

EUROPEAN ECONOMIC COMMUNITY
COMMISSION

Third

GENERAL REPORT

on the

Activities of the Community

(21 March 1959 - 15 May 1960)

MAY 1960

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

Mr. President,

We have the honour to submit the Third General Report on the Activities of the Community, which the Commission is required to publish in pursuance 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. This document will be submitted to you in the course of the month of July.

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

Brussels, 9 June 1960.

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INTRODUCTION

The first two General Reports dealt mainly with the setting up of the Institutions and their initial activities: the adoption of the procedural decisions required by the Treaty, the organization of relations between the Institutions and, more generally, their mutual co-operation, the establishment of the Commission's services, the first application of the provisions of the Treaty, and so on. The negotiations on the Free Trade Area and the crisis which accompanied them in December 1958 were to lend an element of drama to these developments, while the successful opening of markets on 1 January 1959 added considerably to the reputation of the Community in and outside Europe.

In many of its aspects, the period covered by the Third General Report may appear by comparison a time of transition. The machinery is installed, some parts of it are already in operation and others are ready. In each of the six countries and outside them, among public authorities and in business circles, the existence of the Community is an increasingly important factor in choices which have to be made. However, although the customs union is continuing to take shape, the decisive steps which will bring our six countries, via the path of economic union, to the stage of a genuine Community endowed with a single economic and financial policy have not yet been taken. Important preparatory work has indeed been accomplished, but the common policies remain to be defined and implemented during the years ahead.

If the period is one of transition, it is also one of consolidation: the reality of the Community has indeed asserted itself with ever increasing force. The invitation extended to the European Commission to take part in the "informal meetings" of January 1960 in Paris, at which the foundations of the new Western economic structures were to be laid, was one sign among

many that the Community has asserted its reality in the eyes of the outside world. It has proved its internal reality by the spectacular development of intra-Community trade, and by the interest which industry and commerce, agricultural circles and the trade unions are showing in the Community. Proof of its institutional reality is to be seen in the fact that the role played and the authority exercised by the Institutions have constantly grown in importance with the ever greater significance of the decisions they have had to make.

When, in response to a wish expressed by the Governments, the European Commission on 26 February 1960 submitted recommendations for speedier implementation of the Treaty, it had to draw the conclusions, both technical and political, from this situation. The Council's decision, on the eve of the publication of this report, is the strongest assertion of the reality of the Community in every field since the Treaty came into force.

The chapters of this report will give a detailed description of the Community's activities in the various sectors of its competence. Here our purpose is to stress certain essential aspects which will then help to bring out clearly some of the main lines of the Community's future action.



From the very beginning of its existence, circumstances brought the Community face to face with its international responsibilities, and the earliest difficulties met by the Common Market came from outside. The first tasks which had to be accomplished were to take the sting out of attacks, to grasp the initiative in creating conditions for co-operation with non-member states in a spirit of mutual confidence, in other words to practise a dynamic external policy, to establish its liberal character and to make its content increasingly clear, and so to make the personality of the Community stand out against a world setting.

In this difficult enterprise the European Commission had to accept special responsibilities. The Governments gave proof of their confidence in the Commission and of their resolve to work with it in finding a common standpoint when, on 16 March 1959, they entrusted to it the chairmanship of the Special Committee to study the problem of relations between the Community and other European countries, and when, in 1960, they extended the terms of reference of this Committee to cover all the questions of trade policy discussed at the Paris meetings.

In the two memoranda which it drew up, the European Commission had a double purpose. First, it wished to change the very climate of the discussions by concentrating on the study of the concrete problems rather than on discussion of theory. This attitude, coupled with awareness of the need for close links with the partner states in Europe, led the Community to accept the Commission's recommendation that it should propose that a Contact Committee made up of representatives of the Community and of its European partners be established to examine specific difficulties.

It was also necessary—and this was perhaps the most important element—to adapt the external policy of the Community to the new realities of the world economy, particularly to the changing commercial and financial relations between Europe and America. The European Commission stressed the point that a Community of 170 million people clearly possesses greater authority, resources, and responsibilities than those of the constituent countries. It can and must strive for the solution of the world problems of economic balance, expansion of trade and the development of young countries, in close association with the United States, Great Britain and the other industrialized nations of the free world.

The Council recognized the cogency of these views and announced its support for them on 24 November 1959 at a session held in Strasbourg; in December, following a visit to Europe

by the United States Under-Secretary of State, Mr. Dillon, the United States made it clear that it intended to create the conditions required for closer Atlantic economic co-operation. The communiqué issued by the four heads of State and Government on 21 December 1959, the meetings held in Paris on 12, 13 and 14 January, the report of the "Four Wise Men" in April, were stages along the road towards this new economic policy for the free world. Europe is no longer being given assistance. Its recovery has been completed, and successfully, thanks to the generous help of America, and this now enables it to collaborate with the United States on a footing of complete equality, to the great satisfaction of the United States itself.

It is still too early to pronounce a final judgement on these events and to forecast the results of the negotiations initiated last January, in particular in the Committee on Trade Problems, which provides a new forum for the examination of relations between the Community and the Member States of EFTA and other countries in the free world. Is it not legitimate to think that the existence of the Community is largely the cause of that closer economic solidarity among the free nations which is taking shape before our eyes?

In its very first decisions, the Community had given proof of its resolve to follow a liberal commercial policy. It has on a number of occasions been able to give striking illustration of its attachment to this line of thought, and has thus emerged as an important factor in more vigorous action to reduce obstacles to trade on the world plane: in this connection we may mention the full support given by the Community to the American move for a new world tariff conference in GATT, its active policy of quota disarmament in the industrial field, and finally the proposal for a provisional reduction, which could later be consolidated, of 20 % in the common external tariff.

It should finally be mentioned that a growing number of non-member states, by accrediting diplomatic missions to the Community, have expressly shown that they recognise its sepa-

rate individuality and the role of its Institutions. At the same time the Community has been negotiating with two European countries, Greece and Turkey, with a view to their association.

The Community has increased its contacts with the leading world organizations and has often encountered interest, sometimes reserve, but never indifference. Today it is no longer possible to ignore or deny the presence of the Community on the world stage.

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Along with this assertion of the Community's position vis-à-vis the outside world there has been an increase in internal strength due more, perhaps, to the setting up of the Treaty's machinery and the work done by the Institutions than to the approval and the support given by the public and by all sides of the business world to the implementation of the common market.

The Institutions have gone deeply into all matters covered by the Treaty. Some of the important results achieved should be mentioned, particularly the adoption of the Community's common customs tariff and the fixing of duties for the List G products. Thanks to the goodwill of the authorities in the Member States, and also, it must be said, to the hard work done by the Commission's staff, a considerable task, which all specialists in these matters will appreciate at its true worth, has been carried out in record time. The Community has thus been provided with one of the chief tools for the implementation of its commercial and its economic policies.

Other measures, too, are worthy of mention. The action planned for 1 January 1960 for the enlargement of quotas was carried out without major difficulties. Practical steps have been taken in various fields to set in motion the approximation of legislation or the harmonization of regulations with the aim of eliminating indirect obstacles to trade, and for the patient elaboration of the means of action required by the Institutions

if they are to deal with understandings, concentrations and state aids. In the interest of increased productivity and a better division of labour within the Common Market, the Council has adopted a first directive for the freeing of capital movements, particularly for direct investment. The near future will see the installation of the European Social Fund and also the adoption of regulations to eliminate a first batch of discriminations in transport. The Commission has worked very actively, in co-operation with the High Authority and the Commission of the European Atomic Energy Community, at the elaboration of a co-ordinated energy policy. The action of the Development Fund for the Overseas Countries and Territories has grown in scope and the first projects financed by the Fund have reached the stage of execution.

Although intentionally incomplete, this dry enumeration nevertheless illustrates the multiplicity and the positive nature of the tasks for which the Community is responsible. To these should be added, as far as the European Commission itself is concerned, the preparatory work for more long-term action. The foundations have had to be laid for the common policies: the policy on economic trends and regional policy, competition policy, social policy and agricultural policy. It has also been necessary to settle the content of the Community's commercial policy, the general direction of which, as we have seen, has been defined on several occasions. The preliminary studies for determining the principal elements of the common transport policy, just concluded, will place the Community in a position to define at an early date the general direction which it intends to propose for this policy.

These preparatory studies have reached different stages of completion. The Commission's proposals on the common agricultural policy have been laid, first before the Economic and Social Committee, and then before the Council and the Parliament. The Economic and Social Committee recently expressed its support in principle for the Commission's proposals as a whole.

Similarly the Council, the Assembly and the Economic and Social Committee have been informed of the social policy which the European Commission intends to develop. After favourable opinions from the Economic and Social Committee and the Assembly, and on a proposal of the Commission, the Council recently adopted the Regulation for the Social Fund. A Committee on policy relating to economic trends has been instituted, and patient and tenacious work in co-ordinating the commercial policies of the Member States goes on without interruption. In this way the foundations for the Community's work during the years to come will have been laid.

Meanwhile, 1959 was marked by spectacular developments which show the interest of business circles in the Common Market and their confidence in its future. First and foremost, there was a considerable expansion of intra-Community trade; in 1959, the value of this trade in relation to the corresponding periods of 1958, after having been stationary in the first quarter, was up 16 % in the second, 22 % in the third, and 29 % in the fourth quarter. It is interesting to note that this increase was not to the detriment of trade with non-member countries which, for 1959 as a whole, was 8 % in value above 1958—after all, a fairly considerable rise.

How is this difference in the rates of growth to be explained? It is not justified purely by the economic expansion of the member countries nor by the special conditions created in the Community; the tariff reduction of 1 January 1959 was widely extended to non-member countries and the same was done for a large number of liberalization measures. Rather must we note that business circles, anticipating in a way the implementation of the Treaty, are "putting their money on the Community" and increasingly tending to establish development programmes and trade circuits appropriate to a fully effective Common Market. Doubtless this general remark needs qualifying to some extent in the light of the particular reactions of this or that profession or country. Nevertheless, a trend is making itself felt.

Interest in the Common Market is also manifested in other ways. Occupational groupings representing the six countries have multiplied both in industry and agriculture, and most of them show real vitality. By co-ordinated studies and action to support the measures initiated by the Community, they are making an effective contribution to the achievement of the Common Market.

Interest is no less marked on the workers' side: the two chief central groupings of free trade unions have set up European organizations, held congresses at which their members in the six countries were represented, and laid the foundation of closely concerted action between their national confederations. Even those unions under communist influence, despite their declared hostility, have found themselves obliged in their turn to establish a co-ordination Committee representing the six countries—recognition of the reality of the Common Market from an unexpected quarter. The overseas countries have continued to pay growing attention to the Community. Heads of Governments and Ministers, trade union organizations and leading businessmen have made contact with the European Commission and its staff for the purpose of laying the foundations of confident, lasting and fruitful co-operation.



The Community is not simply a trading agreement or an economic agreement, but one element in a wider political construction, that construction which was begun on 9 May 1950 and sprang from the initiative of Robert Schuman and Jean Monnet; it is the expression of the common resolve of the peoples of the six countries "to establish, by creating an economic community, the foundation of a broad and independent community among peoples long divided by bloody conflicts and to lay the bases of institutions capable of giving direction to their future common destiny".

The Institutions of the Community are an expression of this common resolve. Their proper operation and the increase

in their strength condition not only the health of the Common Market but the development of Europe.

The Commission believes it can be claimed that the reality and vitality of the Institutions have made themselves evident throughout the period covered by this Report. The authority of the European Parliament, which inherited proved methods of work from the Assembly of ECSC, has constantly increased. It is to this Parliament that the Executives make their most important political statements and within it that political relations are established, in annual colloquies, between the Councils and the representatives of the peoples of the Community. Its Committees have kept ever closer watch on the activities and the policy of the Community, watching the Executives, lending them support and urging them on or inspiring their action.

The Court of Justice is now installed. Although up to the present it has only had to deal with minor cases as far as the EEC is concerned, its very existence is a permanent assurance for the citizens of the Community and a reminder to the Institutions that they must conform strictly to what is legal under the Treaty.

The Council now has important problems to deal with and is thus called upon to play to the full the role allotted to it by the Treaty. Its co-operation with the European Commission has become ever closer. In the light of practical experience it has become clear that the Commission has a double task: to work out proposals in preparation for Council decisions, and to put these decisions into practice. It has been found that—as the Treaty requires—a proposal made by the Commission is something more than just a compromise of the sort normally aimed at by an international secretariat; it is an autonomous political act by which the Commission, speaking with complete independence, expresses what it considers to be the general interest of the Community. Thus the Commission has thrown its authority into the scales on several occasions when major problems, par-

ticularly of relations between the Community and the other European countries, were at issue. It has had the satisfaction of seeing the Community rally in the end to its proposals.

The procedures chosen for the negotiation of association agreements with Greece and Turkey illustrate the role played by the Commission, which carries out the exploratory talks and, on the basis of general instructions from the Council, conducts the negotiation, in the name of the Community, in co-operation with the Representatives of the Governments.

The rules on majority voting in the Council of Ministers have already been called into play in 1960. It is only rarely that majority decisions are provided for during the first stage of the Treaty. It was therefore all the more important that cases of their use should arise at this time.

The development of the activities of the Council and of co-operation between the Council and the Commission, and between the Commission and the other bodies set up by the Treaty, has gone forward in strict respect of those provisions of the Treaty which fix the balance between the Institutions. In this connection, the European Commission can only congratulate itself on the relations of mutual confidence which it has established with the Permanent Representatives of the Member States in common concern for the general interest.

The Treaty gives the European Commission the ungrateful but necessary role of watch-dog. It must supervise the implementation of the rules of the Treaty and of the arrangements made by the Institutions under the Treaty. It has had to deal with infringements committed by Member States and to initiate the procedure laid down for these cases in Article 169 of the Treaty. It has endeavoured to act with both understanding and firmness, but always strictly observing the provisions of the Treaty, which are sacred as the basis of action for both the Institutions and the States. In a great number of cases, the Commission has persuaded governments to amend or correct meas-

ures which they had taken and to repair the infringement committed without having to bring to bear all the means available to it under the Treaty. By giving the Commission special tasks in ensuring that the measures for the speed-up of the Common Market shall be taken without upsetting the internal balance of the Treaty, the Council has now reinforced the powers of supervision and initiation already conferred upon it by the Treaty.

Thus the institutional reality of the Community has become constantly more evident throughout the last year. This is a very important achievement. Stable Institutions which are becoming stronger, together with common rules which are respected, guarantee that the Community will continue to exist whatever the difficulties and accidents encountered. At the same time, they give the Governments of the Member States, the enterprises and the workers, the certainty that it is in a new framework that they must act and plan.

In presenting its Third General Report to the Assembly, the European Commission would not wish to limit itself purely to the balance sheet of past activities, but would like also to bring out some of the main lines of its general policy for the future.

The establishment of the Community results in the first place from the almost automatic machinery set up by the Treaty. It is in this way that the customs union will be established. It results also, indeed chiefly, from a common will to attain objectives which the Treaty only defines in outline while often leaving the ways and means to be chosen by the Community's Institutions and the Governments.

The national economies of our six countries are today advancing along parallel lines. The measures of economic re-organization taken by France in December 1958 and the new direction given to economic policy in that country have greatly contributed to bringing about this favourable situation. It is the responsibility of the Institutions, and in particular of the Euro-

pean Commission, to take the best possible advantage of this situation.

How long would it in fact be possible to keep frontiers open for the movement of goods, services, capital and workers unless not only co-ordination but the concurrent harmonization of national policies is achieved and rapidly followed up by a common Community policy? There would further be reason to fear that the advantages accruing from the liberalization measures would be partially cancelled out by diverging, if not contradictory, national decisions, and by restrictive practices on the part of enterprises; the general principles laid down in the Preamble and the first articles of the Treaty would thus be robbed of all substance.

The European Commission is of the opinion that the Governments and the Community should endeavour during the coming years to maintain expansion of production at a more rapid rate than would have been possible for each Member State if the Community had not been set up. From this angle an annual average increase of 4 to 5 % in the gross national product seems feasible to the Commission. In this way, the Community could prove to its constituent peoples the advantages of integration and at the same time assume vis-à-vis the countries in course of development, particularly those associated with it, the responsibilities which are the lot of the wealthy.

What are the means of achieving this general objective, in the light of which the Community intends to define the overall economic policy into which its policies in the various fields of its competence are to be fitted? Governments and public administrations, like enterprises, must from now on make their forecasts and organise their action in relation, not to the national framework alone, but to the new economic entity formed by the Community. It is for the European Commission to give substance to this global vision of the evolving economy of a body of 170 million producers and consumers and to watch that expansion is accompanied by monetary stability and is of benefit to all classes of the population.

The aims of the Commission's action will therefore have to be to ensure full use of resources and means, to further the channelling of the necessary savings into those branches of activity on which the development of the Community's economic potential depends and also into the less developed regions of the member countries, and to facilitate the adaptation of industries and enterprises which might encounter difficulties following the opening of the frontiers. For these purposes the instruments available to the Community, such as the Social Fund or the Fund for Agricultural Structures proposed by the European Commission, should be so used that expansion profits all sectors of the economy equally and no social class, economic branch or region is sacrificed. The activities of the European Investment Bank since its establishment are calculated to further this balanced expansion. For this reason, it is the constant concern of the Community to associate the Bank ever more closely with its tasks.

It is the intention of the Commission, working in co-operation with the experts from the national administrations and from business and trade union circles, to perfect its knowledge of the basic problems facing each of the member countries and of the long-term development possibilities open to the Community. Only by the exercise of such forethought can the Governments come to rational decisions in their fields of action and the Institutions guide these decisions in the interest of the Community.

In this connection, the European Commission wishes to emphasize the valuable help provided by the Monetary Committee under the Chairmanship of Jonkheer E. van Lennep, both in its work on the freeing of capital movements and in its analyses of the financial and monetary situation of the Member States. The recently created Committee on policy relating to economic trends, which has elected Professor Müller-Armack as its Chairman, completes the instruments at the disposal of the Community to ensure co-ordination of business cycle policies.

It is in relation to its general economic line that the European Commission has undertaken the task of defining in detail the common policies for which the Treaty provides in several sectors.

In particular, the implementation of the common agricultural policy cannot be isolated from this pursuit of a better economic balance. The aim of the proposals submitted to the Council by the European Commission before the end of 1959, and which constitute the first test of a Community will, is not only to create in the shortest time possible a single market for agricultural products which will place all Community products in the same position vis-à-vis Community demand, but to make it possible to solve on a wider plane problems and contradictions which, on the national plane, have often proved insuperable. The gradual adjustment of the protective arrangements which, under various forms and authorities, cover agricultural production in each of the six countries—as indeed, in all the great industrialised countries of the world—must not be effected to the detriment of the agricultural populations, who are an essential factor in the social life of the Community and in the economy as a whole. The Commission is therefore anxious that, pending the final decisions on the implementation of this common policy, agricultural products should benefit from the development of trade and that there should be no abusive use of any measures of safeguard taken.

The rapid development of the economy which has followed the mere setting up of the Community cannot be isolated from social progress in the form of the progressive improvement of living and working conditions. In particular, it makes it still more essential that migratory movements be guided on the Community level, that measures be taken to further the elaboration of a Community programme for occupational training, and that facilities be provided rapidly for the re-adaptation of labour affected by the new organization of economic structures. No doubt the Treaty opens only a limited field for direct action by the Commission, and it would be presumptuous for the latter to

attempt to replace governments and professional circles in their legal or contractual functions. By intervening indirectly, as it is empowered to do, the Commission in fact disposes of wide liberty of choice—more perhaps than in other fields where provisions are more specific—and it intends to make full use of this freedom. It will thus be possible, through close voluntary co-operation between the public authorities, the European Institutions and business organizations, to take positive action to ensure that European integration shall not be effected at the expense of the less favoured social groups.

For these same reasons, the Commission considers that the work undertaken would be robbed of much of its meaning if public or private interventions were to have an adverse effect on competition in the Common Market. Doubtless expansion is in itself a guarantee against economic malthusianism and the danger is not as great today as in a stagnant economy. Even more, the opening of frontiers, with the consequent creation of a large economic area, makes it desirable to have specialization agreements and other rationalization measures between industries which are too dispersed both within each country and on the level of the Six. However, it would be contrary to the objectives of the Treaty, to healthy expansion and to an improvement in the living standards of the population, if control of the market in the main industrial sectors were in the hands of cartels or of a very small number of enterprises. The Commission will implement as soon as possible a common policy on understandings and “dominant positions”, so that the difficulties which will inevitably accompany the integration of the economy shall not provide a pretext for abandoning healthy and effective competition. However great the Commission’s vigilance and its firmness, unreserved support from the European Parliament and the Governments will be indispensable if it is to carry out this task.



The Commission is aware of the difficulties and the obstacles which the tasks ahead will present for its Institutions.

The "goodwill" of the six countries towards the Community has made it possible, since 1958, to obtain its first results, but only an unflinching political will, backed by the European Parliament and the national Parliaments, and borne forward by the approval of the public and the action of business circles, can make it possible to transform the national policies in such a way as to define and apply a joint policy.

As we have said above, it is in this spirit and sure of this support that the Commission, noting the anxieties expressed by the Government of several Member States and what had been achieved in the two years during which the Treaty had been in operation, addressed recommendations to the Council of Ministers for its speedier implementation. The first aim of these recommendations, which are at present being studied by the Institutions of the Community and the Governments of the Member States, is to achieve, during the coming months, appreciable progress in the elimination of obstacles to internal trade and the adoption of a liberal policy towards non-member countries. When they encourage the expansion of the Community's economy, these recommendations both assure and render necessary the more rapid adoption of the common policies which alone can transform the customs union into an economic union. The Commission has been concerned to safeguard the balance between the different sorts of provision contained in the Treaty and will spare no effort to attain this objective.

Over and above the economic advantages expected from it, both for the Community itself and for its partners in the western world, the Commission wishes to emphasize the political importance it attaches to this acceleration. The internal strengthening which it proposes, and which it expects will permit a decision to be taken on 1 January 1962 substantially shortening the transitional period, is intended to reinforce, by leaving behind national divergences, that movement towards union which the Six States began when they signed the Treaty of Rome. Their high resolve must be constantly refreshed as they search for new solutions befitting the conditions and the possibilities of the day.

At a time when the new forms of co-operation between the western nations are taking shape, it is urgent that the Community should be in a position to emphasize still more its unity and its individuality, not in opposition to anybody nor to destroy the solidarity which has grown up in more than ten years of co-operation, but to occupy the place and fulfil the role conferred upon it by the Treaty and recognized by its partners.

The political and economic developments of recent years, by underlining the importance of the aid which the industrialised countries must give to the development countries, impose on the Community special duties which it cannot escape: Africa is the first of these duties, since the Treaty of Rome laid the foundations for co-operation between the two continents. The action of the Institutions in the framework of this Treaty has already, over the two last years, furthered the establishment of closer links between the Community and the associated countries. But political changes since 1958, which have led or will lead a large number of these countries to full sovereignty, have modified their special relations with certain member countries and call for a new definition of their relations with the Community. It is important that this major problem, which is rightly preoccupying the Commission, the Member States and the associated countries, should be dealt with as soon as possible and, in any case, before the expiry of the Implementing Convention, so that the effort for economic and social development may be continued in common.

This year the Communities are celebrating the tenth anniversary of the historic declaration of President Robert Schuman. They can derive from this the comfort which comes from the memory of difficulties surmounted, the spectacle of results achieved, and the support of great masses of population. The European Commission hopes that this celebration will above all strengthen the resolve of the peoples, the Governments and the Institutions to move forward, not to falter before the tasks ahead, and to assemble their forces in order to make a reality of economic Europe while laying the firm foundations of political Europe.

CHAPTER I

SPEEDIER IMPLEMENTATION OF THE TREATY

1. The decision to speed up the implementation of the Treaty of Rome, taken by the Council on 12 May 1960 on the basis of recommendations from the European Commission, is doubtless the outstanding event of the period covered in this General Report. Although it affects most of the questions to be examined in other chapters, it thus deserves to be given priority.

2. The European Commission considers the decision of 12 May as the fundamental political and economic fact in the history of the Common Market since the signing of the Treaty of Rome. The speed-up decision indeed showed that progress over the last two years has been such that a time table which was considered reasonable in 1957 appears out-dated in 1960. But it reflects even more the anxiety of the Institutions of the Community and of the Member States to make use of every favourable circumstance to hasten the achievement of integration. It is thus the expression of a political will which can be thwarted neither by technical obstacles nor by that comfortable feeling which comes from keeping to a programme laid down in advance and already accepted by all.

3. As the preparation of the decisions clearly brought out, an acceleration of the Treaty is fraught with many difficulties. It is therefore all the more remarkable, not only that on 12 May there should have been unanimous agreement in the Council on the procedure laid before it, but also that the principle of a gesture of such great political and economic moment was never seriously contested. The need for acceleration was felt not only by responsible officials of the Institutions, but also by business men and workers and, in general, by all those who play a part in the economic life of the six countries. The attitude adopted by the European Parliament, after a debate in which every aspect of the problem had been spotlighted, is symbolical of the support

accorded to a scheme of such strength that it proved possible to overcome difficulties or conflicts which, in the end, were found to be of only secondary importance.

4. In various passages the Treaty requires the Commission to address to the Member States recommendations for accelerating the pace of its implementation, when justified by the economic situation in general or by that of a particular branch of activity. A favourable economic trend, together with some de facto acceleration since 1. January 1958, provided the technical conditions required.

But the European Commission judged that the speedier pace which had become legally and technically possible, was also necessary for much more important reasons than a mere adjustment to favourable economic trends. Discussion of certain disadvantages involved in a speed-up or of the technical details of the operation never obscured the fundamental argument in favour, which made it the bounden duty of the European Commission to propose acceleration and of the Member States to accept the argument that Europe must be made and, to be made, must be made quickly.

5. From the middle of 1959 it was clear that economic conditions and political opportuneness justified—and perhaps required—speedier implementation of the Treaty of Rome with, perhaps, a shortening of the transitional period. In its memorandum to the Special Committee for the study of problems concerning a European economic association, the European Commission associated itself with such aims in principle. On 24 September 1959, the President of the Commission confirmed and explained this attitude when addressing the European Parliament in Strasbourg. On 13 October 1959, the Belgian Minister of Foreign Affairs, M. Wigny, submitted to the Council a first concrete proposal for acceleration. This project also defined the general conditions for a policy of co-operation between the Member States and non-member countries and emphasized the political aspect of European problems.

Following a discussion on M. Wigny's memorandum, the Council instructed the Commission to submit to it proposals for speedier implementation of the Treaty of Rome. These proposals were tabled on 26 February 1960 in the form of recommendations, as required by Article 155 of the Treaty.

