DER GROEBEN
- b) Directorate-General of Agriculture  
RABOT, Director-General  
MEYER-BURCKHARDT, Director of general affairs and external relations  
HERINGA, Director of agricultural markets  
GROOTEN, Director of agricultural structures

VII. *Transport*

- a) Group : Transport  
President : SCHAUS  
Members : MALVESTITI, LEMAIGNEN
- b) Directorate-General of Transport  
RENZETTI, Director-General  
KRAUSS, Director of general affairs  
NOEL-MAYER, Director of development and modernization  
REINARZ, Director of tariffs

VIII. *Overseas Countries and Territories*

- a) Group : Overseas Countries and Territories  
President : LEMAIGNEN  
Members : VON DER GROEBEN, PETRILLI
- b) Directorate-General of Overseas Countries and Territories  
ALLARDT, Director-General  
VAN DER LEE, Director of general affairs  
VIGNES, Director of research  
LEFEBVRE, Director of investments  
GAMBELLI, Director of trade

IX. *Administration*

- a) Group : Administration  
(Supervised by the " Meeting of Presidents ", which consists of the President of the Commission and of the Vice-Presidents)
- b) Dictorate-General of Administration  
Jhr. VAN KARNEBEEK, Director-General  
Frh. VON GÖLER, Director of personnel  
VON GRONVELD, Director of budget and finance  
MERPILLAT, Director of domestic affairs

**C — Joint Services of the Executives  
of the European Communities**

- a) Joint Legal Service  
Directors : GAUDET, KRAWIELICKI, VOGELAAR
- b) Joint Statistical Office  
Director : WAGENFÜHR
- c) Information Service  
Director : RABIER, Director at the High Authority  
Spokesman of the Commission : SMOQUINA



*ANNEX B*

**COMPOSITION OF THE ADMINISTRATIVE  
COMMITTEE FOR THE SOCIAL SECURITY OF  
MIGRANT WORKERS OF THE EUROPEAN  
COMMUNITIES**

**Belgium**

- Member :* WATILLON, Directeur Général, Ministère du Travail et de la Prévoyance Sociale, Bruxelles
- Alternate :* DELPERÉE, Conseiller au Ministère du Travail et de la Prévoyance Sociale, Bruxelles

**Federal Republic of Germany**

- Member :* JANTZ, Ministerialdirektor, Bundesministerium für Arbeit und Sozialordnung, Bonn
- Alternates :* VON BORRIES, Ministerialrat,  
DRAEGER, Ministerialdirigent, Bundesministerium für Arbeit und Sozialordnung, Bonn

**France**

- Member :* DOUBLET, Conseiller d'Etat, Directeur Général de la Sécurité Sociale, Ministère du Travail, Paris
- Alternate :* DEDIEU, Administrateur Civil, Direction Générale de la Sécurité Sociale, Ministère du Travail, Paris

**Italy**

- Member :* CARAPEZZA, Direttore Generale della Previdenza e Assistenza Sociale, Ministero del Lavoro, Rome
- Alternate :* CARLONI, Ispettore generale, Ministero del Lavoro, Rome

**Luxembourg**

- Member :* KAYSER, Président de l'Office d'Assurances Sociales, Luxembourg
- Alternate :* NOSBUSCH, Secrétaire d'Administration, Ministère du Travail et de la Sécurité Sociale, Luxembourg

**Netherlands**

- Member :* VAN DE VEN, Directeur-Chef, Ministerie van Sociale Zaken en Volksgezondheid, The Hague
- Alternate :* GUSSENHOVEN, Referendaris-Chef, Ministerie van Sociale Zaken en Volksgezondheid, The Hague

**European Institutions**

## COMMISSION OF THE EEC.

- Representative:* RIBAS, Director of Social Security and Social Services, Directorate-General of Social Affairs
- Alternate :* HASSE, Chief, Social Security Division, Directorate-General of Social Affairs

## HIGH AUTHORITY OF THE ECSC.

- Representative:* MASSACESI, Director, Labour Problems Division

ANNEX C

**COMPOSITION OF THE CONSULTATIVE  
COMMITTEE ON TRANSPORT**

(under Article 83 of the Treaty)