6. Before deciding on its position, the Commission studied a number of points which included:

- a. The possible consequences, both for the realization of the Treaty's objectives and for the internal economy of each Community country, of a decision to speed up implementation;
- b. The conditions in which the timetable and momentum of the Treaty could be substantially modified without endangering its balance;
- c. The possible repercussions on the external relations of the Community of a speed-up in the implementation of the Treaty.

The European Commission noted that the timetable of the Treaty reflected a historical situation which had undergone profound changes and had in fact shown conspicuous improvement since 1 January 1958. The Member States, without having concerted their action, have adopted a common line of policy. Exchange rates have been adjusted and the financial situation is generally stable. Divergences between internal and external economic policies have considerably narrowed as certain Member States abandoned strict control of imports in favour of broad liberalization vis-à-vis non-member countries. In addition, the attitude of business circles has proved to be greatly in advance of the pace of the Treaty. Psychological reactions to the introduction of the Common Market have been very favourable in all Member States; in the conduct of business, managements have shown beyond doubt that they are determined to adapt themselves to the realities of the Common Market.

7. It has further become clear that the present state of expansion, which is an essential factor in the harmonious development of the Common Market, not only allows of more rapid quota and tariff disarmament and the earlier introduction of the common external tariff, but also permits more rapid advance in co-ordinating and harmonizing national policies, notably in the social field, without involving dangers of disequilibrium in a particular sector of the economy.

8. As regards the balance of the Treaty, the Commission has recalled that the Community is not merely a customs union but much more an economic union. There can be no alteration to its internal equilibrium through the increase in speed. The European Commission considered that it was feasible and necessary to achieve a speed-up which would make it possible to attain the aims of the Treaty fully and without disturbing their balance. Where common policies are concerned, the mechanism of the Treaty is not automatic; the implementation of these policies is therefore not a question of time tables but of political will.

9. After studying the repercussions which speedier implementation might have for the external relations of the Community, the European Commission has come to the conclusion that the strengthening of internal links will be an important and dynamic factor in freeing and expanding trade. As it had already indicated in its memorandum of September 1959 to the Special Committee, and indeed on several other occasions earlier in the year, the European Commission believes that the sooner economic integration is a fact, the more the commercial policy of the Common Market will of necessity be dynamic, open and liberal.

10. On the basis of the above analysis, the European Commission concluded that a speed-up was both possible and desirable provided certain conditions were observed. These were the maintenance of the internal equilibrium for which the Treaty provides between customs union, implementation of the common rules on competition, development of co-ordinated and common policies, and insistence on the Community's mission as a champion of liberalism in its dealings with the outside world.

As regards the customs union the Commission recommended:

- The elimination of industrial quotas between Member States before 31 December 1961. Subject to reciprocity, this action could in principle be extended to non-member countries. Furthermore, each Member State concerned would examine with the Commission the problems facing it in the special field of monopolies in order to lay down before the end of 1960 a precise programme, applicable in the shortest possible time, for eliminating any discrimination in the conditions governing supplies and markets.

Trade in agricultural products will have to be further increased, by methods still to be worked out, *pari passu* with the implementation of the common agricultural policy.

- Reduction of customs duties between Member States by 50 % instead of 30 % during the first stage—the decrease on 1 July 1960 and on 31 December 1961 to be 20 %, in addition to the reduction of 10 % which occurred on 1 January 1959.

The European Commission recommended that the common external tariff be introduced more rapidly, but that the synchronization with tariff disarmament for which the Treaty provides be respected.

In order to avoid all risk of diversion of commercial traffic, introduction of the common external tariff would begin on 1 July 1960 instead of 31 December 1961. The first alignment would be on the basis of a tariff reduced by 20 %; this 20 % represents an advance suspension of duties pending the results of the tariff negotiations in GATT, which will make it possible to judge whether the conditions of reciprocity offered by

non-member states are satisfactory. The European Commission has proposed that the industrialized countries which are members of GATT should be requested to grant reciprocity on a scale which would have to be agreed. The quid pro quo of the United States would be furnished in the framework of the coming negotiations in GATT.

In the opinion of the European Commission, there is a close and necessary technical link between tariff and quota disarmament, the common external tariff and the common commercial policy. Any speed-up in one of the first two fields presupposes concomitant acceleration in the two others, failing which a veritable free trade area would be created between the six Member States.

11. In order to enable the Council and the Member States to make important decisions concerning common policies in the near future, the European Commission indicated the areas where speedier action could be undertaken.

In the social field, the Commission will shortly propose to the Council the general principles for the implementation of a common policy on vocational training. It has also proposed a joint examination of the general problem of training technicians at all levels, and has suggested that the Member States should initiate without delay the procedures necessary to ensure the application, if possible before the end of 1960, of the principle of equal remuneration for equal work as between men and women workers.

In the matter of commercial policy, the Commission has proposed more systematic co-ordination of the measures taken by the Member States and the European Commission in trade negotiations with non-member states. It has suggested that vis-à-vis these states there be speedier unification of liberalization measures, commodity by commodity. Indeed it is of the opinion that in cases of recognized importance in which considerable

diversions of commercial traffic might be feared, the Member States should now agree to open the first joint negotiations under Article 113 of the Treaty.

With regard to agricultural policy, the Commission is most anxious that the acceleration of the customs union, which mainly concerns the industrial sector, shall be rounded off by a speedy implementation of the common agricultural policy. The Commission recalled that it had already made known its proposals for such a policy, and that it was preparing supplementary proposals.

12. In its recommendations, the Commission did not suggest any immediate decision on not prolonging the first stage or on shortening the subsequent stages. It has, however, stated its conviction that the arrangements to be made on the basis of the above proposals would make it possible, at the end of the fourth year, to shorten the second and third stages under the conditions laid down in Article 8 of the Treaty. It will formulate further proposals in due course.

13. The recommendations of the European Commission were submitted to the Council at its meeting of 26 February 1960; at the meeting of 9 and 10 March the Council expressed its interest in them and instructed the Permanent Representatives and the Special Committee for the study of problems concerning a European economic association to examine them in detail in preparation for its May session.

14. On the occasion of its session 26 March to 2 April, the European Parliament heard a statement from the Commission on the recommendations submitted to the Council.

At the end of the general policy debate which followed this statement, the Parliament passed a resolution "welcoming the action taken by the Commission of the European Economic Community". The Parliament requested "that the Commission, the Council and the governments should accelerate simultaneous

and harmonious measures to apply an economic, agricultural and financial policy and a common transport policy". It was also anxious "that the recommendations of the Commission be completed in such a way as to accord their due place to social questions, whose importance is growing with speedier economic integration and in particular to ensure the improvement of the provisions relating to the European Social Fund". Finally, the Parliament urged "that customs disarmament vis-à-vis non-member countries be planned on the basis of fair reciprocity and that the acceleration procedure take account of the special economic circumstances of the development countries associated with the European Economic Community", and requested the Commission "to submit as soon as possible to the Parliament concrete and workable proposals which take due account of the considerations expressed above, in order to strengthen the effective organization of the Europe of the Six and to make it possible to pursue a policy for the development of trade with non-member countries and for economic collaboration between the countries of free Europe".

15. The Council met on 10 and 11 May in Luxembourg and on 12 May in Brussels to decide what action should be taken on the recommendations of the Commission. In their capacity as Representatives of the Governments of the Member States of the Community, meeting in the Council, the Ministers decided that, as from 1 July 1960, the Member States would reduce among themselves the customs duties in force on 1 January 1957 by 30 % before 31 December 1960. In conformity with Article 14 of the Treaty, they will lower the customs duties by 10 % with effect from 1 July 1960, thus bringing the reduction since the Treaty came into force to 20 %. The Member States will take whatever action is necessary to ensure that a further reduction of 10 % is made not later than 31 December 1960.

In conformity with Article 14 of the Treaty, the reduction to be carried out on 31 December 1961 will be at least 10 %. The Council will decide before 30 June 1961 whether an additional reduction of 10 %, bringing the general reduction to

50 %, will be possible on 31 December of that year in the light of general economic conditions.

By 31 December 1960 at the latest, the Member States of the European Economic Community will undertake the first approximation to the common external tariff in accordance with the particulars contained in Article 23 (1 a and b). This approximation will take place on the basis of the common external tariff reduced by 20 %, but the effective duties may not thereby be brought below the level of the common external tariff. For List G products, at approximation will be made in the same way. Nevertheless, at the request of the Member State concerned, the European Commission may decide that for particularly sensitive List G products the approximation towards the common external tariff shall be effected on the basis of the duties fixed on 2 March 1960, i.e. on the basis of the common external tariff without the reduction of 20 %.

For the Federal Republic of Germany, the approximation to the common external tariff to be made on 31 December 1960 in accordance with Article 23 of the Treaty need involve the restoration of only 50 % of the cuts in certain duties made to meet economic developments.

16. The various tariff reductions benefiting non-member states will be provisional.

The Community declares its readiness to discuss with the States concerned the terms of any reciprocity which may be granted to it.

Within the limits of the common tariff, the Member States may decide to extend their individual reductions to all countries, account being taken of the reciprocity which would be granted by the non-member countries. Any extension to all countries already granted will also have to be taken into account.

The 20 % reduction used in calculating the approximation to the common external tariff will be consolidated in whole or in part at the tariff negotiations which are to take place in GATT at the beginning of 1961.

17. Without prejudice to the provisions of the Treaty, the Member States will, in accordance with their obligations under the General Agreement on Tariffs and Trade, and having regard to the pertinent recommendations of the International Monetary Fund, abolish as soon as possible all quantitative restrictions on the import of industrial goods.

All Member States will in any case abolish on 31 December 1961 all quantitative restrictions applicable to the import of industrial goods from the other Member States of the Community.

18. With regard to agriculture, the Council has decided that the measures provided for in the Treaty, but not yet implemented, must be put into effect before 31 December 1960.

The preparation of the common agricultural policy will be pressed forward with a view to speeding its implementation.

By 31 December 1960, the Council will hold one or more sessions to consider the proposals concerning the common agricultural policy referred to in Article 43 (2) of the Treaty, particularly with a view to working out a first solution on the Community level for the difficulties caused in the agriculture and foodstuffs sectors by the differing conditions of competition due to differences in general policy on agriculture.

To this end the Council has laid down the following timetable for work on the common agricultural policy:

- Submission of the Commission's final proposals before 30 June;
- First general discussion by the Council before 31 July;

- Immediately after this general discussion, creation by the Council of a special committee to prepare its decisions;
- First report of the special committee to the Council before 15 October.

19. The Council has decided that, as far as non-liberalized agricultural products are concerned, the additional reduction of customs duties to be made on 31 December 1960 at the latest will be 5 %, so that the total reduction on that date will be 25 % of the basic duties.

The measures concerning approximation towards the common customs tariff will not apply to agricultural products, as a common policy is planned for these.

20. Each year until the end of the first stage, the global quotas opened under Article 33 (1) of the Treaty will be increased by 20 % in relation to the previous year.

All global quotas opened under Article 33 (2) of the Treaty (the former nil or negligible quotas) will be set for 1961 at 5,2 % of national production.

For products to which these provisions are not applied and for products in respect of which no contract or long-term agreement has yet been concluded, the Member States must allow overall imports equal to the average imports effected during the three years before the entry into force of the Treaty, increased by 10 % each year for 1959 and 1960 and until the end of the first stage.

These quota measures will no longer apply in cases where the Member States are carrying out measures in preparation for the common agricultural policy which should involve the abolition between them of quantitative restrictions and tariffs.

21. Before 31 December 1960, the Council will review the progress made on the establishment of a common agricultural policy, particularly in relation to the conditions of competition. In the light of this review the Commission will draft, where necessary, the appropriate proposals for the execution or possibly the revision of the arrangements on quotas and tariffs fixed for the immediate future.

These proposals which, under Article 149, can be amended by a unanimous vote, will be adopted by the Council by the qualified majority stipulated in Article 148 (2), sub-para 2, first alternative.

The Governments of the Member States will inform the Secretary-General of the Council within one month whether special procedures are required in their countries to implement the Council's decision; where this is the case they will inform the Secretary-General without delay when these procedures have been completed.

22. At the same session, the representatives of the Member States, meeting in the Council, adopted a declaration of intention concerning internal acceleration.

In this declaration the Council confirms its intention to proceed as expeditiously as possible with the speed-up of the implementation of the Treaty not only so far as the customs union is concerned but concurrently in all sectors of economic integration. Special emphasis is laid on the desire to hasten the implementation of measures in the social field, especially with regard to the vocational training of workers, to their freedom of movement and the application of social security provisions to those groups of workers most immediately concerned, and to equality of pay for men and women workers.

The declaration also recalls the Council's intention to pursue in the fields of competition, transport and the right of establishment a policy in step with developments in the other sectors of the common market.

The Council attaches particular importance to the economic development of the associated overseas countries and territories; it will ensure that the measures necessary to enable these countries to draw the fullest benefit from their association are taken.

On all these matters the Council requested the Commission to submit concrete proposals within three months.

23. The Council adopted a declaration of intention in the field of external relations, which it requested its President to bring to the knowledge of the countries concerned.

In this declaration the Council states that it is in the spirit and the intention of the European Economic Community, whilst safeguarding the needs of its internal development, to pursue, vis-à-vis non-member countries and in particular vis-à-vis the other European countries, a liberal policy which takes their anxieties into account. In this respect the Council reaffirmed the intentions already set forth in its decision of 24 November 1959.

The Community is ready to undertake active negotiations with all the States or groups of States who are members of the Committee on Trade Problems.

In this setting, the negotiations to be opened with the member countries of the European Free Trade Association in particular should be directed towards maintaining and, if possible, increasing the traditional trade between the European Economic Community and the countries of the European Free Trade Association, without infringing the rules of the General Agreement on Tariffs and Trade.

Efforts at reaching co-operation on these lines with a view to a reciprocal reduction of trade barriers must respect the principles of the General Agreement on Tariffs and Trade. It is on this basis, which does not call into question the European

Economic Community's establishment of the customs union on which it is founded, that co-operation can be sought, particularly in the field of tariffs.

The European Economic Community recalls its decision of 24 November 1959, in which it proposed that a Contact Committee be set up which could be used to observe trade trends and through which the appropriate means to meet any difficulties could be found. This matter has been referred to the Committee on Trade Problems.

24. The Council took its decisions with the complete agreement of the European Commission. In conformity with the wish expressed by the Council in its declaration of intention concerning internal acceleration, the European Commission will shortly submit to the Council proposals, which it had already intended to make, on parallel acceleration of the Treaty in all economic sectors.

CHAPTER II

THE WORK OF THE INSTITUTIONS

25. The implementation of the Treaty calls for a sense of confidence in the co-operation between all institutions and organs which have a part to play in working out Community decisions. The co-operation established between these institutions and organs since they were set up has made it possible for important decisions to be taken by the Council on proposals from the European Commission or in collaboration with it and, where required, after consulting the Parliament and the Economic and Social Committee. It has also made possible mutual consultation between the Council and the European Commission on a wider scale than was stipulated in the Treaty. A recent manifestation of this will to co-operate was the establishment of closer relations between the Council and the European Parliament.

The European Commission has noted with satisfaction that the possibilities of parliamentary control have been strengthened. For its part the Commission has kept the European Parliament fully informed of its plans and, during 1959 and the first quarter of 1960, has sought the Parliament's opinion each time that a major political problem arose, even though it was not required to do so by the Treaty. The Commission has also, on several occasions, taken an active part in debates in the Parliament dealing with the Community's external relations or with agricultural policy. It recently opened the general policy debate in the Parliament with an account of the recommendations it had submitted to the Council on speedier implementation of the Treaty and has taken into account as far as possible the resolutions adopted by the Parliament at the conclusion of these debates.

The European Commission works in close co-operation with the Economic and Social Committee. Apart from the con-

sultations stipulated in the Treaty, it has taken part in general discussions on matters not subject to mandatory consultation.

A sense of mutual confidence continued to characterize relations between the European Commission and the Member States. Thanks to the regular contacts between the Governments and the experts of the Member States and those of the Commission, it has been possible to overcome major obstacles and to solve the various problems in a manner satisfactory to all concerned.

The activities of the institutions and organs

THE EUROPEAN PARLIAMENT

26. The European Parliament held eight plenary sessions between 20 March 1959 and 15 May 1960. In the exercise of the powers of deliberation and control conferred upon it by the Treaty establishing the European Economic Community, the Parliament gave its opinion on the draft budget submitted by the Council for the financial year 1960. In conformity with Article 127 of the Treaty, the Parliament, acting on a request from the Council, gave an opinion on the draft regulations for the Social Fund.

At the conclusion of debates on several pressing problems, such as the common agricultural policy, the Community's external relations, the speedier implementation of the Treaty and relations with the associated overseas countries, the Parliament voted resolutions of which the Councils and the European Commission have been informed. It checked the general administration of the European Commission by studying in committee and in plenary session the Second General Report on the Activities of the Community.

Finally, the Parliament held a "colloquy" with the Councils and the Executives of the three Communities on several important political matters.

27. On 31 March 1959, the European Commission submitted to the Parliament its Second General Report, covering the period 18 September 1958 to 20 March 1959. This Report was presented to the Parliament by the European Commission on 9 April 1959.

After a study of the Report lasting several months, the Parliament adopted a certain number of resolutions. At its September meeting, it noted that "the first opening of the markets had taken place satisfactorily on 1 January 1959", and it requested the European Commission "to speed up as far as possible the implementation of the Treaty establishing the Common Market and in particular those of its provisions which concern policy relating to competition and the approximation of legislative and administrative provisions".

28. When the European Parliament met from 9 to 17 April 1959, the Council submitted the draft budget of the European Economic Community for the financial year 1959. In issuing its opinion, the Parliament requested certain amendments to the draft, among them the provision of a credit of 500 million BF for the Social Fund

At its meeting from 20 to 26 November, the Parliament was consulted on the draft budget for 1960. When giving its opinion, it requested that the total credits for the joint Information Service in the budgets of the three Communities be increased from 75 to 85 million BF. It also asked that a special credit of 15 million BF be written into the budgets of the Communities to enable facilities for the education of young people in a European spirit to be increased.

29. The Parliament has always attached special importance to the question of the seat of the European institutions. In a resolution passed on 11 April it deplored the absence of a single seat and the expenditure which this entails. In the same resolution it requested the Governments to hasten the studies on a single European district. On 12 May, the European Parliament repeated its recommendations in a further resolution and instructed

a delegation to lay them before the six Governments and to state that if no decision were taken within a reasonable time it would itself decide where it will hold its sessions. This delegation was received on 25 July by the representatives of the six Governments for an exchange of views in the course of which the difficulties in the way of an early solution were recalled. The Members of Parliament were assured that everything would be done to fix the seat as soon as possible.

On 14 January, after discussing two reports on the seat of the Institutions and the question of the European district, the Parliament adopted a resolution in which it recalls the great importance of the idea of the European district and its symbolic and political significance as an expression of the idea of a European community. Furthermore, the Parliament considered that the best way to resolve the problem of the seat rapidly would be "to delegate to the European Parliament the power to decide on the question of the seat, or to request it to state its views, which the Governments shall regard as binding upon them. Should the Governments reject this proposal, the Parliament will, before 30 June 1960, fix the place where it will hold its own sessions" and where it will finally install the offices of its secretariat.

30. Even before the European Commission submitted to the Council its preliminary proposals on the establishment and implementation of a common agricultural policy, the Parliament, in a full-dress debate on the agricultural policy of the Community, had indicated certain lines which it hoped would be followed. At the end of the debate, during the meeting from 22 to 26 June, the Parliament adopted a resolution approving the spirit and the general lines of the three reports submitted by its Agricultural Committee; it declared itself in favour of a common agricultural policy which gave due weight to the necessity of taking appropriate economic and structural measures to compensate as far as possible the inherent difficulties which handicap agriculture in relation to other branches of the economy, both from the point of view of production and from that of markets.

At its session of March and April 1960, the Parliament discussed the Commission's proposals, which had been referred to it for information, without voting any resolution embodying formal conclusions.

31. A debate on European energy policy took place during the June meeting, with the Executives of the three Communities participating. The Parliament passed a resolution declaring its conviction that it was indispensable for the High Authority, the Euratom Commission and the Commission of the European Economic Community to establish jointly the directives for a European energy policy. In this connection, the Parliament welcomed the setting up of an inter-Executives committee to deal with questions of European energy policy.

32. Several of the debates were on problems of social policy. At the meeting from 22 to 25 September, the Commission submitted to the European Parliament its report on the social situation, drawn up in conformity with Article 122 of the Treaty. At this same session, the Parliament adopted a resolution concerning problems of industrial safety and industrial hygiene in which it stressed the "absolute necessity for the three Executives to lay down a common programme of action".

At its January session, the Parliament issued its opinion on the European Commission's draft regulation for the Social Fund, as requested by the Council under Article 127 of the Treaty. The general trend of the opinion was favourable to the Commission's draft, but certain amendments were proposed.

The Parliament also adopted the report of its Social Affairs Committee on the social problems dealt with in the Second General Report on the activities of the Community.

33. Relations with non-member countries were discussed at the September and January meetings in particular. Statements on this subject have also been made by the President of the European Commission at several meetings. At the September

meeting, the Commission explained the action it had taken during the preceding weeks in connection with the problems of a European economic association. This action was the subject of a memorandum from the Commission to the Special Committee for the study of problems concerning a European economic association. During the debate which followed this statement, the spokesmen of the three parliamentary groups expressed their satisfaction with the action taken.

34. At the meeting of 20 to 27 November 1959, the Parliament devoted a great deal of its attention to the problems of the Overseas Territories. The temporary special committee which the Parliament had set up in April 1959 presented, on its return from Africa, three reports on the political, economic and social situation in the Overseas Countries and Territories visited. After discussing these reports the Parliament adopted a resolution recommending in particular "that the multilateral character of the association be strengthened, that the Implementing Convention relating to the Association be examined at an early date with a view to its renewal in the light of experience, and that qualified representatives of the Associated Countries and Territories participate in this examination". The Parliament recommended to the European Commission and to the Governments responsible that "they take all measures to ensure increased sales and stability of outlets on the European markets of the Community for the products of the Overseas Countries and Territories, in particular by maintaining sufficiently remunerative prices". The Parliament emphasized the necessity of stepping up the investment effort overseas and of granting the Associated Countries and Territories financial and technical aid.

At the meeting in March 1960, the Parliament passed a resolution suggesting that a governmental conference, in which representatives of the Associated Overseas Countries and Territories, of the Council, and of the European Commission should take part, be organized in 1960. It further requested the calling of a parliamentary conference between members from the legislatures of the Associated Overseas Countries and Territories

and members of the European Parliament. Finally, it appointed a new delegation with a study and information mission similar to that of the delegation constituted in April 1959.

35. At the request of the European Parliament, a "colloquy" took place on the occasion of the November session, in which the Parliament, the Council and the Executives of the three Communities took part. Three subjects were discussed, the debates being opened by statements from the Presidents in office of the Councils. The subjects were:

- Relations between Parliament and Councils
- Co-ordination of the external policy of the Member States towards non-member countries, especially the countries in course of development
- Problems concerning the association of the Overseas Countries and Territories with the Community.

At the end of the "colloquy", the Parliament adopted a resolution on relations between Parliament and Councils. Among other things it suggested that in future, "by means of a more thorough organization, the character of a genuine confrontation of ideas be further accentuated" and expressed the wish "that the main political themes of the European Community should be the subject of such periodical discussions untrammelled by any legal formalism".

The Parliament invited "the Councils to do everything possible to increase and improve their collaboration with the Parliament, in particular by taking an active part in debates, by furnishing precise replies to Parliamentary questions and by making available more information on their activities". Finally, the Parliament requested the Councils "to extend the consultation procedure to all important problems even where the Treaty lays down no obligation to consult".

At their session of March and April 1960, the Councils approved the Parliament's requests. The President in office of the Council announced that the Councils had decided to make more frequent use of consultations in order to meet the Parliament's wish for a more active role in the life of the Community. He further proposed that a second "colloquy" be arranged for the second half of 1960 on the same lines as in 1959, and announced that it had been decided to forward replies to the Parliamentary questions on matters which had already been to some extent explored in the Councils. Finally, the President initiated a new practice by submitting a brief statement on the work done by the Councils. These statements will be made at regular intervals.

36. The annual 1960-1961 session opened on 26 March, the Parliament having amended its standing orders in November 1959 in such a way that the parliamentary year begins with the first session after 1 March, at which session the Parliament re-elects its officers and sets up its committees.

M. Robert Schuman's term of office having expired, the Parliament elected M. Hans Furler as its President, and MM. Fohrmann, Janssens, Hazenbosch, Battaglia, Vanrullen, Rubinacci, Kalbitzer and Vendroux as Vice-Presidents.

The general policy debate was opened with a statement by the European Commission on its recommendations to the Council concerning the speedier implementation of the Treaty of Rome. At the end of the debate which followed the statement, the Parliament passed a resolution "welcoming the action of the European Economic Community" and requesting "that the Commission, the Council and the Governments should accelerate the simultaneous and harmonious application of measures for the implementation of an economic, agricultural and financial policy and a common policy in the field of transport". (1)

(1) See Chapter I, Sec. 14.

37. The Parliament met on 10 May 1960 to consider the reports submitted to it on direct elections to the European Parliament, on the Community's economic policy, and in particular on the cyclical, regional and structural aspects of that policy.

THE COUNCIL

38. The Council held twelve sessions between 20 March 1959 and 15 May 1960. The French representative was President until 1 July 1959. In conformity with Article 146 of the Treaty, which stipulates that the office of President of the Council shall be exercised in rotation by each Member for six months in the alphabetical order of the Member States, the representative of Italy presided from 1 July to 31 December; he was succeeded on 1 January 1960 by the representative of the Grand Duchy of Luxembourg. In addition, the Conference of Representatives of Governments of the Member States has held several meetings to decide on matters within its competence, in particular to conclude the negotiations between the Member States on List G products and to nominate members to committees.

Since all the deliberations of the Council and of the Conference of Representatives of Member States closely concern the activities of the Commission, details of the measures taken by them are given in the various chapters of this General Report, and this chapter contains only a brief chronological list of meetings held since the Second General Report appeared, with a short summary of the main decisions taken.

39. The Council held its 21st session in Brussels on 5 May 1959 under the chairmanship of M. Giscard d'Estaing, Under-Secretary in the French Ministry of Finance. At this session, the Council passed the 1959 budget of the European Economic Community.

The Council heard a statement from M. van Lennep, Chairman of the Monetary Committee, on the first general report of the Committee, which was then discussed.

At the same session, the Council unanimously approved the Commission's recommendation to accept the proposal of Mr. Douglas Dillon, U.S. Under-Secretary of State, for a multi-lateral tariff conference in the framework of GATT in Geneva in 1960/61.

To enable the Community to participate fully in this multilateral tariff conference, the Council and the European Commission agreed to take the necessary action to have the common customs tariff worked out as fully as possible by 31 December 1959.

The Council also discussed the consultations which the Six had agreed to hold with certain Contracting Parties of GATT under Article XXII of the General Agreement. The Commission's recommendations on the general line to be followed by the Community's representatives at the Fourteenth Session of the Contracting Parties were accepted.

Finally, in connection with the disaster which had befallen the Republic of Madagascar, the Council heard a statement from the European Commission on the possibilities of action by the European Development Fund for the Overseas Countries and Territories.

40. The Council held its 22nd session on 25 July 1959 under the chairmanship of M. Giuseppe Pella, Minister of Foreign Affairs of the Italian Republic. It studied a request for association with the European Economic Community submitted by the Greek Government and, after consulting the Commission, unanimously decided to give a favourable reception to this request. It instructed the Commission to open a first round of exploratory conversations with the Greek Government.

The Council examined draft regulations for the European Social Fund submitted by the Commission, and it agreed to ask for the opinion of the European Parliament and of the Economic and Social Committee, as provided for in Article 127 of

the Treaty. It also agreed to examine the substance of the Commission's proposals when these opinions had been received.

At the same session, the Council fixed the proportions of the European Development Fund for the Overseas Countries and Territories to be devoted to the financing of social institutions (25-30 %) and to economic investments of general interest (70-75 %).

41. On 25 July, outside the Council meeting, the Representatives of the Governments of Member States renewed the membership of the High Authority of the European Coal and Steel Community. In addition, they received a delegation of members of the European Parliament who explained the difficulties the Parliament has to contend with because no decision had been taken concerning its seat. ⁽¹⁾

42. The Council met for its 23rd session on 11 September in Brussels under the chairmanship of M. Emilio Colombo, Minister of Industry and Commerce of the Italian Republic.

A discussion took place on the request for association put forward by the Turkish Government. While noting that this association involved certain problems, the Council, after hearing that the European Commission was in agreement, unanimously decided to give a favourable reception to the request, and instructed the Commission to initiate exploratory conversations with the Turkish Government.

43. The 24th session of the Council was held on 13 and 14 October under the chairmanship of M. Giuseppe Pella, Minister of Foreign Affairs of the Italian Republic, and M. Eugène Schaus, Minister of Foreign Affairs of the Grand Duchy of Luxembourg.

The Council heard a report on the status of the exploratory conversations which the European Commission had opened

⁽¹⁾ See Sec. 29 above.

with the Greek and Turkish Governments to work out particulars of the association of these two countries with the European Economic Community and requested the Commission to continue these conversations. At the same session, the Council also laid down the general lines of the attitude which could be adopted by the Six at the Fifteenth Session of the Contracting Parties of GATT.

After hearing a report from the European Commission, the Council discussed the progress of work in connection with the elaboration of the common external tariff, the negotiations on the headings covered by List G and the problems raised by the addition of further products to List G by the Member States.

At its October session, the Council also agreed on the draft operating budget of the European Economic Community for 1960 and transmitted it to the European Parliament.

Finally, the Councils agreed to a proposal, put forward by the Euratom Commission, for an Interim Committee consisting of leading representatives of the Member States, the Commissions and the High Authority of the European Coal and Steel Community, with M. Hirsch, President of the Euratom Commission, as Chairman, to study the various aspects of the establishment of a first European institute of university rank.

44. The Council held its 25th session on 23 and 24 November in Strasbourg under the chairmanship of M. Pella, Minister of Foreign Affairs of the Italian Republic. It approved the directives fixing the details of the right of natural and juridical persons possessing the nationality of one of the Member States to establish themselves in the overseas countries and territories.

The Council also examined the report of the Special Committee for the study of problems concerning a European economic association. On the basis of this report it took a number of decisions affecting the external relations of the Community.

The Council took note of the resolution addressed to it by the European countries which had recently formed a free trade association in Stockholm.

Finally, the Council took note of the latest exploratory talks between the European Commission and the representatives of Greece. It instructed the Commission to begin negotiations and decided to set up a special committee to give assistance.

45. On 24 November, the representatives of the Governments of the Member States, meeting under the chairmanship of M. Giuseppe Pella, appointed M. Giuseppe Caron to be a member of the Commission of the European Economic Community in place of M. Malvestiti, who had been appointed President of the High Authority of ECSC. After consulting the European Commission, the Ministers appointed M. Caron a Vice-President of the Commission, the appointment to run until 9 January 1960, in conformity with Article 161 of the Treaty.

After hearing the opinion of the Commissions, the Ministers extended until 9 January 1962 the terms of office of M. Hallstein, President, and MM. Mansholt, Marjolin and Caron, Vice-Presidents of the European Economic Community, and of M. Hirsch and M. Medi, President and Vice-President of the Euratom Commission.

46. Between the 25th and 26th session of the Council, the representatives of the Member States met in Brussels on 1 and 2 December under the chairmanship of M. Emilio Colombo, Minister of Industry and Commerce of the Italian Republic. This meeting dealt with the problems arising from the fixing of the common customs tariff for the products enumerated in List G annexed to the Treaty. An agreement was reached on tariff headings which represent about 30 % by value of the List G products imported by Member States from non-member countries in 1957.

These negotiations continued on 18 and 19 December on the occasion of the 26th session of the Council. The Ministers

made a careful study of the products in respect of which the fixing of a duty poses grave economic and social problems for certain regions of the Community.

47. The Council held its 26th session on 18 December in Brussels under the chairmanship of M. Colombo. After consultation with the European Commission, the Council finally adopted the 1960 operational budget for the European Economic Community.

It likewise adopted the provisional plan of implementation for the Community's budget and the separate sections of the budgets for the joint institutions and the secretariat of the Councils.

In accordance with the provisions of Article 38 of the Treaty, and on the proposal of the European Commission, the Council added a certain number of products to the list in Annex II of the Treaty.

48. The Council held its 27th session from 12 to 14 January in Paris with a view to co-ordinating the attitude of the Member States towards the special economic talks of 13 and 14 January, called by the Conference of the four Heads of Government. ⁽¹⁾

49. The 28th session of the Council was held in Brussels on 1 and 2 February under the chairmanship of M. Eugène Schaus, Minister of Foreign Affairs of the Grand Duchy of Luxembourg. The Council heard a statement by M. Luns, the Netherlands Minister of Foreign Affairs, according to which the Kingdom of the Netherlands requests that negotiations be opened with the European Economic Community for the conclusion of a convention associating the Netherlands Antilles economically with the Community.

The Council affirmed its readiness to begin negotiations for the association of Greece with the European Economic Com-

⁽¹⁾ See Chapter VI, Secs. 366 and 367.

munity, and for this purpose it was agreed that the terms of the directives by which the Commission would be empowered to begin these negotiations should be settled in the near future.

As regards the request of Turkey for association with the Community, the Council heard a statement from the European Commission on the status of the exploratory conversations it had been carrying out and noted that the Commission would shortly submit an outline agreement on the basis of which negotiations might be begun.

During this session the Council and the Commission discussed problems arising from the general economic trend. The Council noted the suggestions made by the Commission for the use of balance-of-payments surpluses and for adapting the management of public finances to meet the changing economic situation.

The Council accepted the principle of establishing a committee on policy relating to economic trends, as proposed by the Commission; the detailed procedures for the formation of this committee were left to be settled at a later meeting of the Council.

In view of the need for short-term measures to ease the tightness of the labour market in certain Member States, the Council approved the Commission's intention of convening a working party with the task of determining, within two months, the number of offers of employment at present not taken up and the manpower resources available in the Community and capable of effectively satisfying these offers.

At the same session, the Council heard from the chairman of the Competition Group of the European Commission a description of the principles on which the Commission proposes to base its policy on competition. The Council gave its agreement to the principles elaborated by the Commission.

At their session of 1 and 2 February, the Councils agreed that the British and American Governments be informed of the three Communities' intention to set up joint missions to the United Kingdom and United States' Governments. ⁽¹⁾

50. The Council held its 29th session in Brussels on 13 February with M. Paul Elvinger, Minister of Foreign Affairs of the Grand Duchy of Luxembourg, in the chair. The draft of the common tariff submitted by the Commission at the beginning of February was approved.

51. Again under the chairmanship of M. Elvinger, the Representatives of the Member States further examined List G and reached a certain number of agreements in addition to those concluded at the previous meetings.

52. The Council held its 30th session in Brussels on 25 February 1960 under the chairmanship of M. Pierre Grégoire, Minister of Transport of the Grand Duchy of Luxembourg.

The Council studied the draft rules for abolition of discrimination in the field of transport rates and conditions submitted by the Commission in conformity with Article 79 (3) of the Treaty. After giving its agreement to certain of the European Commission's proposals, the Council discussed the problem of publication and decided to study the draft regulations further at a later session.

53. The work done by the Representatives of the Member States led to the signature on 2 March 1960 in Rome of the agreement fixing duties applicable to List G products. ⁽²⁾

54. The 31st session of the Council was held on 9 and 10 March 1960 under the chairmanship of M. Eugène Schaus, Minister of Foreign Affairs of the Grand Duchy of Luxembourg.

⁽¹⁾ See Chapter VI, Sec. 390.

⁽²⁾ See Chapter VI, Sec. 354.

The Council heard a statement by M. van Lennep, Chairman of the Monetary Committee, in which he introduced the second annual report of this Committee.

The Council also decided on the legal procedure for establishing the Committee on policy relating to economic trends, which it had decided to set up at its session of 1 and 2 February. This Committee consists of three representatives of each Member State and of three from the European Commission.

The Council adopted the main lines of a first draft directive on the progressive abolition of restrictions on the movement of capital, submitted to it by the Commission in conformity with Article 69.

After a final exchange of views with the European Commission, the Council gave it instructions for the negotiations with Greece and requested that these be opened as soon as possible. It also had an initial discussion on the Commission's recommendations for speeding up the Treaty, which were given a favourable reception.

The Council also instructed the Commission to continue the technical study of the problems which would be involved in the association of the Netherlands Antilles with the Community.

Finally, the Council decided to make every effort to ensure that the statute of service of the personnel of the Communities could come into force on 31 July 1960.

55. Under the chairmanship of M. Eugène Schaus, Foreign Minister of the Grand Duchy of Luxembourg, the Council held its 32nd session on 10 and 11 May 1960 in Luxembourg, and on 12 May in Brussels.

The Ministers, dealing with the recommendations of the European Commission on speeding-up the implementation of the Treaty, and acting in their capacity as representatives of the

Governments of the Member States meeting in the Council, took certain decisions intended to secure the acceleration of the Treaty. They also passed declarations of intention concerning the internal speed-up and external relations. The Council instructed its President to communicate to the countries concerned the text of the declaration of intention concerning external relations. ⁽¹⁾

Having reviewed with the Commission the progress attained in the negotiations with Greece, the Council instructed the Commission to proceed with these so that an agreement of association between the Community and Greece might be concluded with the least possible delay.

The Council considered that the phase of exploratory conversations with Turkey could be regarded as ended and requested the European Commission to enter into negotiations with representatives of the Turkish Government to study terms on which an agreement of association may be concluded.

The Council instructed a special working party, composed of delegations of the Governments and of the European Commission, to study the Netherlands memorandum concerning the request of the Kingdom of the Netherlands for negotiations on the economic association of the Netherlands Antilles with the Community and to examine the technical report drawn up by the European Commission. In this way it should be possible to settle the contents of an agreement of association with the Netherlands Antilles. The special working party will submit its findings to the Council.

The Council, which for the examination of this question was composed of the Ministers of Labour and Social Affairs of the Member States, heard a statement by the European Commission on the social policy of the Community. After a study of the draft rules for the European Social Fund which the Commission had laid before it, the Council laid down and unanimously approved the final text of these rules.

⁽¹⁾ See Chapter I, Secs. 22 and 23.

At this session the Council also adopted a regulation which will enable the European Commission to investigate labour costs and workers' incomes in the six states. The regulation, which is based on Article 213 of the Treaty, settles the bounds and conditions in which information is to be collected. ⁽¹⁾

Having in its session of 9 and 10 March given its approval in principle to the European Commission's first proposal for a directive on the gradual elimination of restrictions on the movement of capital, the Council unanimously decreed the final text of this first directive.

THE COURT OF JUSTICE

56. In the autumn of 1959, the Court of Justice of the European Communities, presided over by M. Donner, constituted its two chambers for the law year; M. Delvaux and M. Rossi were elected presidents of the chambers.

57. On 12 November 1959 M. Jacques Rueff, a judge at the Court of Justice, submitted his resignation to the President of the Court. M. Rueff's letter of resignation was transmitted to the Council on 21 December 1959 and the seat thus became officially vacant. At the time of publication of this General Report, the successor, who will be appointed for the remainder of M. Rueff's period of office, i.e. until 7 October 1964, had not yet been chosen.

58. On 3 March 1959, the Court agreed to new rules of procedure which adapt the provisions of the old rules to the new tasks entrusted to the Court by the Treaty of Rome.

59. Up to the present no appeal against substantive decisions taken by the institutions or the Member States has been lodged with the Court. As far as the European Economic Community is concerned, the Court has only had to deal with four appeals ⁽²⁾

⁽¹⁾ See Chapter IV, Sec. 297.

⁽²⁾ See this Chapter, Sec. 79, Para. 3.

against decisions taken by the European Commission to dismiss members of its staff.

THE ECONOMIC AND SOCIAL COMMITTEE

60. During the period under review, the Economic and Social Committee was consulted by the European Commission, in conformity with the provisions of the Treaty, on the Commission's first proposals for a common agricultural policy.

The Committee was consulted by the Council on the proposals worked out by the European Commission under Article 79 (3) of the Treaty for the abolition of certain discriminations in rates and conditions of transport, and on the draft regulations for the Social Fund submitted to the Council by the Commission.

In addition to these consultations required by the Treaty, the European Commission asked the opinion of the Economic and Social Committee on other problems, including the commercial policy of the Community, and raised points which led to several general discussions in the Committee on the chief problems of the day.

On each occasion the mandatory or facultative opinions requested of the Economic and Social Committee, and all the discussions, were prepared in numerous meetings of the special sections of the Committee.

61. The Economic and Social Committee held its 6th session on 28 and 29 April 1959. It discussed with the Commission the Community's commercial policy and, without waiting until it was in a position to issue the opinion it had been asked to give on the harmonization of trade policy measures, it passed a recommendation expressing the wish that the Member States should not without prior agreement change the conditions of their trade with State-trading countries or with countries where wages are abnormally low.

At this same session, the Committee gave a favourable opinion, subject to certain observations made by members, on the draft directives laying down the terms for the progressive application of the right of establishment in the overseas countries and territories associated with the Community and in the French overseas departments.

62. At its seventh session on 23 July, the Economic and Social Committee gave an opinion on the harmonization of certain measures of commercial policy during the transition period. ⁽¹⁾

63. The Economic and Social Committee was requested by the Council, in conformity with Article 79 (3) of the Treaty, to give an opinion on the European Commission's proposals concerning the elimination of certain discriminations in transport rates and conditions. The Committee's opinion, given at the session of 28 to 30 October, was favourable to the Commission's proposals as a whole.

At the same session the Committee also pronounced itself in favour of the Commission's draft regulation for the European Social Fund, on which it had been requested by the Council, under Article 127 of the Treaty, to give an opinion.

During this session, the Committee also heard a statement from the Commission on the economic and financial policy which it intends to implement.

64. On 7 November, the European Commission had submitted to the Economic and Social Committee its first proposals on a common agricultural policy, drawn up in accordance with Article 43 (2) of the Treaty. On 6 May the Committee passed, by 73 votes to 0 with 19 abstentions ⁽²⁾, an opinion which on the whole was in favour of the Commission's proposals.

⁽¹⁾ See Chapter VI, Sec. 351.

⁽²⁾ See Chapter IV, Sec. 252 et seq.

THE MONETARY COMMITTEE

65. The Monetary Committee held eleven meetings during the period covered by the Third General Report.

It has carried out regular examinations of the monetary and financial situation of the Member States, following which it submitted to the Council and to the European Commission reports embodying its conclusions on any measures of monetary and financial policy called for by the situation in these countries. In addition the Committee, which had been associated by the European Commission with the preparatory work on the first directives for the freeing of capital movements, was formally consulted, on a proposal of the Commission in accordance with Article 60 of the Treaty, before the recommendations were finally drawn up and transmitted to the Council. ⁽¹⁾

In February and March, the Chairman of the Monetary Committee submitted the second annual report of the Committee to the Commission and the Council, which authorized its publication.

THE TRANSPORT ADVISORY COMMITTEE

66. The European Commission has associated the Transport Advisory Committee (Article 83 of the Treaty) with the preparatory work concerning the establishment of the rules required under Article 79 (3) of the Treaty for the introduction of provisions to eliminate certain discriminations in transport rates and conditions.

The Committee, after holding five working meetings on the matter, replied to the Commission's questions in a report submitted on 14 June 1959. The opinion of the Transport Committee has supplied the Commission with useful information on which to base its policy.

⁽¹⁾ See Chapter III, Sec. 128.

THE COMMITTEE OF CONTROL

67. Under Article 206 of the Treaty establishing the European Economic Community, and Article 180 of the Treaty establishing the European Atomic Energy Community, the accounts of all the income and expenditures of the budgets of the Communities must be examined by a Committee of Control.

Having laid down the statute of the Committee of Control, the Councils on 1 July 1959 appointed the following auditors: MM. Bauchard (France); Duhr (Luxembourg); Freddi (Italy); Heck (Germany); Simons (Netherlands); Vaes (Belgium).

On 8 July 1959, the Councils nominated M. Freddi Chairman of the Committee of Control.

M. Heck died on 24 February 1960 and has not yet been replaced.

68. The Committee of Control commenced its work on 5 June 1959.

It presented its first report, on the accounts of the financial year 1958, to the two Communities on 16 March 1960. That part of the report which deals with the Joint Services was prepared by the Committee of Control and the Auditor of the European Coal and Steel Community working together.

CO-OPERATION BETWEEN THE EUROPEAN EXECUTIVES

69. The three Executives have developed their co-operation under various forms. They have compared their points of view on common problems both at plenary meetings of the three organizations and at meetings of the three Presidents. In addition, frequent meetings have been held by the inter-Executives working parties established to cover fields where the tasks to be

performed by the Executives are related. Joint action has been studied and work in progress in the services usefully coordinated. During the period covered by this General Report, the inter-Executives working party on energy problems has been particularly active.

The internal organization of the joint services established by the Executives has made progress. Certain problems arising in particular from the dispersion of offices are in the process of settlement after an agreement made between the three Presidents and approved by the three Executives. These problems concern particularly the Information Service, as the joint Legal Service and the Statistical Office of the European Communities had worked to everyone's satisfaction.

70. Consultations have taken place both in Luxembourg and Brussels on questions of common interest in the field of transport.

In particular, the European Commission has requested the opinion of the High Authority on certain problems in connection with the rules for the elimination of discrimination to be enacted pursuant to Article 79 (3) of the Treaty of Rome.

For its part, the High Authority has requested the opinion of the Commission on the question of publishing the rates and conditions for the transport by road of products which come under the authority of ECSC.

Another aspect of this co-operation is the participation of officials from the Commission in the work going on in ECSC concerning freight charges on the inland waterways west of the Rhine.

Liaison missions are working both in Luxembourg and Brussels; their main tasks are to facilitate contacts between the two Executives and to ensure that they are kept informed of each other's activities.

71. As early as the end of 1958, an inter-Executives working party on energy policy was set up in line with the protocol of 8 October 1957, by which the Special Council of Ministers entrusted the High Authority of ECSC with the task of making proposals, in co-operation with the other two European Executives, for the co-ordination of national policies in this field. The Group devoted its first meetings to the study of the initial report on the co-ordinated energy policy drawn up by the "Joint Committee" established by agreement between the High Authority and the Special Council of Ministers before EEC and Euratom came into existence.

In May 1959, the tasks of the inter-Executives Group were considerably widened in the light of the co-ordination problems posed by competition between the various sources of energy. At the same time the High Authority, in view of its special responsibilities under the terms of the 1957 Protocol, was instructed to provide the chairman and the secretariat of the Group (which from now on will consist of two members from each Executive instead of one).

An aide-mémoire approved by the Executives has laid down the rules to be followed in this work. This document instructs the High Authority, in co-operation with the other Executives, to submit proposals to the Special Council of Ministers of ECSC. This will involve preliminary consultations with Governments in order to prepare the discussions in the Council.

The EEC and Euratom Commissions are represented at meetings of the Council when energy problems are on the agenda.

The aide-mémoire also specifies that the High Authority shall agree with the Commissions of EEC and Euratom to arrange for hearings of the various circles concerned. In addition, the High Authority, in co-operation with the other Executives, shall be responsible for:

1. The regular working out of short-term forecasts (yearly balance sheets) and medium-term forecasts on which the experts from the circles concerned and the representatives of those authorities responsible for the co-ordination of energy in each Member State (the latter grouped in the Joint Committee) will be required to give an opinion. These forecasts may be made public;
2. The preparation of long-term forecasts of requirements and available resources.

Finally, the aide-mémoire contains the following recommendations to the Council of Ministers:

- That the co-ordination of energy questions be organized in each Member State
- That the Special Council of Ministers examine at regular intervals, and against the background of the general economic development, the forecasts and the conditions for a balanced energy supply, both short and medium-term, and also the conditions for a long-term balance (general objectives); and
- That solutions be worked out in this way to achieve a satisfactory balance under a co-ordinated energy policy.

72. In October 1959, the work of the Inter-Executives Group was concerned more especially with forecasts for 1960 and with the longer-term trends in the development of the Community's energy economy. In order to prepare a report elaborating the suggestions on energy policy, the Group set up three ad hoc working parties of officials.

The task of Working Party No. 1 is to examine the 1960 balance sheet from the angle of more long-term developments and, in particular, of structural changes.

Working Party No. 2 has been instructed to gather all available information on conditions of competition and to study the various possibilities of harmonizing them.

Working Party No. 3 is to define the problems raised by the co-ordination of energy policy and to work out possible solutions.

73. The three ad hoc working parties met regularly during November and December 1959. They made contact with the national administrations for the purpose of comparing the High Authority's plans with the estimates made by these administrations and acquiring more precise information on measures being taken in the energy sphere in the six countries. The experts submitted their suggestions to the inter-Executives Group, which has established an interim report; this has been communicated by the High Authority to the Special Council of Ministers at the latter's request.

In the first quarter of 1960, the ad hoc working parties drew up a series of annexures to the interim report. These deal with certain fields in which the co-ordination of energy policy gives rise to specific problems because of conditions of competition, commercial policy, the closing down of productive capacity, etc.

A study originating from the Commission of Euratom and dealing with the medium and long-term aspects in the field of nuclear energy was submitted to the Special Council of Ministers. The inter-Executives working party considered that it would be useful if the three Communities were to agree without further delay on the basis to be used for long-term forecasts.

74. The inter-Executives group for social affairs, which was set up in 1958, met frequently during the period under review. It prepared a review of the activities and studies of the three Executives in the social field, so as to avoid overlapping and to bring together information of common interest.

With this end in mind, the three Executives have decided to arrange a conference on the economic and social consequences of new techniques, the rationalization of labour and co-ordination of those activities of the international organizations which are of concern to the EEC, the ECSC and Euratom.

THE JOINT SERVICES

Installation of the Supervisory Boards

75. The agreement concluded between the Executives provides among other things for the installation of Supervisory Boards for each of the joint services. ⁽¹⁾

According to the Executives' decisions, each Supervisory Board will consist of three members, one for each Executive, and decisions will be taken unanimously.

The chairman of each Board shall be the representative of the Executive responsible for the day-to-day administration of the corresponding joint service. The chairmen of the Boards will be provided as follows:

| | | |
|-----------------------------|---|---------------------------------------|
| EEC Commission | : | Joint Information Service |
| Euratom Commission | : | Joint Legal Service |
| High Authority of the ECSC: | | Statistical Office of the Communities |

The tasks of the Supervisory Boards are:

- a. To submit annually to the three Executives for approval the preliminary draft budget of each of the joint services, along with its table of establishment and its programme of work for the year;
- b. To decide on staff recruitment and promotions;
- c. To supervise the execution of the general programmes of work.

⁽¹⁾ See this Chapter, Sec. 69.

Administrative and budgetary supervision of the joint services will in each case be managed by the Executive responsible to the two others for the proper functioning of the service in question. Nevertheless, a joint service is attached to a particular Executive only for administrative and budgetary matters, and problems affecting the general policy of the service are dealt with exclusively by the Supervisory Board.

The committee for co-operation between the Executives, which has been responsible up to the present for the management of the three joint services, is consequently abolished, as is the inter-Executive Press working party and the central office for expenditure commitments.

Joint Information Service

76. The inter-Executives working party on Information, set up in February 1958, managed the joint service until March 1960. It dealt with programmes of work, tables of establishment, the budget and the scale of allocations, and staff questions. Since March 1960, its powers have been vested in the Supervisory Board for Information, which is presided over by M. Giuseppe Caron, a Vice-President of the European Commission. The other members of the Board are M. Sassen, delegated from the Euratom Commission, and M. Wehrer, from the High Authority.

The European Commission has, moreover, set up a working party on information problems. This party works under the chairmanship of M. Caron and its members are MM. Mansholt and Marjolin, Vice-Presidents of the European Commission, and M. von der Groeben, a Member of the Commission.

Statistical Office of the Communities

77. Until March 1960, the Statistical Office of the Communities was under a Committee presided over by M. Petrilli, a Member of the European Commission. Since then it has been

under a Supervisory Board whose chairman is M. Albert Coppé, a Vice-President of the High Authority. The representatives on the Board for the European Commission and Euratom Commission are M. Petrilli and M. De Groot.

78. In co-operation with the national and international statistical services, particularly those of the six Community countries, with ECE and with OEEC, the Statistical Office of the Communities is continuing the work of harmonization already begun by the statistics division of the High Authority in the coal and steel sector.

Within the particular field covered by the European Economic Community, the activities of the Statistical Office have been concerned up to the present with the following:

- a. *General statistics*: improvement of statistics on the economic trend, which in their present form are inadequate for the needs of the Community; national accounts; possibilities of improving and extending the standard OEEC system; forecasts on demographic trends; observation of developments in non-member states, especially the states in the East.
- b. *Commercial and transport statistics*: preparation of a nomenclature reconciling that established by the UN with the Brussels Nomenclature; repercussions of the common external tariff on the external trade of the various countries and the Community as a whole; statistics on liberalized imports and imports subject to quotas.
- c. *Industrial statistics*: comparison of the industrial production indices of the six Community countries.
- d. *Social statistics*: evaluation of a study on employment and manpower in the Community countries (based exclusively on the statistical records available in the

various countries; preparation of an inquiry into wages, both as an element of production costs in enterprises and as workers' income; publication of hourly wages paid in leading industries (these figures are not comparable between countries).