**Belgium**

- Members :* Jean VREBOS, Director-General, Transport Administration, Ministry of Communications  
Sylvain FRANÇOIS, Administrative Director, Inland Waterways Administration  
Lucien DEVREUX, Counsellor, Federation of Belgian Industries  
Louis PEETERS, Secretary, Inland Waterways Section, Christian Transport Workers Union  
Hendrik VERHULST, Assistant Counsellor, Directorate-General, Port of Antwerp Authority
- Alternates :* Marcel NEUVILLE, Chief Engineer-Director in the Office of the Secretary-General, Ministry of Communications  
Marcel POPPE, Counsellor, Office of the Secretary-General, Ministry of Communications  
Joseph VAN BROEKHOVEN, Chairman, Belgian National Federation of Road Hauliers  
Alfred BOULANGER, Secretary-General, Union of Christian Railway, Postal, Telecommunication, Shipping, Aviation and Broadcasting Employees

**Germany**

- Members :* Walter SCHULTE-MEERMANN, Ministerialrat, Federal Ministry of Transport  
Rolf GOCHT, Ministerialrat, Federal Ministry of Economics  
Kurt SAMTLEBEN, Ministerialrat, Head Office, Federal German Railways  
Georg GEIGER, Transport contractor, Hanover, Chairman, « Zentralarbeitsgemeinschaft des Strassenverkehrsgewerbes e. V. (ZAV) » Frankfurt/M.  
Wolfgang DIX, Member, Board of Directors, « Westfälische Transport-Aktiengesellschaft », Dortmund

- Alternates :* Kurt HAUSMANN, Ministerialrat, Federal Ministry of Transport  
Hans-Hero VOSGERAU, Director, « Kloeckner-Mannstadt-Werke GmbH. », Troisdorf, President, Chamber of Industry and Commerce, Bonn  
Ottmar MAIER, Ministerialrat, Head Office, Federal German Railways  
Anton HEIMES, Executive Member, Board of Directors, « Arbeitsgemeinschaft Güterfernverkehr im Bundesgebiet e. V. (AGF) », Frankfurt/M.  
Oskar GEORGE, Member, Central Executive Board of the Public Services and Transport Union (OTV), Stuttgart

### France

- Members :* DORGES, Delegate-General, International Affairs  
CORBIN, Head, General and International Affairs Division, Directorate-General of Railways and Transport  
LACOSTE, Chief Engineer, French National Railways  
Claude LEBLANC, Director, National Highways Committee  
BERNHEIM, Director, National Navigation Office
- Alternates :* DALNA, Assistant Director  
GIRAUD, Chief Engineer, Highways Department  
Paul BUTET, Secretary-General, Federation of Christian Railway Workers Unions in France and Overseas Territories  
FELCE, National Council of Socialist Trade Unions  
BONNET-MAURY

### Italy

- Members :* Aldo MORGANTI, Inspector-General, Ministry of Transport  
Guiseppe SANTONI-RUGIU, Deputy Director-General, State Railways, Ministry of Transport  
Francesco SANTORO, Railway Transport Expert  
Ugo BERNIERI, Road Transport Expert  
Ettore PARDUCCI, Inland Waterway Transport Expert
- Alternates :* Camillo TOSTI CREMONI  
Walter PANICELLI

### Luxembourg

- Members :* René LOGELIN, Counsellor, Ministry of Transport  
Albert CLEMANG, Government Commissioner, Luxembourg National Railways

Antoine WEHENKEL, Chief Engineer, Luxembourg Railways

Henri ARNOLD, Former head of Transport Section of Columeta

Joseph MARSON, Secretary-General, Luxembourg National Federation of Railway and Transport Workers

- Alternates :* Ferdinand WEILER, Counsellor, Ministry of Public Works
- Marcel SIMON, Superintendent of Road Transport Services, Ministry of Transport
- Pierre HAMMER, Government Commissioner Luxembourg National Railways
- Lucien JUNG, Secretary, Luxembourg Federation of Industrialists
- Jacques LEURS, Secretary of the Board of Directors, Luxembourg National Railways

### Netherlands

- Members :* K. VONK, Deputy Director-General, Navigation Division, Ministry of Transport and Highways
- D. J. WANSINK, Director, Netherlands Railways, Utrecht
- J. ELSHOUT, Chairman, Inland Waterways Consultative Board, Rotterdam
- L. W. P. VERBEEK, Secretary, Netherlands International Road Transport Organization, The Hague
- H. J. KANNE, Chairman, Netherlands Federation of Transport Workers, Utrecht
- Alternates :* H. J. H. MANSSEN, Head of Section, Directorate-General of Navigation
- P. R. LEOPOLD, Secretary, Netherlands Railways, Utrecht
- W. K. F. VIS, Secretary-General, Association of Hauliers and Forwarding Agents, The Hague
- W. BRAK, Member of the Board, Netherlands Christian Trade Unions Organization, The Hague

The Committee has elected its officers and laid down its rules of procedure.

It has elected M. Jean VREBOS Chairman of the Transport Committee.