- e. *Agricultural statistics*: rearrangement and sorting of the records available in the Community countries, with due regard to the statistical methods and definitions used in each.

The Statistical Office issues a series of regular publications: the "Bulletin général de statistiques" (General Statistical Bulletin, known till January 1960 as the "Notes statistiques rapides") together with complementary series covering industry, agriculture and social questions, and two series on foreign trade under the title "Commerce extérieur - Tableaux synoptiques". The Statistical Office has also published a handbook of statistics on energy, iron and steel entitled "Mémento de statistiques - Energie (charbon et autres sources d'énergie) - Sidérurgie".

The Joint Legal Service

79. The Joint Legal Service will in future come under a Supervisory Board headed by M. Sassen, a Member of the Euratom Commission. The two other Executives will be represented by M. Rey, a Member of the European Commission, and M. Wehner, a Member of the High Authority.

The three branches of the legal service of the European Executives have worked in close liaison with a view to ensuring uniform interpretation and application of the European Treaties. They have consulted one another each time the issues treated by one of them were likely to influence the activities of the other European Executives. Several members of the Joint Legal Service were made available for consultation and studies of common interest to the three Communities.

The EEC branch of the Joint Legal Service co-operated in studies undertaken by the staff of the European Commission, either by way of taking part in working groups or by giving oral advice or preparing written opinions. The draft proposals to be submitted to the Council, the draft regulations, directives, decisions, recommendations or reasoned opinions of the European Commission are generally drawn up under its supervision. The Joint Legal Service defended the European Commission in the first four cases brought against the Commission before the Court of Justice of the European Communities (cases 43/59 - 44/59 - 45/59 - 48/59).

*THE INTERNAL ADMINISTRATION OF THE EUROPEAN
COMMISSION*

80. In the course of the period covered by this General Report the European Commission continued to build up its services. In recruiting its staff it has endeavoured to keep numbers as low as possible so as not to encumber its administrative apparatus and to respect its budget authorities' call for economy.

The Council authorized the European Commission to bring the number of established staff up to 1,686 by 31 December 1960. By 1 April 1960, the European Commission had recruited and appointed 423 employees of Group A, 284 of Group B and 648 of Group C. It had further appointed 88 interpreters and translators, thus bringing the total number of established employees to 1,443. On 1 January 1960, a further 60 auxiliary employees were working in non-established posts.

Because of the expansion of its services, the Commission has needed new office accommodation. Thanks to the close co-operation between the Belgian authorities and the administration of the European Commission, new buildings could be taken over on most favourable terms.

Concurrently, the auxiliary services of the Commission (documentation, library, archives, linguistic service) have been strengthened to enable them to meet the growing requirements of the Commission and where necessary—especially in the case of interpreters—of the other institutions.

81. The Councils have decided to take the steps necessary to ensure that the statute of service for the officials of the European Economic Community and the European Atomic Energy Community can be applied from 31 July 1960.

The basis of the salary arrangements for the officials of the new Communities has already been laid down by the Councils. These arrangements are to be applied at the same time as the statute of service proper, of which they form part. It is intended that the statute of service for the new Communities shall reflect the main features of the ECSC statute of service, so that the two may eventually be brought into line.

82. The work on the statute of service is done by the Council and experts from the Member States in co-operation with the European Commission. The European tax system applicable to the members of the Commission, the judges, advocates-general, the registrar and assistant registrar of the Court and to the established employees of all the institutions of the Communities, is closely linked to the statute of service and, in particular, to the pay scales laid down therein.

In accordance with the provisions of the Treaty, the Commission has submitted to the Council a draft regulation concerning taxation of salaries, wages and emoluments.

83. On 19 September 1959, the Commission laid the preliminary draft budget for 1960 before the Council. On 18 December 1959, the Council passed the budget for the European Economic Community. It had introduced amendments to the provisional estimates submitted by the Commission, which produced a saving of 4 %.

In 1959 the European Commission also presented a draft financial regulation dealing with the methods for rendering and auditing accounts. The Council adopted this regulation on 15 May 1959.

In June a draft financial regulation laying down the methods and procedure whereby the contributions by the Member States shall be made available to the Community was submitted to the Council, and in September there followed a draft defining the methods for drawing up a budget and establishing the rules concerning the responsibility of pay-commissioners and accountants and arranging for the relevant supervision.

These regulations, which the Commission hopes will be adopted by the Council in the first half of 1960, will make available a complete and final set of rules as envisaged in Article 209 of the Treaty. They will replace the provisional rulings adopted in 1958 and 1959 to meet the operational needs of the European Commission and the Euratom Commission.

84. The European Commission has worked with the Council and with the Joint Services in drawing up the following regulations:

- Decree fixing the implementation of Article 6 of the Convention relating to certain institutions common to the European Communities, adopted by the Councils on 28 July 1959 in agreement with the two Commissions and the Committee of the four Presidents of the ECSC.
- The statutes of the Committee of Control (Article 206) decreed by the Council on 15 May 1959.

LIAISON WITH EMPLOYERS' AND WORKERS' ORGANIZATIONS

85. The relations the European Commission maintains with the employers', workers' and agricultural organizations which have been set up at the Community level are based on mutual

confidence. The establishment of the Common Market led employers' and workers' organizations to put forward claims for new responsibilities in the economic and social fields. The interest felt by these organizations in finding solutions to Community problems is to be seen in the active part taken by highly qualified persons in various consultative organizations of the Community. The Commission is aware that the establishment of the Common Market calls for the active support of these organizations and their members. It has therefore on several occasions drawn their representatives into the preparatory work being done by its staff. Discussions and exchanges of information have taken place on subjects which do not lend themselves to contacts of such formal character as direct association with the work of the Commission or its services.

In the social field in particular, both sides of industry are consulted before the European Commission adopts the final text on any proposals on a problem of importance.

When working out its initial proposals for an agricultural policy, and also after these proposals had been submitted, the Commission kept itself informed of the opinion of the agricultural and other organizations concerned. It is giving careful consideration to their reactions and suggestions.

Liaison with the Union of Industries of the European Community (UNICE), the Committee of Commercial Organizations in the countries of the EEC (COCCEE) and the International Chamber of Commerce, as well as with employers' and workers' organizations at Community level in certain industries, has made possible an exchange of information on problems of competition and facilitated discussions on the chances of solving these problems or of finding methods and procedures which hold promise of such a solution. Problems arising in connection with understandings and monopolies, with the approximation of legislation and with taxation have already been examined by this method of co-operation.

Through its contacts with the trade unions the European Commission has been able to arrange a number of discussions dealing in particular with social questions, economic and financial matters, the common agricultural policy, transport and the speed-up in the implementation of the Common Market.

CHAPTER III

THE ESTABLISHMENT OF THE COMMON MARKET

86. In the broader field of integration of economies and harmonization of economic policies, the European Economic Community is moving towards an ever closer merging of national markets which in the end will eliminate from one large, common market the barriers that hamper trade between the states concerned.

To attain this aim the first essential is to do away with the trade restrictions between Member States which still existed when the Treaty came into force and to ensure the free movement of goods as the most obvious and tangible sign that economic contacts between the markets being merged are being intensified. The first steps had been taken on 1 January 1959 to reduce customs duties and to widen quotas in accordance with the rules laid down by the Treaty. On 1 January 1960, quotas were increased a second time. In addition, the complementary or special procedures provided for certain sectors are also being gradually introduced.

87. Though its first work was concerned with tariff and quota reductions, the Community has also been endeavouring to translate into practice those provisions which will ensure the free movement of persons, services and capital in addition to that of goods, and which will complete the opening of all markets by eliminating any obstacles standing in the way of the various activities or operations which often serve to supplement or support production and trade. Whereas the Treaty is precise in its definition of principles and general rules, it leaves its institutions wider discretion in determining the methods to be followed and the steps to be taken in this field. The Commission has therefore worked out with the Member States action programmes for the various stages of the transition period.

88. Parallel with this far-reaching liberalization within the Common Market, the Treaty, seeking to procedure a genuine

merger of markets in which each economic agent shall enjoy equal openings and bear equal burdens, provides for the introduction of common rules of competition to ensure that the competitive system shall be fair and sound. At the moment, the most important thing is to make competition more effective by prohibiting practices likely to limit or to distort the results of the elimination of barriers to trade. The guiding principles of competition policy have been defined and a part of the procedure has been worked out for applying the Treaty's rules on understandings, dominant positions, dumping and subsidies. The Commission has already taken its first practical decisions to ensure the implementation of these rules. Studies are being undertaken and measures prepared for the approximation of municipal laws where their divergence causes distortion of competition; discriminatory provisions are to be modified in a manner which will facilitate the establishment and smooth functioning of the common market.

89. The implementation of the Treaty, the full effect of which will not be felt for some time, has already led to a greater dovetailing of the national markets. This is reflected in a greater awareness, in closer co-operation among economic circles, in the consequent structural changes affecting the field of production and also in the increase of trade within the Community.

I. The free movement of goods

90. Customs duties and quantitative restrictions as well as taxes and measures of equivalent effect are the most obvious, though not always the most effective, obstacles to free trade within the Community. They are to be completely eliminated by the end of the transition period; the degree of protection which they still provide varies greatly from one country to another and from one product to another, depending on the extent of import duties or of liberalization resulting from international obligations outside the Treaty. The first measures of customs and quota reductions which took place on 1 January 1959 and 1 January 1960 in accordance with the Treaty, have on the whole been applied

by Member States in the manner required by the Treaty; their repercussions on trade and on preferences within the Community have varied greatly. In certain sectors of such a nature that automatic application of the general machinery could not work or would jeopardize essential economic interests, special provisions are being gradually implemented in order to safeguard the development of trade.

THE REDUCTION OF CUSTOMS DUTIES

The results of the first cut in tariffs

91. It seems to the Commission that it would be useful to complete the information given in the Second General Report concerning the effects of the tariff cuts made on 1 January 1959.

When the Treaty came into force, customs protection varied greatly among Member States. Thus, the economic effects of the first 10 % reduction on 1 January 1959 varied appreciably in proportion to the higher or lower level of customs duties.

Customs protection has been reduced mainly for certain raw materials, for finished industrial goods, for most agricultural produce in France and Italy, and for some industrial products in the Benelux countries. In the Federal Republic of Germany, tariff reductions were limited to agricultural produce and certain industrial goods such as textiles and leather, which were not affected by the 25 % reduction introduced on 20 August 1957 in view of the prevailing economic trends.

92. In principle, the first reduction of duties should have led to a 10 % duty preference for Member States in respects of all headings in the national tariffs which were not on 1 January 1957 already exempt from customs duties irrespective of their origin.

In practice, however, the Community has waived much of this preference in line with the liberal commercial policy it proposes to follow vis-à-vis non-member states. By a decision

dated 3 December 1959, the Council extended to other trading partners in GATT the tariff reductions on industrial products and non-liberalized agricultural produce subject, however, to the resulting tariff rates not falling below those envisaged for the common customs tariff. In the case of Italy and France, whose custom duties were almost all higher than those of the common customs tariff, the Council decision therefore considerably limits the tariff preference from which the other Member States could have benefited.

In the case of the Federal Republic of Germany, a preference arose only for industrial products not affected by the reduction of 20 August 1957 and for some of the non-liberalized agricultural products.

On the other hand, most of the products originating in the Member States enjoy tariff preference when imported into the Benelux countries, whose duties on the whole lie below those of the future common external tariff. The effect of this preference is, however, limited, because of the low level of customs duties.

It is estimated that about one-third of the trade among the Member States of the Community has benefited from tariff preference.

93. In making its checks on the way tariff reductions have been applied by the Member States, the Commission has sought in particular to watch over

- The standstill obligation of Article 12, which forbids any increase of customs duties in trade between Member States once the Treaty has entered into effect, and
- The fixing of “basic duties” in accordance with the definition laid down in Article 14 (1) of the Treaty, that is to say duties effective between the Member States on 1 January 1957 and taken as the basis for the successive reductions.

The Commission has found that the Treaty obligations have been observed virtually without exception by all Member States. The very rare cases in which steps taken were not compatible with the provisions of the Treaty were often simply due to an error in the fixing of a basic duty, or referred to matters of secondary economic importance. On the whole the infringements of the Treaty noted by the Commission in the tariff field and in respect of which it has applied the procedure laid down in Article 169, affect no more than a very small fraction—less than 1 %—of the Community's internal trade.

*Preparation of the second reduction of customs duties
amongst the Member States*

94. On 1 July 1960, the Member States are required to apply amongst themselves the second reduction of customs duties provided for in the Treaty. This reduction differs from the first in that the Member States can introduce varying reductions provided they total up to 10 % of the overall amount of duties and each basic duty is reduced by not less than 5 % (Article 14 (3)). However, duties of a fiscal nature and those customs duties which were still over 30 % after the first reduction must be reduced by 10 %.

On 21 December 1959 the Commission, which felt that a linear reduction would make it easier to attain the Treaty objectives, issued to Member States a recommendation that, with effect from 1 July 1960, they should reduce the customs duties on all products by 10 % of the basic duty. The Member States have expressed their willingness to adopt this method. ⁽¹⁾

Customs duties of a fiscal nature

95. After the Member States had communicated a list of their customs duties of a fiscal nature, the Commission, in con-

⁽¹⁾ This indication of what is to be done under the Treaty on 1 July 1960 is given independently of the measures outlined in Chapter I (Speedier implementation of the Treaty).

formity with Article 17 (4), authorized the Federal Republic of Germany to retain duties of a fiscal nature on certain petroleum products which do not appear in the Protocol concerning mineral oils and on certain of their derivatives. This authorization was granted on the condition that these duties be totally abolished not later than six years after the entry into force of the Treaty.

96. At the beginning of 1959, some Member States replaced customs duties of a fiscal nature by internal taxes. After investigating the cases laid before it, the Commission found that these measures were not incompatible with the letter of the Treaty. The Commission has nevertheless emphasized the harmful consequences of such measures, both psychologically and politically, because they deprive consumers of certain advantages which they had a right to expect from a reduction of customs duties.

Taxes with an effect equivalent to customs duties

97. The taxes with an effect equivalent to customs duties which the Member States apply are of small importance in relation to the total volume of trade. Many of them were introduced when agricultural markets were being organized, and they must be considered in the light of the special characteristics of this sector. The Commission is at present preparing a list of all charges, other than customs duties and the internal taxes covered by Article 95 of the Treaty, on goods imported into each of the Member States. This list will be used as a basis for defining, and consequently for eliminating, the taxes with equivalent effect.

QUOTA DISARMAMENT

Significance of quota protection

98. In Article 33 the Treaty provides that on 1 January 1959 bilateral quotas should be converted into global quotas. At that date these global quotas were also enlarged by 10% where they exceeded 3% of national output; in all other cases the quotas to be opened were to equal 3% of national output.

The dateline of 1 January 1960 brought a second 10 % increase of the so-called "normal" quotas; the so-called "nil or small" quotas were set at 4 % of national production.

In so far as quantitative restrictions still exist in the Member States, imports within the Community will not in future be made under the old bilateral arrangements with their periodical negotiations, but under the multilateral global quotas with their automatic annual increases; these will ensure a gradual increase in the amounts that can be imported and, at the latest by the end of the transition period, the total abolition of quantitative restrictions.

In fact, quota disarmament as defined in Article 33 and its practical repercussions on trade vary with the level of quota protection still found in Member States; today this type of protection affects a constantly shrinking section of trade and decreasing number of products. On the entry into force of the Treaty, the Member States had already to a large extent abolished import quotas and, in the wider setting of the OEEC, had attained liberalization levels for private trade in excess of 90 %. (1) Further liberalization measures were taken in 1959 and 1960, especially by France, whose commercial policy is thus being brought more and more into line with that of the other Member States. As a result, many global quotas have already been wholly or partly abolished since 1 January 1959.

(1) At present, liberalization of private trade within OEEC has reached the following figures, which must, however, be considered in the light of the different base years:

| Country | Base year | Agricultural products and foodstuffs | Raw materials | Finished goods | Total |
|-----------------------------|-----------|--------------------------------------|---------------|----------------|-------|
| Federal Republic of Germany | 1949 | 86.7 | 91.8 | 100 | 92.2 |
| Benelux | 1955 | 89.8 | 99.5 | 96.6 | 97 |
| France | 1957 | 74.8 | 97.9 | 86.7 | 89.4 |
| Italy | 1948 | 94.6 | 100 | 99.2 | 98.4 |

99. There remain, therefore, in all the Member States certain products which are still imported subject to quantitative restrictions or to which the liberalization of trade does not even apply yet. These are mainly agricultural products or foodstuffs and to a lesser degree processed industrial goods, both of which still require temporary protection against external competition in order to allow production units to adapt themselves to the requirements of keener competition.

The following are some of the main products concerned:

- In the Federal Republic of Germany, mostly agricultural produce (fruit and vegetables, processed and preserved fruit and vegetables, animals and meat preserves, potatoes, animal and vegetable oils and fats, seed and wines) and products of the foodstuffs industry;
- In the Benelux countries, industrial goods (motor cars, fertilizers, chemicals, plastics, leather, glass), agricultural produce (meat, fish, dairy produce, vegetables and fruit);
- In Italy, industrial goods such as motor cars and certain printing machines, and agricultural produce, such as wines, dairy produce and certain types of fruit;
- In France, industrial goods (china, cutlery, refrigerators, drilling and boring material, photographic and cinematographic material, typewriters, clocks and watches, vacuum-cleaners, radio and television sets, equipment for aircraft and shipping, certain organic chemicals and textiles, furniture and toys) and agricultural produce (meat, fish, fruit and vegetables preserves, pastes, animal feeding stuffs, fruit and vegetables).

100. The protection afforded by bilateral quota arrangements at the time of the entry into force of the Treaty varied considerably between the products subject to quantitative import

restrictions. While it was complete in cases where import was prohibited, it was in most cases limited because the more vigorous trade relations developed among the Member States has in recent years resulted in constant widening of the quotas negotiated in the bilateral agreements.

Implementation of measures to widen quotas

101. The first measures of quota disarmament which were taken in 1959 and 1960 contributed to a noticeable increase in the quantities of non-liberalized products which it was possible to import. All Member States have increased quotas by over 20 % overall each year, and fixed nil or small quotas at no less than 3 %, later 4 %, of national output. This increase has had a very clear effect on the level of small or nil quotas. Thus some definite progress has been made towards full liberalization of trade in the most sensitive and most highly protected sectors.

The checks made by the services of the Commission, in close co-operation with the experts of the Member States, have shown that the Treaty obligations have, on the whole, been satisfactorily observed. At the end of 1959 the Commission made some comments and some recommendations on particular points. It used the procedure laid down in Article 169 only in relatively rare instances, of minor economic importance, where it found that the legal obligations contained in the Treaty had been infringed.

It is true that certain of the terms of Article 33, in particular those referring to the calculation of quotas on the basis of national production, have not been uniformly applied; the Commission will submit proposals to the Council for a modification of the procedure laid down, so that any adjustments necessary for the progressive elimination of quantitative restrictions shall be in conformity with the legal provisions of the Treaty. The Commission has further proposed increases in the basic quotas for a number of products when it was found that the quotas fixed in the absence of clear bilateral arrangements were

lower than actual imports from Member States before the entry into force of the Treaty.

102. The 1960 global quotas of which the Member States have given notice were calculated on the 1959 quotas; those countries which were late in submitting their quotas have already to a certain extent taken into account the Commission's recommendations of 23 December.

On the whole, the rates of increase laid down in the Treaty have been put into operation correctly on the basis of the 1959 quotas; in each case the global increase has exceeded 20 % (22 % in the Federal Republic of Germany, 30 % in the Benelux countries, 33 % in Italy and 24 % in France).

The practical implementation of obligations in the field of quotas gave rise to a number of difficulties in 1959; some of these have their origin in the time required to set new machinery in motion and to change the bilateral methods of managing quotas. In the second half of the year, however, the position improved noticeably. It is not impossible that the delays that have occurred and the conditions required in some Member States for the issue of licences, may be the reason why many quotas were only partly taken up. After studying the results obtained in 1959 and the procedures in force, the Commission will make representations to the Member States suggesting changes in administrative methods which would eliminate the obstacles now hampering an effective and non-discriminatory procedure.

Temporary limits to quota disarmament

103. Though quota protection is bound to diminish gradually as global quotas increase, it must nevertheless be pointed out that the Treaty draws certain limits to the automatic and steady process of eliminating quantitative restrictions on trade.

In the first place, the export restrictions and measures of equivalent effect which existed on the entry into force of the Treaty, and which also constitute obstacles placed by the ex-

porting countries on the free movement of goods, can be provisionally retained. These measures, it is true, apply to a limited number of goods only, and they must be abolished at the latest by the end of the first stage.

Secondly, the Treaty puts no obstacle in the way of import, export or transit restrictions or prohibitions justified by reasons of public morality, order or security, or to protect health or industrial and commercial property rights. The Commission is at present having a catalogue prepared of the numerous and complex provisions for these purposes in force in the Member States, especially of the conditions required and the controls exercised in connection with the composition, quality and standardization of goods: although these various measures do not in principle conflict with the terms of the Treaty, they nevertheless constitute serious obstacles to the merging of markets. The Commission proposes to take steps on two different levels. In the first place, it will draw up directives to do away with provisions which would constitute a means of arbitrary discrimination or a disguised restriction on trade among the Member States and which have an effect equivalent to that of quantitative restrictions. Secondly, it will suggest that those national regulations which are justifiable within the meaning of Article 36 but which, through their diversity, produce a similar effect, should be harmonized and brought into line in such a way that disparities or useless obstacles be eliminated and the most uniform possible system of regulations be established.

104. There are also certain economic sectors where, because of the special conditions governing production and trade, the rigid machinery of quota or even tariff disarmament cannot simply be used as it is, since this would either be ineffective or would jeopardize important economic interests. This applies to products which are state monopolies of a commercial character, to agricultural produce subject to organized marketing and, in certain circumstances, to agricultural produce in general. The Treaty contains special provisions to ensure that in such cases trade among the Member States will develop.

*SPECIAL PROCEDURES FOR THE DEVELOPMENT OF TRADE**Adjustment of national monopolies*

105. Whereas in private business quantitative restrictions and customs duties are the main obstacles to the development of trade, the situation is very different in the case of products subject to a monopoly. Here the state not only limits import facilities, but is itself responsible for imports, either directly or through intermediate organizations. It also lays down the sales price of these products, usually in arbitrary fashion, even when they are imported, so that any competition between imported and domestic products is virtually excluded. The monopolies therefore more or less escape the normal rules of the market and the elimination of customs duties or quantitative restrictions would not be sufficient to remove trade barriers or to create conditions favourable to the establishment of a common market.

The authors of the Treaty have for this reason introduced a special rule into the provisions dealing with the elimination of quantitative restrictions; this rule says that the Member States must adjust their national monopolies in such a manner that at the end of the transition period the market will be open to all suppliers in the Community and that the consumers shall have free choice between domestic products and goods imported from Community countries. Once the liberalization of these types of goods is ensured, state monopolies will no longer be a reserved field of trade and the protectionism they imply will no longer hamper the establishment of the common market.

106. In the Community, genuine state monopolies exist in the Federal Republic of Germany, in France and in Italy only. Their economic importance varies greatly, and even the potential trade in their products represents no more than a fairly restricted part of overall trade.

In the Federal Republic of Germany, matches and alcohol are subject to a monopoly. A feature of the match mono-

poly is the fact that by virtue of an international agreement with a Swedish-Dutch group the Federal Government is bound to maintain the monopoly until the loan granted by the group has been repaid. Under the terms of this agreement the entire consumption of matches must be covered by home production (97,000 million matches in 1958), so that none are imported from the Member States. In the case of alcohol, which is manufactured for the greater part from agricultural raw materials, the monopoly is linked with agricultural policy and the protection of agriculture (in 1957 domestic production was 1,700,000 hl., imports were 158,000 hl., and revenue 800 million DM).

In France, the State has fiscal monopolies, commercial monopolies and buying organizations for tobacco, matches, alcohol, explosives, petroleum, potash and newsprint; of these, crude oil and petroleum products are the most important commercially. They represent approximately 15 % of the value of all imports. As a result of discoveries in the Sahara, the situation may change noticeably in the next few years; estimated production in 1965 is 50 million tons of crude, while French imports of crude in 1958 were 27 million tons. Tobacco and matches, being mass consumer goods, are of considerable economic importance; the production of processed tobacco in 1958 was some 70,000 tons, imports were 2,000 tons and revenue 210,000 million francs. The number of matches produced was 68,000 million sticks and the corresponding revenue reached 6,000 million francs. In the case of alcohol a special feature of the situation in France, as in Germany, is the policy of protecting agriculture and in particular the vineyards; domestic production in 1958 was 2.3 million hl., imports were 170,000 hl. The special position of explosives is due to their great military importance.

Whereas in the Federal Republic and France the monopolies are more or less independent of another, in Italy the autonomous administration of state monopolies is responsible for industry and trade in tobacco, salt, matches, lighters, lighter flints, cigarette paper and quinine. In 1957 the figures for tobacco were: production 50,300 tons, imports 830 tons, revenue

324,000 million Lire; for salt: production about 1.8 million tons, imports 30,000 tons, revenue 16,000 million Lire; for matches: production 86,000 million matches, imports nil, revenue about 9,000 million Lire. Sulphur, which is also subject to a state monopoly, is produced in a development area and is therefore not only of economic but also of social importance. The "Azienda Monopolio Banane" deals with the disposal of the bananas grown in Somaliland under Italian Trusteeship (84,000 tons in 1958). Support of the Somali economy means that virtually all imports of bananas to Italy from other overseas countries are blocked; in 1958 imports from Somaliland under Italian Trusteeship totalled 50,000 tons, those from other sources 12,000 tons.

Finally, there exist in some member countries national marketing organizations for agricultural products. In conformity with Article 38 and the immediately following Articles of the Treaty, they will be adjusted to fit into the common agricultural policy.

107. The Commission has analyzed the extent to which the arbitrary power of state monopolies can have discriminatory effects and has informed the Member States of its views and general comments on the implementation of Article 37. The first steps for the adjustment of monopolies were taken in 1959.

108. As a result of the Commission's action, a number of legislative and administrative steps were taken in Italy with regard to the tobacco monopoly and its discriminatory actions have as a result been practically eliminated. Nevertheless, import facilities are still linked with a discriminatory condition in that minimum sales quantities are laid down. Any brands failing to reach the minimum sales figure during the first twelve months will be excluded from entry thereafter. The Italian Government has also consulted the Commission on the measures it proposes to take in connection with its other monopolies.

109. The French Government has submitted detailed proposals with regard to the adjustment of its tobacco monopoly. After

a study of these the European Commission concluded that some of the measures proposed were not compatible with the Treaty and suggested to the French Government that it bring its proposals into line with the rules contained in the Treaty. So far as the petroleum monopoly is concerned, the French Government has for a period of two years reduced from 90 % to 50 % the percentage of finished products released for consumption which import licence holders must obtain directly from domestic refineries. As a result, anyone able to sell a given quantity on the French market can now import 50 % of that quantity, as against 10 % previously. Measures in respect of other monopolies are under consideration.

*PROCEDURES APPLICABLE ONLY TO TRADE IN
AGRICULTURAL PRODUCE*

110. Under the Treaty, the Common Market includes agriculture and trade in agricultural produce. In principle, therefore, the provisions on the elimination of customs duties and quantitative restrictions are applicable to these products. Tariff reductions apply generally, but in order to ensure the gradual elimination of quantitative restrictions on trade the Treaty lays down that, in addition to the procedure for the enlargement of quotas contained in Article 33, special procedures for extending trade can or must be put into operation in cases where the existence of marketing organizations would render the opening of global quotas ineffective. The Treaty provides for the conclusion of long-term contracts or agreements in accordance with Article 45, but at the same time the special nature of certain agricultural markets means that for some products specific measures must be taken if the expansion of trade is to be assured; under Article 43 the Commission can plan such measures within the common agricultural policy. ⁽¹⁾ To the extent that quota and tariff disarmament endangers domestic price levels, Member States may operate a system of minimum prices for certain products.

⁽¹⁾ See Chapter IV (Common agricultural policy).

PRODUCTS COVERED BY MARKETING ORGANIZATIONS

111. Long-term contracts or agreements are to be concluded to cover agricultural products for which the importing Member States have provisions designed to guarantee to domestic producers a sale for their output and also import requirements. Such contracts or agreements are valid until the national marketing organizations are replaced by an organization on Community level, the principles of which are laid down in the Commission's proposals on the drawing up and implementation of the common agricultural policy.

Long-term contracts are in the main concerned with basic agricultural produce such as grain, sugar or milk, and to some extent with meat and animals for slaughter. The Commission has asked that Article 45 be implemented wherever the required conditions are met. In 1959 the first long-term agreement was concluded between the Federal Republic and France, covering the supply of wheat and coarse grain. This contract provides for a marked increase in the quantities to be imported by the Federal Republic of Germany and for an approximation of prices. Negotiations for similar agreements are being carried on amongst a number of Member States.

Since, under the Treaty, such agreements or contracts must in practice be concluded during the first stage, the Commission has suggested to the Member States that they be made with as little delay as possible in order to avoid any time lag in relation to the implementation of other Treaty provisions. The Commission will also assist in speeding up the negotiations by submitting to the Member States concrete proposals for increasing trade and bringing prices into line.

MINIMUM PRICES

112. Since the entry into force of the Treaty, the minimum price arrangements have been operated:

- in Germany, for malt (till 18 July 1959)

- in Italy, for butter, beef and veal
- in the Belgo-Luxembourg Economic Union, for most fresh fruit and vegetables of EEC origin
- in France, for pigmeat, lard, poultry, potatoes and some ten sorts of fresh fruit and vegetables.

In the Belgo-Luxembourg Economic Union, this arrangement retains most of the provisions previously applicable to imports from the Netherlands under the terms of the intra-Benelux agreements; vis-à-vis the other Community countries it takes the place of a calendar arrangement which meant that certain imports were entirely excluded for certain periods. In Italy, the implementation of the minimum price system follows the liberalization of the two products concerned, whereas in France it replaces a quota system.

The Federal Republic will continue provisionally to apply in its relations with the Netherlands the minimum price system negotiated in 1950, whereas with Italy and the other countries of the EEC the arrangements negotiated with Italy in 1953 will apply, subject to the modification of a number of details.

So far, the Commission has intervened pragmatically in order to limit as far as possible the extension of the minimum price arrangements which might become an impediment to free trade and to improve the working of the advance information procedure. The Commission has succeeded in having certain changes and modifications made; at present it is studying with the Member States the implementation of these changes. It also proposes to lay down the criteria for the establishment of minimum price systems and for the fixing of these prices, as well as for a revision procedure which could progressively approximate prices within the Common Market, as stipulated in Article 44 (3).

II. Free movement of persons, services and capital

113. If the frontiers were opened to goods only, the Common Market would be but imperfectly achieved. The Treaty, therefore, goes further and provides for the abolition of obstacles and discriminations which hamper the free exercise of a number of activities within the Community. In this field, however, the timetable and other requirements are less mandatory, less clearly defined than elsewhere, and they must be adapted to the great variety of sectors concerned.

Under a procedure which lays on the institutions of the Community the duty of selecting means and taking decisions, the Commission has so far directed most of its efforts to working out implementing measures necessary for the gradual attainment of the objectives of the Treaty; the Commission is required to submit these measures to the Council.

THE FREE MOVEMENT OF WORKERS

114. The free movement of workers is linked with the economic and social policy of the Community, since it aims at a better distribution of manpower throughout the economy of the six Member States and at raising the workers' standard of living by helping to reach full employment. The free movement of workers depends on the co-ordination of labour policy among Member States, especially insofar as employment and occupational training are concerned. The present situation, especially the relevant legislation in the various countries as well as bilateral or multilateral international agreements, must be taken into account. ⁽¹⁾

PREPARATION OF MEASURES TO BE TAKEN UNDER ARTICLES 48 AND 49

115. In order to have a framework for the gradual application of Articles 48 and 49, dealing with the free movement of workers, the Commission's staff have prepared a series of propos-

⁽¹⁾ See Chapter IV, Sec. 282 et seq.

als which are based on experience gained so far and which reflect the spirit and letter of the Treaty. The provisions are also intended to cover the measures that will have to be taken during the first stage.

These provisions were carefully studied in 1959 with government experts and representative trade union organizations. The original proposals were amended to meet certain suggestions. The Commission intends to submit preliminary proposals to the Council before the summer.

116. Without waiting for the entry into force of the legal instruments referred to above, the Commission has completed a series of technical studies designed to facilitate the implementation of provisions for the free movement of workers by easing existing restrictions, by gradually eliminating disparities or discrimination between indigenous workers and those from other Member States and by attaining a more satisfactory balance between shortages and surpluses of manpower.

With these objects in mind, the experts met several times in 1959 to prepare a complete documentation on the administrative procedures and practices which in each country govern the entry, residence and employment of foreign workers and their families. An analysis has also been made of the systems used in each Member State to balance the supply and demand for manpower on the international level. The documents which foreign workers must furnish (passports, visas, residential permits, labour permits and so on) have also been reviewed.

Special studies have been made dealing with the position of frontier and seasonal workers. The system of wage transfers for foreign workers employed in each country has been subjected to a preliminary general examination, as have the many legal problems affecting the personal situation, as foreign nationals, of workers and their families from other Member States when they are employed or have settled in Community coun-

tries. Information will be compiled on the position of these persons, on certain rights and social benefits (social security, family allowances, welfare benefits etc.), on the conditions under which family members are admitted, on education and occupational training of children, on labour permits for wives and children, on naturalization rules, on changing over from employment to independent work and on liability to military service. . .

SOCIAL SECURITY FOR MIGRANT WORKERS

117. To ensure the free movement of labour, the Treaty lays down in Article 51 that any obstacles to such free movement which may stem from social security legislation must be removed in such a way as to guarantee migrant workers and their families the benefits of social security in all Member States of the Community, that all insurance periods accumulated under the municipal laws of the various countries shall be added together and that migrant workers shall enjoy the same rights as indigenous workers.

In view of the importance of this question because of the number of wage earners in all kinds of occupations living in one of the six countries of the Community other than their own (more than 500,000), the European Commission, as already pointed out in the previous General Reports, has endeavoured to obtain some initial practical results in the social field simultaneously with the application of the economic provisions of the Treaty.

118. Two implementing regulations, Nos. 3 and 4 in the series of the Community's implementing regulations, were published in the official gazette of the European Communities on 16 December 1958 and entered into force on 1 January 1959. In order to apply these, a number of problems and difficulties had to be overcome. Some had their origin in the complexities of co-ordinating six frequently very different national legislations with special regulations for various groups of workers (salaried employees, miners, agricultural workers, etc.), others were due

to the speed with which these regulations came into effect after they had been approved by the Council.

The Administrative Committee set up under Regulation No. 3 has devoted its first year's work to solving these problems.

119. The Administrative Committee has drawn up a second set of proformas in the four languages; these concern pensions for invalidity, old age and survivors and sickness insurance for pensioners and their dependents; they also serve for the maintenance of records on families not residing in the country where the worker is employed. A third series of proformas is in preparation.

The Administrative Committee has taken a number of financial decisions that can be applied direct and has made certain recommendations in this field. It has, for instance, given a ruling on the date to be used in deciding the exchange rate for the calculation of various benefits and has made a recommendation concerning the granting of advances in cases where a delay is to be expected in the allocation of a pension.

The Committee has given its attention to the question of simplifying the administrative relations between the social security organizations in the six countries and also within each country. For this purpose, it has laid down directions for the use of the certificate to be given to workers sent by their employers to another Community country for several successive short stays. The Committee has also issued recommendations on the implementation of Article 47 of Regulation No. 3 concerning the treatment of requests, declarations or complaints submitted to an authority which is not immediately competent.

The Administrative Committee has issued several decisions in the various fields of insurance; it has laid down the interpretation of a number of texts and has been consulted by the European Commission on the methods to be employed in working out complementary regulations on seasonal and frontier

workers. It is preparing an information folder and "guides" for use by migrant workers.

120. The Commission has given its attention to certain problems concerned with living conditions, because they are of general interest and because they affect the free movement of workers; these problems include social services and housing for migrant workers. ⁽¹⁾

THE RIGHT OF ESTABLISHMENT

121. The free movement of workers provided for in Articles 48 to 51 does not cover all the provisions on the "free movement of persons" contained in the Treaty. Though the wage-earner's right to move without let or hindrance is an essential element in the establishment of the common market, the freedom of independent workers to take up their activities (right of establishment) is no whit less important; apart from natural persons, the right of establishment also applies to companies.

In conformity with Article 54 (1) of the Treaty, the Commission has submitted to the Council a general programme which, after listing current limitations on freedom of establishment, lays down an order of priority for their abolition in the various fields of activity.

122. The right of establishment goes far beyond the content of bilateral conventions on the subject. Such conventions customarily grant a certain number of rights, but only in the form of sometimes very extensive enumeration. The Treaty goes further and establishes the principle that EEC nationals shall enjoy equality of rights with the nationals of the EEC country in which they wish to establish themselves. In other words, any treatment by a Member State of nationals of other Member States which differs from that applied to its own nationals shall constitute a limitation on the right of establishment, whether

⁽¹⁾ See also Chapter IV, Sec. 311.

such treatment be based on legislation, regulations or administrative measures or stem from any administrative practice which affects the access to or exercise of non-wage-earning activities by persons wishing to establish themselves in that country.

In each Member State, therefore, rules such as those which govern certain professions and are applied irrespective of the question of nationality, can continue in effect. Nevertheless, in order to avoid difficulties arising from the differences in rules and regulations within the Community, some co-ordination may prove necessary when restrictions are removed. The general programme lays down that the advisability of such measures shall be studied from case to case, with the exception of those where they are expressly required by the Treaty (medical, para-medical and pharmaceutical professions) and insurance, where the need for such co-ordination is already apparent.

However, freedom of establishment does not apply to activities which include the exercise of public authority in a Member State. Restrictions justified by reasons of public order, public safety or public health may also be retained.

123. The general programme, supplemented by a commentary which serves as an explanatory note, lays down the order of priority in which discrimination is to be abolished in the various activities. The guiding principle for this is to be found in Article 54 (3a) of the Treaty, which accords "priority treatment to activities in regard to which freedom of establishment constitutes a specially valuable contribution to the development of production and trade".

Consequently, most industrial and commercial activities will be liberalized before the end of the second year of the second stage. On the crafts level these activities will be liberalized at the same time, but the very elastic formula for co-ordination contained in the general programme will make it possible to safeguard the interests of trades and crafts.

Apart from the economic criterion to which the Treaty refers, account has been taken, in working out the timing, of the greater or lesser degree of regulation found in the various states, because a certain internal co-ordination at the time of, or following upon, the abolition of restrictions may prove necessary. To allow the often complicated investigations concerning co-ordination to be brought to a satisfactory conclusion, the schedule has been extended for certain activities such as insurance and the liberal professions.

The link between establishment and the common policy explains why the liberalization of transport is planned to occur before the end of the second year of the third stage and that of agriculture, where there is a special structure, mainly during the two final stages of the transition period.

The order of priority is in any case very flexible, because the general programme lays down the outer limits only, so that earlier liberalization is always possible should it prove advisable. Because of its general nature the programme is inevitably confined to settling the broad lines; its implementation will be governed by directives.

THE FREE SUPPLY OF SERVICES

124. Following the same procedure as that applied to the freedom of establishment, the Commission will shortly lay before the Council a general programme and commentary on the abolition of restrictions on the free supply of services (Article 63 (1)). Once again, there arise the problems of defining the services and the restrictions and of settling the order in which these should be abolished.

125. The definition is largely negative; it concerns "services normally supplied for remuneration, to the extent that they are not covered by the provisions on the free movement of goods, capital and persons" or by those concerning transport. This somewhat residual definition explains the lack of uniformity in this

concept and the difference between it and what is accepted by economists and statisticians.

126. The Treaty provides for the free supply of services "within the Community" and the supplier of the service must be "established in a State of the Community other than that of the person to whom the services are supplied" (Article 59, first subparagraph). Service therefore represents a link across a frontier which can result from:

- a. *The supplier moving to the recipient* of the service: Services supplied by the liberal professions in the wide sense of the word (consultations, expert opinions, entertainments) by industrial engineers (mounting, repairing or maintenance of machines) and by those in certain ancillary activities (travelling representatives, market research workers, maintenance services), or by certain craftsmen or agricultural workers who are relatively rare and almost always frontier workers. This type of service differs from establishment in the temporary character of the independent activity in the receiving country.
- b. *The recipient moving to the supplier* of the service: Services supplied on the arrival of the recipient for personal reasons (tourism, family visits, study), for business or for medical or para-medical care in the Community country where the service is supplied.
- c. *The service itself being moved* (the supplier and the recipient remaining in their own country). This may apply to:
 - Goods into which the service is "incorporated" (processing, finishing, testing, analyses and so on)
 - The essential element of the service being moved (certain banking, insurance or publicity services or

services provided by the liberal professions in the form of written papers, supply of information and so on).

As in the case of the right of establishment, one form of restriction on the supply of services is represented by any differential treatment based on nationality. These are obstacles discriminating against the professional activity of the supplier of the service when he goes to the recipient of the service. There are other restrictions which are absolute, such as barriers to the movement of the article or essential element of the service itself or of the material required, or prohibitions on payment for the service. As already indicated, these all come within the scope of the chapter on services insofar as they are not governed by the provisions on the free movement of goods and capital.

127. Article 63 (3) of the Treaty provides a criterion for priorities in abolishing these restrictions which is similar to that applicable to the right of establishment; the timetable is analogous to that used for the right of establishment, but the rhythm is faster. In certain circumstances it may be possible to issue implementing instructions dealing with a particular activity both from the point of view of establishment and from that of the supply of services.

THE FREE MOVEMENT OF CAPITAL

128. In accordance with Article 69 of the Treaty of Rome, the Commission has submitted to the Council a proposal for the liberalization of the movement of capital within the Community. At its meeting of 10, 11 and 12 May the Council drew up the final text of this first directive.

As stated in the First General Report, the Commission at a very early date turned its attention to the problem of liberalizing movements of capital in the common market. From the beginning it has worked in close co-operation with the Monetary

Committee. After studying all the complex questions to which liberalization of capital movements gives rise, the Commission and the Monetary Committee agreed on the necessity for the widest and most rapid liberalization possible, so that the other measures of liberalization provided for in the Treaty concerning goods, services and persons and the right of establishment might have their full effect.

129. The better division of labour expected from the establishment of the common market and the resultant higher activity would still be imperfect if restrictions on the movement of capital were retained. Moreover this freedom of movement will mean harmonization of the conditions under which firms have access to sources of finance in the common market. The expected approximation of the rates of interest will also reduce inequalities in the conditions of competition.

In certain circumstances the freedom of movement of capital may also benefit the balance of payments, and to that extent it will facilitate the co-ordination of economic and monetary policies in the common market.

However, there are certain factors which at the present stage seem to make some degree of caution advisable. These factors are of considerable importance so long as economic, monetary and financial policies have not been sufficiently co-ordinated. Movements of capital could upset the balance of payments of the states concerned or they might not be channelled in an economically desirable direction. This danger applies in particular to short-term movements of capital.

However, these arguments are not sufficient to stand in the way of a large-scale liberalization of the movement of capital. They lead to the conclusion that the economic, financial, monetary and business cycle policies of the Member States must be co-ordinated as quickly and as effectively as possible. ⁽¹⁾

⁽¹⁾ See Chapter IV, Sec. 207 et seq.

130. The directive approved by the Council at its May session takes these considerations into account. It provides for the unconditional liberalization of many forms of capital movement and conditional liberalization in other cases. It also lays down that a third category of capital movements is not to be liberalized for the time being.

The first group covers direct investments, personal capital movements and movements connected with short or medium term commercial transactions, and dealings in securities quoted on stock exchanges.

The benefits of liberalization of dealings in securities quoted on stock exchanges can be temporarily restricted to finance houses and to firms holding shares in foreign companies pursuing an object similar to their own, provided always that these operations are carried out at the official rate.

Conditional liberalization would apply in the first place to any issues made on the capital market by business undertakings, to medium and long-term loans, to credits of a purely financial nature and to dealings in papers not quoted on stock exchanges. The Member States must undertake to liberalize this type of capital movement, but they can maintain or re-impose restrictions if the effects of such measures threaten to jeopardize the aims of their economic policy.

However, any state maintaining or re-imposing such restrictions must consult the Commission, which will study what measures are appropriate to ensure the co-ordination of economic policies in order to overcome these difficulties and will suggest their adoption by the Member States.

The capital movements not yet considered for any measure of liberalization are in the main the short-term movements. Their great mobility justifies some degree of caution. Here too, however, the Commission is convinced that progress will be possible as the relations between the Member States develop and the co-ordination of monetary policies advances.

A peculiar problem is raised by the fact that in certain Member States movements of capital are wholly or partly effected on markets in which the rates of exchange can vary more widely than those applying to payments arising from commercial transactions. The directive provides for measures to ensure that the fluctuations of rates on these markets shall not go beyond the limit where capital can still move freely.

The system of liberalization decreed by the Council allocates a special role to the Monetary Committee, which must watch over the rates on the various markets and also review at least once a year any restrictions on the movement of capital which still exist; it must report to the Commission the results of its review.

131. The practical significance of this directive lies primarily in the fact that a great number of measures taken by the Member States since the introduction of external convertibility are now consolidated, that is to say, made subject to rules which cannot be unilaterally annulled except by applying a fixed procedure. In the light of the present situation in certain countries, the liberalization achieved through this directive represents a considerable advance. The Commission is convinced that these complementary measures of liberalization will have a favourable effect on the establishment of the common market and that in view of the vigorous growth of foreign exchange reserves and the favourable development of the current balance of payments, there is no cause for anxiety.

132. This first directive is solely concerned with restrictions placed on the movement of capital by means of exchange regulations. There exist, of course, other restrictions, especially those of an administrative or fiscal nature. In order to attain genuine freedom of movement for capital in the common market, these other restrictions would also have to be abolished wherever possible. The Commission intends to submit to the Council proposals for directives dealing with these restrictions too.

III. The conditions of competition

133. At the present stage of development of the Common Market, the free movement of goods, services, capital and persons, settled according to a timetable which began with the entry into force of the Treaty, is the most striking and in appearance the most important objective to be attained. This wide movement of internal liberalization is intended to bring about a quickening of competition which, again, is one of the main aims of the Treaty. The Treaty lays down rules of competition constituting the necessary complement of these measures of liberalization. These rules are to introduce a system of fair and sound competition, both by doing away with practices which prevent, restrict or distort the conditions of competition and by eliminating distortions in them. At the present stage the implementation of these rules should give support to the efforts at liberalization and at the neutralization of certain trends which might modify or cancel the effects of these efforts. The total elimination of quota and customs barriers does in fact require equality of the competitive conditions found in a unified market, conditions which do not result from material circumstances.

134. The guiding principles of policy on competition during the present stage of development of the Common Market have been defined as follows in a paper submitted to the Council:

- Application of the policy on competition must be planned in close liaison with other efforts to attain the general objectives and to execute the duties which stem directly from the Treaty of Rome.
- The various governmental or private practices which tend to restrict or distort the play of competition or have similar effects on the economy must be suppressed with the same firmness and on the same principles.
- The provisions of policy on competition must be applied in the six Member States as uniformly as possible.

- There must be a pragmatic approach in applying the rules on competition which arise clearly from the Treaty, and the manner of applying them must take due account both of the general development of the Common Market and of any problems of structure or trend which might appear in any economic sector.
- Watch must be kept that governments and firms do not introduce fresh measures which might distort the play of competition.

The Council has given its general approval to these principles; the particulars of how they shall be applied are still under discussion.

135. In implementing the principles referred to above the Commission has let its work in the field of competition be governed by the progress made in the other sectors covered by the Treaty. In order to encourage the opening of markets for example, the European Commission keeps a close watch to ensure that the conditions of competition in the vast market that has now been created shall not be distorted by official or private measures which might hamper competition by affecting the pattern of trade between the Member States. In this connection the Commission has been paying special attention to the influence of the means of protecting national markets, such as agreements on market sharing and the direct or indirect fixing of prices.

136. The Commission must pay special attention to eliminating distortions from the conditions of competition; the main lines of such a policy will have to be sought through general studies as well as examination of individual cases. Here we have a concept which, together with the concept of "eliminating practices resulting in the restriction or falsification of competition" used throughout the Treaty, is explicitly or implicitly fundamental to the application of policy on competition. The work is the more difficult because those measures in the various countries which are liable to cause distortions between States were in most cases not intended to have this result. On the contrary, they were

as a rule instituted with other intentions in connection with a balanced economic policy in the country concerned. However, these measures, though justified within the framework of national policy, may become unacceptable in a common market because of the disparities which they produce, against which the governments and industries of the partner states are no longer in a position to use restrictive measures in self-defence on their frontiers.

137. In the field of dumping practices and of State aids, of understandings and of taking improper advantage of dominant positions, it is proving necessary to establish a working relationship between agricultural policy, regional policy, commercial policy and transport policy on the one hand and competition policy on the other.

THE RULES GOVERNING COMPETITION

The rules of competition for enterprises

138. As effective and uniform application of the rules governing competition in respect of enterprises depends in large measure on there being national arrangements for their application, those Member States which do not yet have such legislation at their disposal have continued their efforts to establish it, in order to create the conditions which will have to exist before a common policy can be put into practice.

In connection with competition in Belgium, the bill on abuse of economic power, amended so as to take into account certain suggestions made by the European Commission, was adopted by the Senate on 15 December 1959. Pending adoption of the bill by the Chamber of Representatives also, the European Commission has suggested to the Belgian Government that the measures necessary for the promulgation of the relevant implementing decrees be prepared. ⁽¹⁾

⁽¹⁾ The Chamber of Representatives passed the bill at a date subsequent to the period under review.

In Italy, a bill covering the whole field has been put before Parliament by the Government after consultation of the National Economic and Labour Council. The European Commission has been able to study the bill and to submit comments to the Italian Government.

In Luxembourg, the provisions of the Treaty of Rome can be implemented to a limited extent by invoking the price laws. However, a preliminary draft for a bill on the regulation of understandings is being prepared.

139. The Commission has arranged conferences of governmental experts, whose work has been completed by meetings of working parties on more limited or more specialized questions. This method has proved very fruitful. A common interpretation of the clauses contained in the Treaty and close co-operation between the governments of the Member States and Commission have thus been ensured.

In the course of this co-operation the Commission has considered it necessary—and the experts have agreed—that the national authorities should consult the Commission every time they propose to take decisions which concern Articles 85 and 86 and involve an interpretation of their provisions. In view of the division of competence between the Member States and the Commission laid down in Articles 88 and 89 this procedure makes it possible, particularly in dealing with understandings and dominant positions which go beyond the boundaries of any one Member State, to avoid differing treatment being accorded in different States to one and the same understanding or dominant position.

140. It has been possible to define more closely various concepts in connection with the interpretation of these clauses of the Treaty.

Agreement has, for instance, been reached that in connection with prevention, restriction or distortion of competition,

the phrase "within the Common Market" in Article 85 and the expression "a dominant position within the Common Market" in Article 86 refer only to the geographical boundaries of the field of application of these Articles and not to the extent to which economic integration has been put into practice.

On the other hand, the expression "incompatible with the Common Market" (and prohibited) in Articles 85 and 86 provides the reason for the prohibition and is not the condition which must be fulfilled if the prohibition is to be applied. In order to judge whether an understanding "may affect trade between Member States", there must be an appreciation of the situation as it exists or can be foreseen at the time the decision is taken. If, for example, there are at the moment no facts which make it possible to foresee that other firms will be associated with a given understanding, the subsequent admission of other companies to the understanding would imply that the facts of the situation had changed, and this would call for a fresh examination of the situation.

Firms in the Common Market which reached an understanding would not be allowed to escape application of Article 85 by claiming that the understanding was subject to the law of a non-member country.

Finally, it has been agreed that the examples quoted in Articles 85 and 86 (price fixing, limitation or control of production, division of markets, etc.) do not decide the question whether trade between Member States may be affected by the practices under consideration.

141. The Commission, having seen that it will be necessary to apply the rules of competition to public undertakings as well as to private, has initiated discussions with the Member States on the application of Article 90. The first task which the Commission must complete with the help of experts is to provide examples or to settle criteria for interpreting such concepts as "enterprises charged with the management of services of general econo-

mic interest", "enterprises . . . having the character of a fiscal monopoly", or the concept "measure" in the clause "Member States shall, in respect of public enterprises and enterprises to which they grant special or exclusive rights, neither enact nor maintain in force any measure contrary to the rules contained in the Treaty".

142. Experience gained so far makes it possible to say what points must be dealt with under Article 87 in a draft first regulation for the implementation of Articles 85 and 86. This draft is at present being prepared by the Commission's staff.

In addition the Commission, in an endeavour to simplify the work which it has to perform in the field covered by this group of Articles, will collect and centralize with the support of Member States, information which will make it possible to spot understandings and dominant economic positions on the international plane and to evaluate their economic significance.

143. It is evident from the above that work so far has been concerned mainly with legal definitions and the interpretation of Article 85 and the immediately following articles, with the establishment in the six countries of a legal situation which will make possible uniform application of the rules governing competition and with the establishment of an effective procedure for co-operation. This working basis now makes it possible to move on more successfully to examination of individual cases. The decisions rendered in these cases will help companies to see more clearly which practices are compatible with the Treaty.

The European Commission has already begun the investigation of several of these cases. In connection with an exclusive trading agreement between a manufacturer in one Member State and a group of traders in another, intervention by the Commission and the government of the country sufficed to put an immediate stop to this concerted practice. It is just at this stage of the development of the Common Market that cases of exclusive purchases and deliveries, of dividing up markets and

of fixing prices may lead to protests. Several cases of this type are under investigation. Probably the studies being made by the Commission in co-operation with Member States either at the request of the latter or as the result of complaints will lead to an increase in the number of cases handled by the national authorities and by the Commission.

Dumping practices

144. Article 91 (1) of the Treaty requires the Commission to take action on the request of a Member State or of any other interested party in connection with dumping practices occurring within the Common Market.

In order to explain its point of view on the procedure it intends to follow in practice, the Commission convened on 25 and 26 June 1959 a conference of government experts from the six states.

This conference also provided an opportunity for discussing national legislation on dumping, the relationship between the provisions of the Treaty and Article VI of GATT and the problems raised by dumping from non-member states.

The following principles were established by the Commission and have been approved by experts:

The Commission shall be entitled to take action during the transition period in all cases of dumping by persons established in the Common Market, whatever the nationality or the status (private or public) of these persons. The origin of the product dumped is irrelevant.

In order to decide whether dumping exists, the Commission shall have powers of appreciation which shall cover in particular the proper assessment of the practices complained about, of their causes and their consequences. As the Treaty does not define what is to be understood by the phrase "dumping prac-

tics", the Commission will exercise its powers of appreciation in relation to the specific factors in each case, but will not produce in advance a purely theoretical definition of the concept of dumping. It will, however, have a working basis in the form of Article VI of the General Agreement on Tariffs and Trade, where dumping is defined as the practice by which the products of one country are introduced into the commerce of another country at a price less, for instance, than the comparable price in the ordinary course of trade for a like product when destined for consumption in the exporting country; such dumping is to be condemned if it causes or threatens to cause material injury to an established industry in the territory of the importing country or materially retards the development of a domestic industry.

To enable the Commission to decide whether there is dumping, it will be in the interest of the complaining party to give the reasons for the complaint.

Wherever the Commission finds that a harmful dumping practice in fact exists, it shall issue recommendations to the originator of the practice with a view to bringing it to an end.

If none the less the practice continues the Commission shall, at the request of the injured state, authorize it to take certain protective measures. As this means applying specific measures of safeguard, authorisation by the Commission is necessary; it will be given in the most restrictive form possible. The conditions and particulars of protective measures to be taken will be laid down with every care to avoid as far as possible any disturbance in the functioning of the Common Market or anything beyond what is strictly necessary for remedying the situation which has been found to exist.

145. A certain number of complaints have been addressed to the Commission by private interests or by government authorities. In certain cases the request for supplementary information led to the withdrawal of the complaint; in other instances the Commission will shortly reach a decision after having heard the

parties concerned; investigation of the remaining cases is in hand, and the authorities of the state concerned have been requested to give their support so that relevant material can be collected as rapidly as possible.

146. A new system, often called the "Boomerang", and intended to discourage firms which might attempt to practice dumping within the Common Market, has been instituted by Article 91 (2) of the Treaty. The effect of this is that when goods originating in a Member State, which have paid duty or are exempt from duty in that Member State, have been exported to another Member State, they must be admitted for re-import to the territory of the first state free of all customs duties, quantitative restrictions or other measures of equivalent effect.

The problems, mostly technical, that have been raised by the institution of this system have been studied in conjunction with customs experts and with the assistance of government specialists on dumping.

The views of those engaged in the private sector have also been taken into consideration. A regulation on the application of this system, bearing the date of 11 March 1960, has been passed by the European Commission and was published on 25 March in the official gazette of the European Communities No. 21. As Regulation No. 8 it came into force on 15 April 1960.

State aids

147. The Commission is aware that the tasks assigned to it by Articles 92 and 94 call for permanent co-operation from experts in the various countries. The action taken by the Commission is also guided by the constant desire to ensure unity in its treatment of the various component elements of a policy of competition.

148. The purpose of the meetings arranged with national experts is to define more closely the obligations resting on Mem-

ber States under the various rules on aids contained in the Treaty and to settle the particulars of the way in which the procedure laid down shall be applied.

The first of these tasks will be to settle by gradual approximation the different categories of aid covered by the provisions in question. Answers have been found to the following problems:

- The boundaries of the sphere of application for the list of financial aids;
- The problem of making due allowance for aids given to the products shown in Annex II whenever this is considered essential in examining the aids given to processed goods which contain one or more of the products shown in the list of that Annex;
- The difficulties of applying the rules of state aids to certain fiscal or customs measures. In this connection there is no question of applying the special provisions of Articles 92, 93 and 94 either to the tax systems referred to in other rules contained in the Treaty (in particular Articles 95, 96, 97 and 99), or the tariff and customs rules, whose development and harmonization are covered by Title I of the Treaty. Only the special measures which derogate from the general rules in order to support certain activities or certain enterprises require investigation under the heading of State aids. This distinction has, incidentally, made it possible to rule that advantages paid for from the proceeds of para-fiscal charges should be included among the aids referred to in Article 92.

149. The procedures laid down in the Treaty cover both existing aids and any plans which are liable to institute new aids or modify existing ones.

In connection with these plans, discussions between the Commission's staff and experts from the various countries have dealt with the method of notifying the Commission in accordance with the provisions of Article 93 (3). This procedure is a matter of prime importance. It is intended to ensure that the Commission can prevent a Member State from introducing new measures which are in conflict with Article 92 and will alter the conditions of competition inside the Common Market.

It has, moreover, been accepted that the responsibility placed upon the European Commission of judging whether measures of the kind referred to above are or are not compatible with the aims of the Treaty does not lessen in any way the Member States' obligation to inform the Commission of their plans.

The Commission must also be allowed sufficient time to work out its position. It is difficult to lay down a definite time for this task, since it is not always possible to assess in advance the length of time needed for a thorough investigation. The Commission recognises that the legitimate interests of the Member States demand that their plans should be put into action speedily and it hopes, therefore, to have the fullest support of governments in attaining correct use of the procedure laid down in Article 93 (3). Here it should be noted that it is in the interest of the States themselves to leave sufficient time for the matter to be examined in advance. Thus there will be no need to have recourse to the procedure expressly laid down in Article 93 (2), or to suspend implementation of the projects in question.

150. Under the above procedure, the Commission was informed of certain government activities in connection with State aid. These include the two Belgian draft laws and the implementing decrees dealing with the encouragement of investment of general economic interest and special advantages for certain regions known as development areas. After having studied these plans—which have since acquired the force of law—the Commission was able to pass its comments to the Belgian Government, which took them into account. The Commission also took

cognizance of a French draft decree on the introduction and granting of a special equipment bonus.

As these provisions are of a very general nature and merely establish the principle of measures whose aim appears to conform with the general objectives of the Treaty of Rome or define the procedure to be used in granting the aid in question, it became evident during the investigation of the plans that a final judgement on the question whether the measures adopted under these provisions were or were not compatible with the Common Market could only be given in the light of the way in which they are applied. This means that, in dealing with such outline laws, it is the primary duty of the Commission, in execution of the tasks incumbent on it under Article 93 (1), to ensure that no misuse is made of them.

The Commission was also in due course notified by the French Government of a plan dealing with changes in the system of assistance for the cinematographic industry.

It studied too the provisions of a decree made by the French Government concerning the conditions in which certain purchases of equipment goods made in France might entitle users to more rapid depreciation. At the close of the investigation the French Government amended the original provisions in accordance with the decision on the subject taken by the Commission.

151. The procedure for regular examination of existing aids has been set in motion. Here a general inventory of all aids has been undertaken; the first phase dealt with aids of financial character. Subsequently the inventory was extended to cover aids of fiscal character.

On the basis of the replies received from governments, tables were established for each Member State showing the aids which have been accorded grouped by categories. This information was distributed to all Member countries to obtain their comments and elicit supplementary information which could

make the documentation more uniform and more suitable for purposes of comparison.

At the same time the Commission put in hand a study of the aids in force in certain special sectors to which attention had been drawn in other ways.

152. A thorough examination of aids to shipbuilding is in hand. Bilateral contacts have been established with the competent authorities in each country and a questionnaire sent to the governments concerned, so that a meeting of experts can later be arranged to see what measures should be taken in this sector.

Study of the subject is greatly complicated, not only by the effects of competition from outside and by the special considerations of military and regional character which arise, but also by the difficulties, stemming from the general economic developments, which are encountered in this field.

153. In 1960, there will be systematic examination of the information that has become available through this inventory on existing aids.

The procedure for examination in liaison with Member States, laid down in Article 93 (1), can quickly be set in motion in respect of measures affecting particular sectors. For general systems of aid, a practical working method will be prepared after consultation with national experts; it will allow for the necessary liaison with the activities developed by the Commission in other fields, whether in connection with the common commercial policy in respect of aids for exports (Article 112) or economic policy in the wide sense in respect of aids intended to encourage the development of certain areas.

As action on these lines develops, the experience gained will make it easier to delimit the field to which the provisions of Article 92 apply and to settle the particulars of the procedures instituted in Article 93.

Application of the rules of competition to particular sectors

154. The Commission is continuing its studies of the conditions in which the rules governing competition shall be applied to transport and to agriculture. ⁽¹⁾

*APPROXIMATION OF LAWS AND FISCAL PROVISIONS**Approximation of laws*

155. The approximation of municipal law in the various countries, on which the Commission can or must take action under Article 3 (h) of the Treaty to the extent necessary for the functioning of the Common Market, falls into categories which differ for the cases of special provisions (Articles 27, 54 (3g), 56 (2), 66, 99 and 117), or of general provisions, as in Articles 100 to 102, or of the approximation of laws through international conventions; Article 220 lists several subjects for such conventions which are considered to be particularly important or urgent for the functioning of the Common Market. ⁽²⁾

The general provisions: Articles 100, 101 and 102

156. Articles 100, 101 and 102 provide authority on a broad basis for the Community to further the approximation of the legislative and administrative provisions of Member States. This authority is limited neither in its aims nor in its form or timing, but it is subject to certain conditions which both the European Commission and the Council must accept: there must be either a direct incidence on the establishment or functioning of the Common Market (Article 100) or a disparity between the legislative and administrative provisions which disturbs the conditions of competition and so causes distortion. On the manner in which these general provisions shall be applied (Article 101)

⁽¹⁾ For detailed information see in Chapter IV the sections dealing with transport policy and agricultural policy.

⁽²⁾ The progress of work on the special provisions enumerated is set forth in the appropriate sections of this Report.

there is a certain latitude in appreciation, though this in no way alters their mandatory character.

In this connection the European Commission stresses that Article 102 has the same mandatory effect as Articles 100 and 101. The Commission's right to take preventive action is coupled with an obligation directly incumbent on Member States to consult the Commission before they enact or amend any legislative provision which might cause a distortion.

The Commission will later submit to Member States a proposal for the establishment of a procedure which would assist them in meeting this obligation.

157. In selecting the legislative fields which are to be a subject of harmonization and in establishing an order of priority, the Commission is taking into account the wishes expressed by the Governments of Member States and requests put forward by the business circles concerned.

As a result, the Commission finds itself taking action in the fields described below:

Protection of industrial property

158. Having observed that differences between the national systems for the protection of industrial property have direct influence on the functioning of the Common Market, the Commission, in agreement with the competent Under-Secretaries in the Member States has laid down the procedure to be followed for the approximation of the relevant bodies of legislation.

This work may lead either to the approximation of certain parts of municipal law which have a direct incidence on the functioning of the Common Market or to the establishment of European legislation in this field through the acceptance of a convention (European patent, European trade mark, European model and design), or to a combination of these two solutions.

This year a programme will be worked out by a co-ordinating committee for the three working parties established to deal with patents, trade marks and models and designs; the programme will be submitted to a second meeting of the competent Under-Secretaries of State for discussion.

Public contracts

159. Public contracts (public or restricted tendering, calls for tender, contracts by private agreement) are let in the Member States under rules which are nearly always restrictive and involve discrimination in practice.

An important sector of economic activity would be excluded from the Common Market unless changes were made on lines which must be as uniform as possible and must rule out any legal or practical discrimination except in certain restricted fields.

The European Commission is examining how far the systems in force should be adapted to meet the requirements of the Treaty.

Technical or administrative obstacles to trade

160. This refers to the impediments created by disparity between the legislative and administrative provisions found in the various states, especially those governing the quality, composition, preservation, treatment and storage of certain products. Many of these obstacles can be removed by approximation of the relevant provisions.

The work will in the first place cover provisions on foodstuffs, controls on animals and plants and regulations affecting the industrial sector.

At a first meeting between experts from the different countries and the staff of the Commission an order of priority for food products was discussed.

In connection with veterinary regulations, the appropriate administrations of the six States have on their own initiative held several meetings since 1957, at which they have studied the possibilities of harmonizing laws in this field. Since 1959, officials of the Commission have been attending these meetings. During the coming months the Commission will convene a meeting of government representatives with the object of putting this harmonization into practice.

Studies have been made in connection with the regulations affecting pharmaceutical products.

Regulations concerning industrial safety and industrial hygiene

161. The Commission has decided to study the approximation of legislative and administrative provisions covering industrial safety and industrial hygiene; the study will be made under the provisions of Articles 100 and 101 and Article 118.

This action is being taken on the request of a Government which has drawn attention to the disturbances in conditions of competition among the Member States caused by disparities in the regulations in this field.

Regulations concerning sales with premium, at a discount, as remnants and in stock clearance; unfair competition

162. The problem of disparities in the regulations covering this field has been repeatedly raised by a number of Governments. A first study in comparative law has been put in hand to cover sales with premium and sales at a discount.

Approximation of laws by means of international conventions

*Standard convention on recognition and execution of judicial decisions
and of other awards in civil and commercial matters*

163. The number of cases in which court decisions or other awards given in one state will have to be executed in another will become larger and larger as the build-up of the Common Market proceeds. It would be unfortunate if their execution were not possible or were at best very difficult, as is still the case today in relations between most Member States.

The European Commission considers that the swiftest and best way of improving this situation (Article 220, subparagraph 5) would be for the Member States to agree on a standard convention on the execution of awards. A proposal on these lines was transmitted to the Governments on 22 October 1959.

Alignment of legislation concerning arbitration

164. While the execution of judicial decisions requires a special agreement among the Member States, improvements in the legal situation on arbitration in commercial matters, which is included in Article 220, can be dealt with in a larger framework. In December 1959, negotiations were begun in the Council of Europe with the object of obtaining uniformity in this field of legislation. The Commission is taking part in and supporting this work.

Alignment of company law

165. The increasing interdependence of markets and the many forms of co-operation already existing between companies in different Member States (and also non-member States), will lead to consideration of ways and means to align company law.

In the same context, a decision will be required as to whether there should be a convention on recognition of com-

panies, on the maintenance of their legal personality in cases where the registered office is transferred and on the possibility of mergers between companies (Article 220, sub-paragraph 4).

At the same time, the European Commission has noted the extent to which certain economic and scientific circles are interested in the establishment of European companies. It may indeed prove a great deal easier to attain certain objectives of the Treaty of Rome if enterprises have at their disposal a uniform type of company for the Common Market as well as the types known to municipal law. The Commission is following developments concerning this problem with close attention and is encouraging discussion of the subject.

Fiscal provisions

166. The staff of the Commission has given increasing attention to the problem of how turnover taxes can be harmonised—a problem whose importance was stressed in the preceding General Report.

A first meeting of senior government officials dealing with this matter in the various countries was held to examine how far disparities between the systems at present in force can impede the establishment of the common market, and also to settle the main lines of any studies required. The meeting appointed a working party to make a fuller analysis of the different systems in their relationship to the needs of the common market and to seek the possible means of attaining harmonization.

The deliberations of this working party have shown that the harmonization required by the Treaty, and desirable for other reasons as well, not only raises a technical problem in connection with the co-ordination of different structures in the field of turnover taxes, but is also an economic problem. In point of fact every tax arises out of specific economic, social and political conditions, and it is at the same time influenced by the

requirements of national budgets. Despite these inevitable difficulties, the following practical possibilities will be examined more closely:

- a. Maintenance of existing municipal legislation, but abolition of the checking of goods at the frontier for the levy of countervailing duties on imports and for granting drawbacks on exports—these checks could be transferred to the accounting offices of import and export firms;
- b. Adoption of a single general tax levied at the stage immediately before the goods reach the retailer—this could be combined with a small additional tax on retailers, related to the requirements of each Member State;
- c. Adoption of a common tax levied at the production stage and combined with an autonomous tax levied at the distributive stage;
- d. Adoption of an added value tax combined, where necessary, with a tax levied at the distributive stage.

A second meeting of senior government officials led to agreement on these possibilities and the forming of three sub-groups to go further into the problem. These studies should make it possible to find a basis for the work of harmonization. This aim should be attained with the minimum of delay. Only after this harmonization has become a reality will it be possible to solve the problem of suppressing fiscal barriers—one of the aims of the establishment of the Common Market.

167. The European Commission has recognized that, pending harmonization of turnover taxes, it will be necessary to settle the conditions underlying the application of Article 97 of the Treaty. This Article introduces a supplementary provision to the basic rule for offsetting the internal fiscal charge in Article 96, by

providing that, in States where turnover tax is calculated by a cumulative multistage system, countervailing duties may be levied on imports and drawback granted on exports on the basis of the average rates for specific products or groups of products.

Since the entry into force of the Treaty, several Member States have amended the rates of countervailing duties and drawbacks, and these have given rise to questions by members of the European Parliament. In view of the psychological effects which often accompany the proposed reductions in customs dues, the Commission feels some concern about the consequences of such measures on the progressive establishment of a common market.

168. According to the European Commission it seems that, so long as turnover taxes cannot be harmonized, there is need of close co-operation between the Governments if the advantages gained from the introduction of the Common Market are not to be endangered. It is in this spirit and in expectation of this harmonization that the European Commission has proposed to the Council a provisional solution under which the Member States would refrain from modifying the present situation unless they had convinced the Commission by previous consultation of the particular reasons justifying the modification they propose.

The technical difficulties which have so far faced the Commission's staff in checking these average rates have led the European Commission to consider that a uniform method of calculation in all States might simplify supervision and at the same time give the other member countries concerned a greater degree of confidence. Consequently, a second specialist working party, in which the Member States are co-operating, is now grappling with these problems.

169. A third working party established by the senior government officials of the Member States recently began to study the problems raised by indirect taxes other than turnover taxes. These are changes such as excise duties, where there are often considerable differences between one Member State and another and where harmonization would therefore be most important.

The question of turning customs duties into excise duties and of the unfortunate psychological effects on public opinion which can result, was raised once again. In this connection, the specific case in which the Benelux States turned fiscal duties on wine into excise duties was subjected to examination. The Commission felt that it was mainly a question of whether this excise duty could give indirect protection to other beverages. On the basis of the information gathered by its staff, the Commission decided that there was not sufficient evidence of a violation of Article 95 (2). Also the staff of the Commission have been instructed to find solutions which, taking into account the proposals being made for the implementation of the common agricultural policy, appear to be economically necessary.

170. The Commission is also studying the economic repercussions of direct taxes in the European Economic Community. It intends to prepare proposals which will lead to some harmonization of legislation where this is considered necessary. The Commission has already put in hand various studies in sectors which seem to be of particular interest from this angle. An example which may be quoted is the influence of taxation on the movement of capital, on agriculture, on public enterprises, on amortization and on the supply of energy.

Suppression of discrimination in transport

171. In the field of transport one of the aims of the Common Market will be to suppress, as far as this is required by the Treaty, discriminatory rates and conditions in transport and which cannot fail to have a harmful effect on the conditions of competition.

Article 79 (1) of the Treaty lays down special provisions covering the application by a carrier, in respect of the same goods conveyed in the same circumstances, of transport rates and conditions which differ on the ground of origin or destination of the goods carried. Any such discrimination is to be abolished not later than at the end of the second stage, and it is the duty of the

Council acting on a proposal of the Commission and after the Economic and Social Committee has been consulted, to lay down the necessary rules within a period of two years after the date of entry into force of the Treaty.

172. In order to keep to the time limits laid down, the Commission's staff, at the end of 1958, began a study of the problems involved and the appropriate solutions. This study has served as a basis for deliberations by the consultative Committee of experts attached to the European Commission under the terms of Article 83. At the beginning of 1959 this Committee, at the request of the Commission, went thoroughly into the problem. Its deliberations have made it possible to draw up a draft regulation for the application of the provisions contained in Article 79. In July 1959, the European Commission, having consulted the High Authority of the ECSC, submitted a draft regulation for the approval of the Council. The Council consulted the Economic and Social Committee, which, on 29 October 1959, approved the Commission's draft by a large majority but put forward a few suggestions for amendments. The Council itself was not able to reach a decision before the end of 1959.

A preliminary examination of the Commission's proposals was made at the Council meeting of 25 and 26 February 1960, and discussions on the matter will be resumed at a later meeting. There are in fact sharp divergences of view between Member States on the question of mandatory publication of rates and conditions of transport.

Article 13 of the draft regulation requires that, from 1 January 1964, the rates and conditions of transport applied to internal traffic in the Community shall be published. The provisions concerning the method, form and scale of publication, together with any other provisions found necessary, would be settled before 1 July 1963.

173. Because of the special nature of transport, the European Commission considers that the publication of rates and con-

ditions will be an effective means of enabling it to ensure adherence to Article 79 (1), and of putting users in a position to notice discriminatory practices. Whilst, therefore, the Commission feels that publication must be prescribed in the regulations to implement Article 79 (3), it is of the opinion that for practical and technical reasons the particulars of this publication should be fixed at a later date and will have to be adapted to the peculiarities of each of the three forms of transport. The Commission has also stressed that these particulars must not go beyond what is needed to implement Article 79 (1), and in particular should not include the drawing up of any tariff, since this can only be done in accordance with the procedure laid down in Article 75. Consequently, Article 13 of the draft regulation has been kept in general terms.

IV. Merging of the markets

174. Although the Common Market is still only beginning to take shape, there has already been considerable progress in the effective merging of the different national markets; this development, it should be added, has been greatly assisted by the close relations which from the outset, existed between the economies of the six member countries and by the general expansion of the economy since the beginning of 1959.

Pari passu with the steps for the reduction of obstacles to trade and harmonization of the conditions of competition being taken by Governments, business circles have been adapting themselves to the needs and possibilities of a wider market. Trade statistics already reflect the first beneficial results of the closer and more advanced economic relations developing in the Community.

REACTION OF BUSINESS CIRCLES

Company policy and first effects on structure

175. It is certainly no exaggeration to say that firms in Community countries have become aware of the possibilities offered

by the Common Market, and that at least the more dynamic among them have been taking steps to adapt themselves to the changed conditions likely to result from larger markets and keener competition.

176. Among the industrial reactions to the new situation created by the Common Market, the tendency for business organizations in the six countries to draw together has been one of the most evident. Associations representing industry, commerce and the handicrafts in the six countries have established themselves as European organizations with representatives from the Six. The movement towards closer relations appears in the most varied forms, including properly constituted associations with legal personality and a permanent secretariat. The aims of these organizations generally include the study of the problems raised in the relevant sector by the Common Market, contacts and exchange of views between members in the different countries belonging to the organization, and defence of their interests in dealings with the authorities of the European Economic Community. Frequently, the studies made by these organizations on problems in their own sector provide valuable preparatory material which helps the work of the Commission's staff.

177. The trade unions, too, have shown a very keen interest in the new social prospects opened by the establishment of the Common Market. Both the free and the Christian trade unions in the Member States have set up European secretariats. Trade union activities have been co-ordinated on the Community level between workers' organizations in the various branches of the economy. The growing attention given by the trade unions to the economic and social problems stemming from the establishment of the Common Market is reflected in the resolutions passed at their congresses and conferences.

178. In addition, commercial publicity uses the Common Market more and more frequently as a sales argument: sometimes shops stress their sales of products from the six countries, in other cases, the rationalization required by the Common Market is

used as an argument in efforts to sell equipment goods. All this appears to show the extent to which there is increasing awareness of the Common Market among the general public.

179. At company level it is possible to discern interesting reactions which may serve as some guide to the interest business circles feel in the development of the Common Market. These reactions first become visible as new trends in the internal policy of the companies; they then appear in the form of full-scale structural changes which affect the relationship between the companies.

The banks and credit institutions—the traditional advisers of business undertakings—have been the first to realize the need for a thorough examination of the problems arising from the Common Market and have in many cases set up special services for this purpose. In business as a whole, the new trends are clearly evident if we examine investment programmes. One of the chief concerns of most companies is how to reduce their costs in order to meet the keener competition which will be found in the Common Market. The general tendency appears to be towards the rationalization of production, redistribution of work between departments inside companies and a degree of specialization which in many cases goes beyond a mere internal reorganization.

180. Parallel with the need to find solutions for the problems affecting the technical structure of production, a change in the size of companies sometimes proves necessary. The search for the ideal size in an expanded market is reflected in the scale of investment inside the companies and also in many changes in the structure of industry.

Other problems which have always been of interest to companies have grown in importance because of the speed-up in technical progress needed to meet the possibilities offered by the Common Market. A new urgency can be sensed in technical research, and there is growing interest in the training of staff,

whether workers, supervisors or managers. These activities are in fact forms of investment in technical knowledge and in human capital.

To meet the increasingly heavy burden of new investment, firms in certain countries are demanding changes in the rules on amortization accepted by their tax departments.

181. There is another development which is worth noting: it is the revival of interest in the development of foreign patent rights, which can be profitable on the larger market though they would not have been profitable on the separate national markets.

On the whole, business circles approve of the Common Market. Concern has, however, frequently been expressed in industrial circles over those provisions in the Treaty which are to be applied on the basis of a far more elastic time table than that laid down for tariff and quota disarmament.

182. The new trends in company policy are gradually producing structural changes as a result of the investments that have been undertaken. It is still early to assess these changes, but it can already be said that they are also due to greater collaboration between companies.

183. Among the cases noted, the number of concentrations is relatively small and they occur almost exclusively within the countries concerned; specialization agreements are to be found both in this form and at Community level.

184. The attraction of the opportunities offered by a market of 170 million persons has also had its effect on the capital and the industrial planning of non-member countries, especially the United States of America. American investments are being made over a wide range of sectors and are reflected in the founding of industrial undertakings within the Common Market or in holdings in financial companies. Official figures for 1959 are not

available, but it would seem that the tendency noted in 1958 has continued and perhaps developed even further. Despite a general reduction in direct private investment abroad by persons in the United States, the Community has been able to improve its position both in absolute figures and relatively. It has shown itself less vulnerable to the sharp decline in petroleum investments and has been able to attract a considerable amount of foreign capital, especially for its manufacturing industries.

Apart from this movement of American capital towards Community countries, a considerable number of cases of industrial collaboration have been recorded, especially in the form of production rights granted by American companies to firms established in the European Economic Community.

THE DEVELOPMENT OF TRADE WITHIN THE COMMUNITY IN 1959

Overall trade

185. Trade within the Community, which in 1958 was affected by the fall in economic activity, made a particularly lively recovery in 1959. On the basis of the import figures published by member countries, it amounted to a little over 8,077 million dollars in 1959 compared with 6,787 million dollars in 1958 and 7,030 million dollars in 1957. The advance amounts to 19 % over the 1958 figures and to almost 15 % over those for 1957.

This favourable development is chiefly due to the revival of economic expansion and the direct and indirect effects of the application of the Treaty of Rome. Certain fortuitous circumstances have also played a role, especially in connection with agricultural products.

186. The economic expansion which spread throughout the Community towards the end of the first quarter of 1959 became even more marked later. This development no doubt explains the equally steady increase of trade within the Community. The

ratio of both these items to the corresponding figures for 1958 rose from quarter to quarter: in the first quarter it was 2 0/0, in the second 16 0/0, in the third 22 0/0 and in the fourth 29 0/0, with allowance in the second half-year for trade between France and the Saar in place of trade between the Saar and the German Federal Republic.

The expansion of trade between Member States was also stimulated by the fact that average prices of exports from Member States fell by about 5 0/0 between 1958 and 1959, while the export prices of other industrial countries showed but little change. While one reason for this fall was the devaluation of the French franc in December 1958, another factor which should not be overlooked was the keener competition between manufacturers in the six countries; this competition frequently meant that they did not restore prices that had been lowered during the period of slackening trends, or it led them to make substantial reductions in 1959 in the hope of winning new markets.

Even more than the direct influence of increases in quotas or the first reductions in customs duties—measures which in many cases were extended to non-member countries—this new and vigorous attitude on the part of business circles has helped to stimulate more lively trade relations between the six countries. It is partly thanks to this attitude that trade has expanded more rapidly among the Six than with non-member countries.

While the total exports of member countries rose by 2,390 million dollars in 1959, more than half this increase occurred in exports from one Community country to another; their share in the total sales of member countries shifted from 31.8 0/0 in 1957 to 30.1 0/0 in 1958 and 32.4 0/0 in 1959.

The total imports of the six Community countries rose by only 1,226 million dollars, while their imports from each other rose by 1,290 million dollars. This development was principally due to the reduction in imports from North America and

to the unchanged value of purchases from countries in the course of development, owing to the fall in the price of raw materials. The percentage of intra-Community trade in the total imports of member countries rose from 28.3 % in 1957 to 29.6 % in 1958 and to 33.6 % in 1959.

187. As can be seen from the table opposite, the share taken by the six Community countries in this intensification of internal trading was uneven:

TRADE WITHIN THE COMMUNITY - 1959 ⁽¹⁾

1. *Values. In millions of dollars*

| Exporting countries | Importing countries | | | | | Exports to EEC |
|---------------------|---------------------|---------|-------|-------------|----------|----------------|
| | Germany | France | Italy | Netherlands | B.L.E.U. | |
| Germany | | 738.8 | 464.2 | 814.0 | 563.1 | 2,580.1 |
| France | 774.4 | | 256.9 | 141.3 | 433.2 | 1,605.8 |
| Italy | 519.8 | 177.5 | | 71.3 | 80.8 | 849.4 |
| Netherl. | 744.0 | 176.5 | 90.7 | | 543.9 | 1,555.0 |
| B.L.E.U. | 422.4 | 269.2 | 77.3 | 722.9 | | 1,491.8 |
| EEC | 2,460.6 | 1,362.0 | 889.0 | 1,749.5 | 1,621.0 | 8,082.1 |

2. *Change percent as compared with 1958*

| Exporting countries | Importing countries | | | | | Exports to EEC |
|---------------------|---------------------|--------|--------|-------------|----------|----------------|
| | Germany | France | Italy | Netherlands | B.L.E.U. | |
| Germany | | + 13.1 | + 20.4 | + 15.3 | + 4.7 | + 13.0 |
| France | + 37.7 | | + 65.6 | + 39.8 | + 19.2 | + 35.9 |
| Italy | + 28.5 | + 34.5 | | + 11.6 | + 20.1 | + 27.2 |
| Netherl. | + 25.1 | + 24.5 | + 10.1 | | + 10.4 | + 18.6 |
| B.L.E.U. | + 26.1 | - 10.5 | + 20.4 | + 11.7 | | + 10.8 |
| EEC | + 29.8 | + 11.0 | + 29.3 | + 15.3 | + 10.9 | + 19.0 |

⁽¹⁾ Tables prepared by the Statistical Office of the Communities on the basis of the import statistics of the member countries.

188. For exports France showed the best results; its sales to all other Member States, and especially to Italy and Germany, advanced perceptibly. Germany accounted for nearly half the increase in imports between Community countries; in relative value, however, the greatest advance was in imports by Italy, where exports increased almost as sharply. The Belgo-Luxembourg Union showed the smallest changes, both in imports and exports.

The balance of trade between Community countries, which in Benelux and Italy was slightly unfavourable, has shown only minor variations, imports and exports recording increases of the same order. But while in 1958 Germany was alone in having a surplus on the balance of payments (nearly 510 million dollars), in 1959 the appreciable increase in its imports reduced the export surplus to slightly over 272 million dollars, and France, thanks to the increase in its exports and the slow growth of its imports, moved from a debit balance of nearly 84 million dollars to a credit balance of 162 million dollars.

The main categories of products

189. The table below ⁽¹⁾ covers trade in the years 1958 and 1959, and refers to the various categories of products given in the UN nomenclature (Standard International Trade Classification—SITC).

| Year | Food, beverages and tobacco | Fuels | Other crude materials | Chemicals | Machinery and transport equipment | Miscella- neous manu- factured articles |
|----------|--------------------------------------|-------|-----------------------------|-----------|--|---|
| 1958 | 908.8 | 744.5 | 622.2 | 486.1 | 1,514.4 | 2,457.5 |
| 1959 | 1,126.0 | 747.5 | 792.4 | 584.6 | 1,771.0 | 2,996.9 |
| Increase | +23.8% | +0.4% | +27.3% | +20.2% | +16.9% | +21.9% |

⁽¹⁾ Table based on the import statistics of member countries; the percentages given show the relation of 1959 to 1958.

Food, beverages and tobacco

190. Trade in these items advanced by 24 % between 1958 and 1959. The increase is in part due to the drought of the summer months. The German Federal Republic and France, in particular, endeavoured to counter the tendency for prices to rise by opening their frontiers more freely to agricultural product. The chief benefit from the increased demand in certain countries went to exports of butter and vegetables from the Netherlands, followed by vegetables and fruit from Italy and grain and meat from France. Trade in beverages and tobacco showed no significant variation.

Fuels

191. In the coal sector, trade within the Community fell comparatively little, despite the structural crisis in the sector, but there was a sharp drop in imports of coal from non-member countries. As at the same time trade in petroleum products increased slightly, the total trade in fuels within the Community was practically unchanged when compared with 1958.

Crude materials

192. This item showed the greatest increase in relative value (+ 27.3 %), owing to the recovery in business activity, which was especially marked in iron, steel and textiles.

France, as principal supplier of the Community with nearly 40 % of all exports between Community countries, increased its sales to other member countries, especially Italy and Germany, by almost 43 %. Italy's imports expanded appreciably (+ 56 %).

Chemicals

193. The increase of 20 % which occurred in this sector is about the average increase for all commodities.

The growing influence of this sector in industrial manufacturing processes is the root cause of the increase in trade which

was observed in all member countries, although in B.L.E.U. and in France, where industrial recovery was longer delayed, the increase in purchases was smaller than in the other countries.

Machinery and transport equipment

194. The value of trade in these items advanced by 17 % in 1959. The increase in imports was particularly noticeable in those countries where the economic recovery was very rapid; imports by Germany and Italy, for instance, went up by 50 % and 24 % respectively.

The sales of transport equipment, which represent more than one third of total trade in this category, benefited by the almost general rise in demand; French and Italian exporters of motor cars in particular made great efforts to increase their share of the markets in other member countries.

Miscellaneous manufactured articles

195. Here the increase in trade in 1959 amounted to 22 %. At first, re-stocking by dealers was one of the liveliest factors in demand. Later, the general increase in personal incomes produced by the expansion of activity led to a vigorous expansion in demand for consumer goods. The increase was particularly striking in Germany, the Netherlands and Italy. In France and B.L.E.U. the effects of the recovery, being slower to get under way, were not felt until towards the end of 1959. The imports of these countries increased but little during the first nine months by comparison with the corresponding period of 1958, but as a result of a great increase in purchases during the last quarter the upward movement for the year as a whole works out at 11 % for France and 15 % for the Belgo-Luxembourg Union.

CHAPTER IV

TOWARDS A COMMON POLICY

196. The Member States and the Institutions of the Community have constantly emphasized that the European Economic Community is an economic union characterized by the application of common policies. The Treaty expressly provides for such common policies in several important fields and for broad co-ordination in the other sectors.

Both in its preparatory work and in the proposals which it has submitted, the European Commission has endeavoured to ensure that the development of the customs union and the establishment of the common policies move forward on closely parallel lines. Several of the Council's decisions have been made with the same aim in view.

197. Among others, Articles 2, 39, 74, 103 to 116 and 130 of the Treaty deal with the general economic policy aims fixed for the Community. They form the basis on which the Commission is working on the elaboration of an overall policy intended to serve as a framework within which the common policies can be developed and national policies harmonized. This overall policy is inseparable from the implementation of close co-operation between the Member States in the social field for the purpose of promoting improvements of the living and working conditions of labour so as to permit the equalization of such conditions in an upward direction (Article 117 of the Treaty).

One of the first concerns of the European Commission has been to make available to the Community the appropriate instruments with which to study and analyze problems. The Treaty itself provided for the establishment of the Monetary Committee, which has already rendered important services to the Community. A Committee on policy relating to economic trends, which the Council recently decided to set up, will com-

plement the work done by the Monetary Committee. Meanwhile, a group of high-level experts is studying the structures and the long-term prospects of the Community's economy.

With the help of advice from these different bodies, the European Commission is endeavouring to work out the elements of a policy for the balanced development of the Community which shall permit the various regions to attain comparable living standards and ensure that they all benefit from the advances made by the Common Market. The Commission is also closely following the development of economic trends and has submitted its first recommendations in this field to the Governments.

198. The progress achieved by the harmonized policies must be seen against this general background.

The adoption by the Council of a first directive on the freeing of capital movements consolidates the measures already taken in certain Member States and constitutes an important effort towards liberalization on the part of the others. It will further strengthen the financial solidarity of the six countries and the necessity for them to pursue a co-ordinated policy is now more than ever apparent.

The European Social Fund, for which a Regulation has recently been adopted by the Council, will be an important instrument of social progress. The proposals which the European Commission intends shortly to make for a co-ordinated programme of occupational training and the free movement of workers, together with the Regulation on the social security of migrant workers, will form the first elements of a body of European social legislation.

The submission to the Council of the Commission's proposals on the common agricultural policy was an important step. In these proposals, the Commission emphasized its determination to ensure a satisfactory place to agriculture within the

general economy and to integrate the development of agriculture and the modernization of its structures closely with overall economic development. One of the chief tasks of the Community's institutions in 1960 will be to work out the common agricultural policy on the basis of the Commission's proposals.

Transport is both an important instrument of economic policy and a sector which is sensitive to all variations of general activity. In the past, all the Governments have repeatedly intervened in this sector, applying concepts which are still too widely divergent. The European Commission expects to be able to work out the foundations of a common policy during 1961 and then initiate a general discussion between the Member States and the circles concerned similar to the Stresa conference on agriculture.

Commercial policy is determined by general economic policy, from which it cannot be isolated. The Community, which is a vigorously expanding economic power with a highly skilled labour force and a wide market, owed it to itself to adopt a liberal commercial policy. Because of their repercussions on the Community's external relations, activities in this field are described in Chapter VI.

199. More and more, the working out and implementation of common policies will be the major task of the Community's institutions, whereas the machinery of the customs union, once finally installed, will operate almost automatically. Today, thirty months after the entry into force of the Treaty, the European Commission is justified in considering that the foundations of this common political action have been well and truly laid.

Policy relating to economic trends

200. Under Article 103 of the Treaty, policy relating to economic trends is considered as a matter of common interest and the Member States are required to consult with each other and with the Commission on measures to be taken to attain the economic policy aims fixed by the Treaty. These are defined in

Article 104: equilibrium of the balance of payments, confidence in the currency, stability of the level of prices and a high level of employment.

a. *THE RESULTS IN 1959 AND EARLY 1960* ⁽¹⁾

201. In 1959, the objectives of economic policy as defined above were on the whole attained. Imbalances in the payments account of some member countries, which were still fairly marked in 1958, became much less pronounced in 1959—a year characterized by a world-wide economic expansion which benefited most European countries. In the Community as a whole, the gold and currency reserves of the official monetary institutions increased by 1,600 million dollars. This increase was less than that of the previous year, which had been around 2,500 million, and was largely attributable to the necessary reconstitution of French reserves. The trend towards equilibrium has moreover become stronger in recent months, for, while the official gold and currency reserves of the member countries have continued to increase, an appreciable rise in the goods and services imported from non-member countries has had a marked effect on the balance of trade.

During the first quarter of 1960, purchases abroad by all member countries went up sharply. This increase is attributable to the general growth of investment in the Community and to the tendency for private consumption to develop more rapidly following wage increases in most member countries.

During the greater part of 1959, the growth of imports remained less marked than that of exports, but for some time now imports have been tending to rise faster than exports in

⁽¹⁾ A detailed examination of the economic situation in the Community and in each of the member countries is provided by a quarterly study put out by the services of the Community and published in the official gazette of the Communities. In addition, the Commission circulates monthly a brief note on economic trends containing the most recent information on economic developments in the Community.

certain member countries, even though external demand remains very buoyant. The expansion of the latter, which in 1959 had been particularly lively from the United States of America, has spread to the other industrial countries and, most recently, to the development countries which, thanks to more plentiful payments media resulting from the recovery of their sales in volume and value, are tending to regain the level of imports required for their development programmes.

202. On the whole the stability of price levels has not been disturbed by the lively expansion of both internal and external demand, as production has shown very great elasticity in adapting itself. The increase in the gross national product over 1958 was 6.7 % for Italy, and around 6 % in the Federal German Republic and the Netherlands. If it did not exceed 2.5 % in France and Belgium, this was due, in the first-named country, to the slow-down in internal demand under the economic and financial re-organization programme and, in the second, to structural conversion in certain sectors, notably coal-mining. Agricultural production could not always satisfy demand, as certain crops suffered from the exceptional weather conditions of the summer months. But industrial production advanced without encountering any special difficulties—the rate of expansion being about 7 % over 1958—with all sectors participating, although in varying degree. Only coal-mining and shipbuilding experienced persistent difficulties.

This growth of production was made possible by the exceptional advances in the productivity of labour registered in 1959. The extent of these is explained by the investment effort of enterprises, particularly for the rationalization and specialization needed to adapt conditions of production to wider markets in the setting of the Community. The rate of fixed investment was about 6 % for the Community, that of household consumption about 3 %. The internal balance of resources and their use has thus been favoured in the various member countries by the indirect effects of the first measures to implement the Treaty of Rome.

The trend of external trade and more precisely of intra-Community trade ⁽¹⁾ has also contributed to maintaining price stability. The prices of imported raw materials remained at a lower level than during the preceding year and the average value of imports—like that of exports—was influenced by stronger international competition. This was considerably stimulated by the freeing of trade and reduction of tariffs in 1959 and by the rapid development of intra-Community exchanges: the exports of all member countries to other member countries have grown twice as fast as their exports to non-member countries.

Thus in 1959 there was relative price stability. Only the prices of agricultural products showed an appreciable rise last autumn, but this did not reflect any disequilibrium between overall supply and demand; it resulted essentially from the accidental insufficiency of the production of certain agricultural foodstuffs. The normalization of the market for these products, partly through increased imports from member countries with surpluses, made possible a reduction in wholesale and retail price levels at the beginning of 1960.

203. The expansion of business has not always brought about an appreciable increase in employment, since extra production was largely obtained by improved productivity without any increase in manpower. Thus the most appreciable advances in production have been observed in those sectors where the ratio of fixed capital to manpower is highest and where production can be stepped up without calling in large numbers of extra workers. During the preceding year, a part of the labour force had been kept at work, over and above immediate needs, in the expectation of an early recovery. Managements made fuller use of this partially idle labour capacity before taking on new hands.

However, the trend in the labour market has differed somewhat from country to country. In the Federal German

⁽¹⁾ See Chapter III, Sec. 185.

Republic, which in 1958 experienced not a real recession, but merely a reduction in the development of the economy, employment has continued to increase; the result, in view of the slow growth of the active population, has been a sharp fall in unemployment. Manpower availabilities became insufficient from the autumn of 1959, and tightness appeared on the labour market. In Italy, the recovery registered at the end of 1958 was consolidated in 1959, with a slightly greater increase in employment than in 1958 and a fairly appreciable fall in the number of unemployed. This trend continued in the early months of 1960. There was also a definite increase in employment in the Netherlands, where, despite a rapid increase in the active population, unemployment has appreciably receded and there has been tightness in certain sectors.

The unemployment trend has been less favourable in the other member countries in which recovery was more tardy, but the average level of employment at the end of 1959 in these countries was nevertheless higher than at the end of 1958. In Belgium, where unemployment continued to grow until mid-1959, an inverse trend made itself felt at the beginning of the second half of the year, and grew in strength during the first months of 1960. The situation in France, which had deteriorated in 1958, also only recovered slowly. For 1959 as a whole, the average level of employment was below that of 1958, but at the beginning of 1960 it was higher than at the corresponding period of the previous year.

b. PROSPECTS FOR 1960

204. In 1960 the general economic situation will tend to develop satisfactorily on the world plane. However, as far as the Community is concerned, greater difficulties will stand in the way of the simultaneous attainment of the objectives of the common economic policy laid down in Article 104 of the Treaty.

External demand will remain very buoyant because of continuing expansion in the industrialized countries and the im-

proved purchasing power of the countries producing raw materials. There may, however, be some reduction in the surpluses on the trade balance of certain countries, as higher internal demand will result in more rapid increase of imports.

Consumption by households will in fact increase more rapidly than during the last two years. It has now begun to grow, and the conditions necessary to maintain this expansion seem to be present. For several months past, wages rates in most Community countries have shown a tendency to rise appreciably more than in 1959. Demands for higher pay are based on the favourable business trend, on the remarkable advances in productivity, and on the increased cost of living, which is felt all the more keenly by wage earners as it mainly results from higher prices for food. The increase in the number of hours worked in Community countries will also swell the volume of wages in 1960. Finally, the more favourable trend of profits distributed and of the income of individual entrepreneurs in 1960 will further increase the resources of households, so that, even if the savings rate remains as high as in 1959—which is not certain—the growth of private consumption will be appreciably greater than last year.

It is clear too that investment is likely to be on a larger scale than during the previous year. In the Federal German Republic particularly, increased orders in the mechanical engineering industry are evidence that investment programmes are being revised. Overall forecasts for 1960 in the other member countries also point unmistakably to a greater volume of investment than in 1959.

205. The simultaneous expansion of the main elements of demand will make it more difficult to keep prices stable. The remarkable increase in productivity, which gave high elasticity to production in 1959, will doubtless slow down during the months ahead. As a result of the progressive absorption of reserve productive capacity, it will be much less easy to adapt supply to demand. In certain countries, but above all in certain sectors,

there is a risk that manpower shortages may cause production bottlenecks and tightness in prices.

206. The strains which have appeared on the labour market in certain member countries seem in fact to be growing more serious. Manpower requirements are specially large and urgent in the Federal German Republic—where the natural increase of the active population and net immigration have shown a tendency to decline in recent years—and will remain so for some time to come. In the Netherlands they are just as urgent but may be of shorter duration, since a sharp increase in the active population will occur from 1962 onwards; they will, however, remain high at least until that year.

By contrast, Belgium, and above all Italy, still have growth reserves in the form of idle manpower. The other countries—France and Luxembourg—are at present in an intermediate position, but in these countries also, continued expansion may well cause manpower shortages during the year in certain sectors or occupational categories. The Commission therefore considered that it should give special emphasis to this point in working out its recommendations for measures to deal with economic trends.

c. POLICY RELATING TO ECONOMIC TRENDS

207. The chief industrial countries of the West have been concerned to prevent or mitigate difficulties for their economies likely to result from the probable trend of the business cycle. Currency measures were taken at the end of 1959 in several Community countries.

To prevent the expansion of demand outrunning possible supply, the Bundesbank has twice raised the discount rate, bringing it to 4%, while the Netherlands and Belgium have fixed their rates at 3.5 and 4% respectively.

In addition, overall treasury deficits in the budgets for the new financial year, adopted or being examined by the Par-

liaments, are lower than those in the budgets of the preceding year, and lower in every case than those found in the actual balance sheets at the close of the financial year. A certain adaptation to the economic trend will, moreover, result automatically from the fact that fiscal revenue will be higher than anticipated in the initial estimates. In several Member States the treasury has already exercised its function as a regulator of the financial markets by floating considerable medium and long-term loans during the early months of 1960.

208. It is, however, becoming increasingly evident that care must be taken to avoid special measures adopted by the authorities of certain member countries creating difficulties for others. In particular, measures of business cycle policy, such as dearer credit, must not be allowed, through faulty co-ordination, to act as a brake on expansion in those countries which still have growth reserves. For this reason the Commission, realizing the advantages of a co-ordinated business cycle policy over isolated decisions, was led to specify the measures of economic policy which it thought were called for by the probable business trend and to discuss these with the Council at the latter's session of 1 and 2 February 1960.

The first objective of the Commission's recommendations is to use the national mechanisms for slowing down demand only to the extent that these do not prejudice the economic situation of other countries. The recommendations also include proposals for joint action to increase supplies in the Community and aim finally at the adoption of a procedure for regular consultation in order to ensure permanent co-ordination of policies relating to economic trends.

209. With regard to measures on the national plane, the Commission considered that the anti-cyclical effect of smaller treasury deficits and higher fiscal revenue could, if necessary, be strengthened by speedier collection, if not by amended rates of tax. Similarly, budget spending could be spread over longer periods. Despite the existence of factors making for rigidity, the more or

less large volume of public expenditure, particularly in the investment field, offers some latitude for manoeuvre. In those countries where it seems necessary to slow down some forms of spending, re-arrangement of public investment programmes, which generally run over several financial years, would not endanger expansion and would reserve the possibility of a new "take-off" when this was felt to be necessary.

In those countries with considerable balance-of-payments surpluses and marked expansion of bank credits, action taken by the treasury should be adapted still more closely to the economic situation. Thus, if necessary, loans could be floated in excess of the financial needs of the exchequer and exercise an anti-cyclical effect.

The Commission has emphasized the advisability of not using the instruments of monetary policy available to the member countries except as part of a wider policy which should include both measures of a budgetary nature and joint action to ensure the required balance, preferably by stepping up supplies.

210. In this connection, the imbalances which exist within the labour markets of the Community countries and between these markets make joint action in the employment field possible and desirable. Better utilization of available manpower in the Community would make it possible to increase the rate at which production expands in countries threatened by inflationary tensions and even in those where tightness on the labour market is purely local. In addition, the social situation in countries with a manpower surplus would thus be improved. For this reason, and in view of the urgency of the business cycle problems to be faced, the European Commission decided on the immediate establishment of a working party to study present and probable imbalances on the labour markets of the member countries and to prepare appropriate measures for remedying these. ⁽¹⁾

⁽¹⁾ See also Sec. 303 of this Chapter.

At the end of April 1960 this working party submitted its report to the European Commission.

211. The external trade policy advocated by the Commission could make a speedier contribution to maintaining the internal equilibrium in the various Community countries. The Member States have indeed already taken measures in this field by carrying out further liberalization of trade and some, such as the Netherlands, a country already widely open to external trade, are planning an appreciable diminution of the surplus on their current payments balance in 1960. However, a more active policy of tariff and quota liberalization would enhance the regulatory character of external trade.

Such a policy would contribute effectively to remedying existing or foreseeable strains in certain sectors, acting both on supply, by increasing the fluidity of markets, and on prices, by increasing competition. It would, furthermore, give a new impulse to rationalization by enterprises, thus extending the measures already taken in this regard as a result of the signing of the Treaty of Rome, measures which have made possible rates of increase in productivity as exceptional as those registered in 1959.

212. Finally, the Commission considered it necessary to make more systematic the procedure laid down in the Treaty for ensuring the co-ordination of business cycle policies in Member States by adding to the existing bodies a Committee on policy relating to economic trends.

This Committee, the establishment of which was decided on by the Council at its session of 1 and 2 February 1960, held its first official meeting on 7 April. Professor Müller-Armack, Under-Secretary of State for Economic Affairs in the Federal German Republic, was elected Chairman. The Committee consists of three representatives of the European Commission and three representatives from each Member State, each of whom is responsible on the highest level in his own country for economic and monetary policy. The chief task of the Committee will be

to guide the Commission in drawing up concrete proposals for submission to the Council on any occasion when this seems to be required by the trend of the economic and monetary situation. This task would appear all the more necessary as the economic climate prevailing since the return of most European currencies to external convertibility, together with the trade liberalization measures taken at the same time and others in prospect, make the economies of the different countries, particularly of the Member States, much more closely dependent on each other.

In order to ensure maximum efficacy in the work of the new Committee, the closest possible relations have been organized with the Monetary Committee, the Chairman of which is an *ex officio* member of the Committee on policy relating to economic trends.

213. In 1959, the Monetary Committee twice examined the monetary and financial situation of each of the Member States in conformity with Article 105 of the Treaty which instructs it to keep this situation and also the general payments system of Member States under review and "to report regularly thereon to the Council and to the Commission". At the beginning of 1960, the Monetary Committee submitted its second general report to these two institutions. ⁽¹⁾ The work of the Monetary Committee, in which the European Commission shares through its representatives, has contributed to providing a thorough knowledge of the current monetary and financial trend. It has also made it possible for those concerned to become more familiar with the structural and institutional characteristics of the monetary and financial systems of the Member States.

The experience thus gained takes on its full significance when, in the event of balance-of-payments difficulties, the Community institutions have to make concrete recommendations to a Member State. Moreover, the importance of this body does not lie in its advisory functions alone.

⁽¹⁾ See the official gazette of the European Communities No. 18 - 17 March 1960.

Experience has shown that regular discussions between personalities belonging to the governmental services and the central banks of the Member States and participating in the conduct of the monetary and financial policy of their countries, exercise a real influence over the decisions of the competent services in the Community countries.

The Commission has adopted most of the conclusions of the Monetary Committee on the monetary and financial policy measures to be taken. These conclusions take on all the more importance for the co-ordination of the economic policies of the member countries since external convertibility (for non-residents), which was introduced at the end of 1958, and which has tended more and more to become internal convertibility (for residents), has further increased the interdependence of the national economies which the freeing of trade had already made more sensitive. This interdependence has been evident above all in the field of monetary policy. Nowadays a State can no longer envisage measures without considering their effects on the economic development of other States. This being so, monetary policy itself is increasingly determined by external influences. The prerequisite for the proper operation of such an international system is that balance-of-payments difficulties be successfully avoided. This means that the economic policy line must not vary too widely between the several countries. In future it will be one of the foremost tasks of the Member States to see that this is so, since between them there are particularly close links.

214. On the initiative of the Minister of Finance of the Federal German Republic, the Finance Ministers of the Member States met in June and have since held periodical meetings. These are non-official occasions at which the European Commission participates in the persons of those of its staff who are more specially entrusted with watching problems of economic policy and fiscal questions. These meetings serve as an occasion to exchange views and information, and they make it possible to review jointly the problems of financial and business cycle policy

of the different Member States without, however, any decisions being taken.

215. In its Second General Report, the European Commission has already referred to the statistical work undertaken in conjunction with national experts in the field of monetary and financial statistics. This work was continued last year.

In this connection, special importance is accorded to the comparability of the budgets of Member States from the angle of their economic repercussions. During the period under review, this work advanced with the co-operation of national experts to the point where the first comparable analyses of the structure of these budgets can no doubt be undertaken before the end of this year, on the basis of an outline plan resting on uniform economic criteria.

Development policy

LONG-TERM FORECASTS AND REGIONAL POLICY ⁽¹⁾

216. In order to enable the Institutions, the Member States and the industries concerned to work out the long-term aspects of the harmonious development policies which they wish to further, the European Commission has requested independent experts to establish forecasts on the trend of the Community's economy up to 1970 and on the structural transformations which it is likely to undergo.

In 1958, the same experts drew up the "Report on the economic situation in the Community"; they have been meeting again since April 1959.

Working on the basis of two estimates, one high and one low, of the development of the gross national product in

⁽¹⁾ See also Chapter IV, Sec. 304.

each country, the experts are studying, under each of these two assumptions, the trend of public consumption, of investments and of private consumption by category of expenditure.

Internal demand by category of expenditure will be broken down in terms of demand by category of products for the Community as a whole.

Forecasts of demographic trends (total population and working population) will be made for each country.

All the studies in hand will be broken down country by country.

This work will bring out the possibilities of, and the obstacles to, the realization of the initial assumptions on the growth of the national products, enabling them to be revised if necessary.

These studies are being carried out by the experts with an eye to comparability between the forecasts put forward for the various countries; they pre-suppose a careful comparison of the various assumptions and the methods employed.

217. The results of the studies made by the group of experts will not be a mere juxtaposition of the national forecasts, but a first attempt to formulate genuinely integrated forecasts.

The importance which the European Commission attaches to long-term economic forecasts is evidence of its resolve to do everything possible to ensure that decisions which commit the long-term future of the Community may be taken in full knowledge of the facts, as far as this is possible at the present stage of forecasting techniques.

The European Commission has not been content with setting up a piece of machinery capable of providing overall

forecasts. It has also called for sector or regional studies from its own staff in order to throw light on the prospects of a certain number of industries which involve or could involve special problems. These include, among others, textiles, shipbuilding, sulphur, motor vehicles, petroleum and paper and paper pulp.

In co-operation with the staffs of the High Authority of ECSC and of the Euratom Commission, the Commission's services have also devoted their attention to the problem of forecasting the Community's energy requirements.

218. The European Commission intends to promote gradual advance towards a regional policy which should narrow the gaps between the levels of development in the various regions of the Community.

From this angle, and after having noted that the preliminary studies concerning the regional economic situation in the Community and the regional policies of the Member States were sufficiently advanced, the Commission took the initiative of calling together a group of high-ranking officials responsible for regional policy in the Member States to help in initiating a systematic comparison of their regional problems.

A first discussion brought out clearly that, although their respective situations vary greatly, all Member States are anxious to establish a certain balance in the relative development of the different regions.

219. Apart from certain Mediterranean areas in which serious and almost general underdevelopment has to be remedied, the regional problem has emerged as one aspect of a policy of industrialization, either as the result of the decline of certain activities which are highly concentrated geographically, or in consequence of latent underemployment in agriculture in a part of the territory, or in connection with a systematic attempt to

valorize the economic potential of all regions in a given country. The criteria used to delimit regions and to guide possible State action vary in the extreme.

Nevertheless, the basic preoccupation is the same in all Member States; it everywhere springs from anxiety to ensure full employment in the most satisfactory conditions possible from the angle of the geographical distribution of economic activities.

220. For this reason, it has seemed to the group of senior officials that a thorough comparative examination of the methods used in the six countries to identify economic regions and zones would yield useful results and contribute to solving the question of the territorial framework in which those provisions of the Treaty with a regional aspect will have to be applied.

Another aim of this work is to identify and localize the main problems of a regional character which arise in the Community, for it is only when the nature of the problems to be resolved is known that a reasonable delimitation can be planned.

This task has been entrusted to a group of experts who will also study the provision of adequate regional statistical information.

The studies of the group of experts are now in progress.

221. In a general way, it appears to the European Commission that the effectiveness of the action undertaken or planned to further regional development will depend only in part on specific measures of credit or aid: in part also it will depend on the care taken to ensure that every element of economic policy which has a marked regional incidence makes its contribution towards attaining the aims of the regional policy.

In other words, constant attention must be paid to the regional implications of the policies followed, particularly in the

spheres of the infrastructure of transport, agriculture and of taxation.

It will also be necessary for the objectives of the regional policy to be clearly defined by the Member States concerned.

222. It is for the Commission to draw attention to any incompatibility which may exist between these objectives or between the methods employed to attain them.

To do this, and with a view to the elimination of such incompatibilities, the Commission will arrange contacts between the responsible domestic authorities. Discussions should also make it possible to fix objectives and to dovetail the efforts of the Member States with those of the Community Institutions. This is an important aspect of the harmonization of economic policies provided for in the Treaty.

223. The regional problems which arose when customs duties were being fixed for certain List G products have been carefully studied by the Commission. Within the limits of its competence under the Treaty, the Commission did not fail, in the course of the negotiations, to encourage the search for detailed agreements which would facilitate economic conversion in the regions concerned while safeguarding the general economic interests of the Community.

ACTIVITIES OF THE EUROPEAN INVESTMENT BANK

224. In 1959, the Board of Directors of the European Investment Bank approved seven financing operations for a total amount of 52.1 million dollars. The projects for which these credits were provided represent a total investment of 288 million dollars and are situated in Italy, France and Luxembourg.

The Italian projects concern the underdeveloped regions of Sicily, Sardinia and Lucania. The total credits amount to 32 million dollars, spread over four projects in the chemical industry and electrical energy production.

The chemical industry projects are situated in Sicily and concern two plants which are part of a petro-chemical complex. The Lucanian project is for the exploitation of a lignite deposit and the building of a thermal power station which will use the fuel obtained. In Sardinia, the credits will be used to build a dam and three hydro-electric power stations.

The loans have been granted to the "Cassa per il Mezzogiorno" which has also had recourse—for the loan in Sicily and in Lucania—to the financial help of IBRD.

The Cassa finances the enterprises concerned either directly or through regional medium and long-term credit institutions.

The loans granted by the European Investment Bank to French firms total 16.1 million dollars and concern two projects in the less favoured regions of southern France. They are for the building of a petrochemical plant and a hydro-electric dam.

In Luxembourg, the Bank has contributed a loan of 4 million dollars to the financing of a dam and a hydro-electric power station. The project is the fruit of the co-operation of Luxembourg and German interests.

When carrying out its tasks under the Treaty, the Bank must take account of the general direction of the Community's economic policy. Of special interest for the Bank, among the activities which have contributed to determining this direction during the year under review, are the measures for freeing capital movements, the study of sectors which are sensitive to the elimination of customs barriers, the study of weak, backward or declining regions, the preparation of a common agricultural policy and the establishment of the main investment priorities in the transport field. The Bank will here find elements to help it in making its choice among the projects which will be submitted for approval.

*THE ENERGY MARKET AND THE PROBLEMS OF
A CO-ORDINATED ENERGY POLICY*

225. The crisis on the energy market characterized by the abundance of supplies continued to make itself felt throughout the year 1959.

Difficulties in the marketing of coalmining products which, in 1958, were chiefly confined to Belgium, spread to all the producer countries in the Community.

During the past year there was a fall in the prices of petroleum products—particularly fuel oil—which in certain countries was quite considerable.

The reactions of Governments to the trend of the energy market differed, both as far as external trade policy was concerned and as regards internal taxes or measures with equivalent effect.

This divergence of government policies greatly contributed to widening the gaps in fuel oil prices between the different countries. Including taxes, the prices actually charged varied during the third quarter of 1959 between 23.4 dollars in France and 15.9 dollars in Germany; in Belgium the price was 20.8 dollars, in Italy 19.9 dollars, and in the Netherlands 16.6 dollars.

Hopes of abundant future production of petrol and natural gas, particularly in the Sahara, were confirmed during the year under review.

Exports from the East bloc countries, particularly the U.S.S.R., increased considerably and this trend had an influence on markets in western Europe.

The total integration of the coal market which was to have been effective at the end of the transitional period fixed by the ECSC Treaty has not been fully achieved, and the un-

certainty surrounding the future of European coal production is not yet dispelled.

226. All these events taken together make concerted action in the energy field more than ever necessary.

The European Commission considers that cheap energy has always been considered, and rightly so, as a factor favouring economic expansion and as the consequence of efficient management in the fuel-producing industries. The Commission is aware of the need to safeguard the Community's competitive capacity vis-à-vis non-member countries, and hopes that the indispensable co-ordination of energy policies will be realized on the basis of a competitive price.

The Commission feels that the present scale of divergences in the prices of fuel oils, if it were to continue, would hamper the proper functioning of the common market as a whole. Development of the consumption of petroleum products has an economic significance which is not confined to the more or less rapid replacement of one fuel by another. In the field of organic and inorganic chemistry, the treatment of crude petroleum has led to an ever-increasing number of innovations which affect not only the evolution of the chemical industry itself, but also that of numerous other branches which use products of petro-chemicals or are in competition with them. Furthermore, the expansion of petrol indisputably affects transport economy and techniques. If a common market in petroleum products were not established, these structural transformations would perhaps not occur at a similar pace in the various countries and it might be difficult to maintain the free movement of certain manufactured goods linked with petroleum products. This is a second reason for the importance which the Commission attaches to co-ordinating energy policies.

227. The Commission is keeping in mind the possible influence of energy policy on the regional balance of economic development.

In its First General Report on the activities of the Community, the Commission pointed out that, from the point of view of the harmonization of expansion in different regions, the diversification of the available sources of energy offered new opportunities of which advantage ought to be taken. It emphasized that one of the aims of the co-ordination of energy policies should be to avoid endangering the advantages which the formerly less favoured regions of the Community might draw from the new sources of fuel supply. It is in fact just among those whose industrial development is relatively less advanced.

The same concern for regional balance makes the Commission conscious of the necessity of avoiding violent upsets in the coal sector, which might endanger the rationalization of viable enterprises and dislocate the economy of the coalmining areas.

In any case adaptation of enterprises should not be carried out at a pace or in conditions which would give rise to serious depression on the labour market in these areas.

228. The three Executives have pooled their efforts to examine these problems and are seeking adequate solutions in close collaboration. ⁽¹⁾

In December, the High Authority laid before the Special Council of Ministers of ECSC a programme of work drawn up by the inter-Executives working party on energy policy. At the same time the working party submitted to the Parliamentary Committee for Energy a study on the short and long-term prospects of the energy market in the Community and a detailed analysis of the existing national regulations.

In March, the inter-Executives working party adopted a document containing preliminary ideas on the method to be followed in co-ordinating energy policies. This document was transmitted, at its request, to the Special Council of Ministers of

⁽¹⁾ See also Chapter II, Sec. 71.

ECSC on 22 March and to the competent committees of the European Parliament.

Agricultural policy

229. Under the terms of Article 43 of the Treaty establishing the European Economic Community, the Commission was to submit before the end of 1959 proposals on the working out and implementation of the common agricultural policy.

These proposals are of particular moment from two points of view.

Agriculture occupies an important place in the economic and social life of the Community. It contributes about 12% of the national product of the six Community countries and provides employment for nearly a quarter of the working population. The difficulties of a structural, economic and social nature which agriculture faces in industrialized countries today make aid and intervention by the public authorities necessary and continually make of agricultural problems the focus of political debate.

This would already suffice to show that agriculture also plays an important role in the development and the life of the Community. But in addition, the Treaty expressly stipulates in Article 38 that "the functioning and development of the Common Market in respect of agricultural products"—for which the free movement of goods must therefore be instituted in the same way as for the other products—"shall be accompanied by the establishment of a common agricultural policy among the Member States". For no other sector of the economy does the Treaty insist so much on the prompt establishment of a common policy.

THE COMMISSION'S PROPOSALS ON THE WORKING OUT AND IMPLEMENTATION OF THE COMMON AGRICULTURAL POLICY

230. In preparing these proposals on the working out and the implementation of the common agricultural policy, the Commission was able to base itself on the resolution voted at Stresa

by the Agricultural Conference of the Member States in July 1958 and on the reports concerning the common agricultural policy approved by the European Parliament at its session of 26 June 1959.

While working out its proposals, the Commission several times discussed the main problems of agricultural policy with the Ministers of Agriculture of the Member States.

In addition, the Commission had already, in the initial stages of the elaboration of its proposals, discussed with the Agricultural Section of the Economic and Social Committee the main problems of the policy for markets and structures. In addition, it invited the chief occupational organizations grouped on the level of the Six to informatory meetings.

231. The Commission's proposals are based on an analytical study of the situation of agriculture in the Community countries and of the agricultural policies followed up to now by the Member States.

At present, farmers' incomes are lower than those of other comparable groups. In a number of important agricultural markets, the balance between production and outlets is threatened.

There are various reasons why farmer's incomes have lagged behind these of other occupational groups, but one particular reason lies in the structural deficiencies of agriculture. More than two-thirds of all the farms in the Community are less than ten hectares in area. Agricultural labour is relatively immobile and equipment is deficient, particularly in the smaller farms. To this must be added a generally unfavourable trend in the ratio between prices received for agricultural products and prices paid by farmers for the means of production and the services which agriculture requires. Finally, the elasticity of both supply and demand is low, and this has an unfavourable in-

fluence on market outlets. The only exception is the case of certain high-grade foodstuffs.

Agricultural production has increased considerably since before the war and food consumption has risen also. However, this rise has been concentrated on high-grade foods, such as animal products, sugar, fats, vegetables and fruit while the consumption of a number of basic foodstuffs has remained stationary or even fallen. But even among the high-grade foodstuffs, only in the case of beef and eggs has consumption increased more rapidly than production. Taken all round, the output of the Community covers about 87 % of its requirements. However, the Community's output of individual products, with the exception of coarse grain, citrus fruit, fats (except butter) and oils practically covers or exceeds its requirements.

Despite a relatively high degree of self-sufficiency, the Community has an important role in world agricultural markets, accounting for almost one-third of all agricultural imports. This makes it the world's leading agricultural importer. Agricultural exports from the Community represent 10 % of the world total, placing the Community second only to the United States as an agricultural supplier, though quite a long way behind.

On the main world markets in agricultural products, the balance between the growth of supply and demand has been lost, or can be maintained only by artificial measures. As a general rule, both importing and exporting countries have isolated their internal prices from world market prices, and stocks of agricultural products are growing, especially in the United States. More than 10 % of the world's annual agricultural production is at present stockpiled. For some products the stocks represent many times the volume of annual exports.

For social reasons, the agricultural policies of Member States have tended more and more to support and raise agricultural incomes. In all Member States there exist binding regulations for the protection of agricultural markets and prices. A

great variety of methods is used, both internally and at the frontiers, to enforce this protection. Since it has recently become apparent that excessive support for prices and markets easily leads to over-production, it is easy to see the limitations of price policy as a means of underpinning incomes. This is not the least of the reasons why Member States are anxious to improve the structure of agriculture. Although the range of possible methods is everywhere the same, there are great differences in the emphasis placed on the various aids and in the intensity and direction given to the measures taken.

232. The agricultural policies of individual Member States, which sometimes differ greatly, will therefore have to be fitted into this common agricultural policy or replaced by it. However, the task of the common agricultural policy is not only to facilitate this transition at the same time as the free movement of goods is being established; it must also seek solutions for the agricultural problems already facing each Member State by taking advantage of the new possibilities which the establishment of the Community offers for this purpose.

233. The Treaty fixes the following objectives for the common agricultural policy:

- a. to increase agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, particularly labour;
- b. to ensure thereby a fair standard of living for the agricultural population, particularly by increasing the individual earnings of persons engaged in agriculture;
- c. to stabilize markets;
- d. to guarantee regular supplies; and
- e. to ensure reasonable prices in supplies to consumers.

234. The Commission's concept of a common agricultural policy is based on the premise that agriculture—as already emphasized at the Stresa Conference—must be considered as an integral part of the economy and an essential factor in social life. As agriculture progresses and makes increasing use of modern methods of organization and production, the interrelation between it and the other fields of the economy becomes closer. It follows from this that the grave problems facing agriculture in the Community cannot be solved in isolation. Developments in other fields of the economy must play their part, and in this respect the overall economic situation is as important as the economic development of agricultural regions themselves. A common agricultural policy will have to be backed up by the economic policy of the Member States and by a policy of regional development.

235. In the long run, the problems of agriculture cannot be solved without thorough structural alterations and improvements. These will succeed only if the general economic structure of agricultural areas can be developed. This is in the interest not only of agriculture, but also of the other sectors of the economy, since increasing industrial concentration accompanied by a general flight from the land, in particular from the areas where the structure of agriculture is unfavourable, would be to the disadvantage of both sides.

The aim of the Commission is therefore that the various sectors of the economy should develop harmoniously, both as a whole and in the different regions of the Community.

The improvement of the economic infrastructure—in particular of transport, the expansion of schools and of occupational training, and the development of centres of industry and services—must go hand in hand with the improvement of the structure of agriculture in the strict sense. It will then be possible for some of those employed in agriculture to transfer to other and better paid occupations without having to leave home. A more favourable relation will thus be established between

the agricultural land available and the number of agricultural workers who remain on it, and improvement of the general agricultural structure will be made easier. At the same time, the overall economic advance of the agricultural areas will benefit from this transfer of labour.

Where a poor soil and an unfavourable climate make farming difficult, the land should gradually be transferred from farming to other uses, in particular forestry.

236. In the process of improving the structure of agriculture the emphasis should be on modern forms of farm, which allow the farmer to retain his full independence and personal responsibility and, at the same time, to enjoy satisfactory living conditions and participate in technical progress. Such farms would have to attain steady profits and high productivity by applying up-to-date agricultural methods. Within such a healthy agricultural structure there would be complementary farms of varying forms and sizes, family farms always maintaining a central position. Under European conditions, specialization of agricultural production can take place only by an improved adaptation of farming systems to the existing conditions of soil and climate and to the market situation, and not by the excessive expansion of single-crop farming.

237. The reduction of trade barriers within the Community will lead to sharper competition between farms and will throw the structural deficiencies of agriculture into even sharper relief. It is in the Community's interest to remedy these deficiencies as quickly as possible. Three immediate possibilities suggest themselves for common action by the Member States.

The first need is to co-ordinate policy and measures to improve the structure of agriculture in the Member States, in accordance with the aims of the common agricultural policy. The Commission proposes that an annual report on the co-ordination of agricultural structural policy should be made to the Council on the basis of thorough investigations and of per-

manent contact with Governments; at the same time, proposals for further measures for guiding and harmonizing national policies on structure would be submitted to the Council.

Secondly, the Commission would make recommendations to the Council on the basis of the annual report; these would include proposals for more action by individual Member States and on the volume of expenditure necessary to improve agricultural structures.

Finally, the Commission considers that financial aid by the Community is both necessary and just. This aid should be additional to that already accorded by the Member States. A European Fund for structural improvement in agriculture would provide subsidies for the reduction of interest rates or extension of the redemption period for credits granted by the European Investment Bank or public or private authorities in the individual States, regions or localities. The resources of the Fund would only be available for agricultural projects which form part of a general programme for the economic development of a region and whose aims tally with the basic principles of the common agricultural policy. The Fund would be financed through the budget of the Community, i.e. by contributions from the Governments, and also perhaps through the participation of the European Agricultural Alignment and Guarantee Fund, which is being set up in the framework of the common organization of agricultural markets. The administration of the Fund would be the responsibility of the Commission.

238. The policy for structural improvement in agriculture and for the regional economic policy will only bear fruit slowly and cannot alone solve the problems of agriculture in the Community. Market policy for its part must take due account of the obligations arising from the implementation of the aims of the Treaty. It is in fact essential that both structural and market policy be co-ordinated with each other and with trade policy.

In farming, however, it will not always be easy to compare the effects of different measures of agricultural policy. In

certain circumstances, for instance, the application of the common market policy may, in given areas or in given types of farm, lead to special problems of how to maintain the living standard of agricultural workers. In such cases, special aid to maintain incomes in the areas or enterprises affected may be justified by social considerations or required by the length of time it takes to convert farms or improve their structure. The grant of such aid, which may help the transition to a common agricultural market policy, must naturally be subject to certain conditions.

239. The aim of the market policy must be to establish among the agricultural markets of the Member States a common market which will have the characteristics of an internal market. In view of the difficulties that would be caused by permanent overproduction, the market policy must attempt to balance production and sales possibilities inside and outside the Community. The development of production and demand in the Associated Countries and Territories and the external trade of the Community with non-member countries must also be taken into consideration when working out the market policy.

240. While the market policy should never lose sight of general economic considerations, it must ensure a valorisation of agricultural produce which can give farming a fair return, approaching those in other sectors of the economy. It should create stability in the agricultural market in order to avoid excessive price swings, with their unhappy effects on farmers' incomes, but it should not give complete shelter from all economic risks and thereby discourage adaptation to any changes in demand.

The common organization of agricultural markets must establish a common level of agricultural prices. In doing this, it must allow regional differentiations of price to develop, corresponding to the differences in marketing conditions. The prices for many products at present vary greatly; their approximation must be undertaken step by step and, in general, should be completed within six years. Where prices under the common market policy are to be fixed by the Community's Institutions, the

decisions on the common price level must also be made within this six-year time-limit. They will have to be made on the basis of experience gained after the first stage in the approximation of prices, and in conformity with the overall development of the economy and the development of agricultural markets. As far as possible the wide fluctuations of world market prices must be prevented from affecting the agricultural markets of the Community.

Furthermore, account should be taken of the fact that the conditions of production and the characteristics of farms in the Community differ from those in the extra-European countries which are large-scale agricultural exporters. In addition, the prices of agricultural products on the world market are still frequently distorted by artificial measures. This is why these prices in the Community cannot generally speaking be at the same level as that at present obtaining on the world market, but must be stabilized at a higher level. However, every effort must be made to improve the conditions of production and the productivity of the Community's agriculture and to bring about normalization of conditions on the world market.

The application of a common market policy is inconceivable unless a common trade policy is applied at the same time to the agricultural products involved. Trade policy in this sector, however, is itself an integral part of general trade policy.

241. For this reason, the needs of trade policy and of agrarian policy must be co-ordinated in the agricultural trade policy adopted. The requirements of trade policy, which aim at the harmonious development of world trade, at the gradual elimination of restrictions on that trade, at tariff disarmament and at the respect of bilateral and multilateral international obligations undertaken by the Member States, must not imperil the vital interests of agriculture. The common agricultural policy, for its part, will also have to take due account of external interests which the Community cannot possibly ignore.

242. The principles of the common market and common trade policy for agricultural products are reflected in a series of proposals on the organization of the principal agricultural markets. Under the system proposed by the Commission, agricultural products are divided into three groups. For wheat, coarse grains, sugar and dairy produce, the Commission proposes a European market organization, the salient features of which are fairly detailed intervention in the internal markets of the Community and such external protection as is necessary. For beef, pigmeat, poultry and eggs, intervention on the internal market is seldom or never envisaged. Support for the markets is in this case afforded chiefly through a suitable external system which, for pigs, poultry and eggs, is closely linked with that for coarse grains. In the case of fruit, vegetables and wine, the decisive role is played by quality control and also, where wine is concerned, by measures to adapt production to requirements.

243. Once the Common Market is established, the common organization of the wheat market is to be based on a target price for the following year's crop. It is to be fixed annually by the Institutions of the Community before the autumn sowing. This target price is intended for use as a guide in a number of important trading centres in the areas of the Community in which production is insufficient to cover requirements. Monthly target prices comprising additions for storage costs and interest are to be calculated on the basis of the target price. The monthly target prices are to remain unchanged throughout the last three months of the farming year. Regional target price tables are to be published to guide producers and traders. These regional target prices are to be so calculated that they allow for the normal cost of freight to the areas concerned.

On the internal market of the Community, the most important means for maintaining a market price approximately in line with the target price consists in support purchases made during the last three months of a crop year by the central institutions of the common organization for grain markets known as the European Grain Office. These support purchases are ef-

fectured at a basic price corresponding to the target price for the last three months of the farming year; towards the end of that period the Grain Office must accept the wheat offered to it at the floor price. Should heavy supplies cause the market prices to drop unduly at the beginning of the farming year, the Grain Office can also effect support purchases at an "intervention" price 5 % to 10 % below the monthly target price. By encouraging loans on crops, however, producers are to be induced to store their crop temporarily themselves. This is intended to reduce to the minimum public support purchases.

The difference between the minimum import price, fixed on the basis of the target price, and the corresponding world price is charged as a levy at the Community's external frontier. In this way the price for imported wheat is brought into line with the target prices inside the Community. The funds accruing from the levy on imports are returned to exporters if and when the commodity is exported.

Furthermore, import certificates are issued on the basis of an annual supply programme; these are valid for three months and oblige importers to make their imports within a fixed time-limit. Should the market situation compel the Grain Office to intervene with purchases, the issue of import certificates can be temporarily suspended.

The European Grain Office is controlled by the Commission and carries out the joint measures of market co-ordination in accordance with directives from the Commission. The measures are financed by a Stabilization Fund for the Wheat Market. This Fund draws its main income from the levies made on imports of wheat. If the revenue of the Fund is insufficient, contributions are levied from the producers.

The organization of the coarse grain market is simpler, since the degree of self-sufficiency at 81 % is considerably lower than in the case of wheat (96 %); and since only approximately one-third of the domestic crop is marketed and the rest is used either by the producers or in their own region.

In the case of coarse grain also, target prices are fixed before the autumn sowing and they are related to the target price for wheat which is to apply at the end of the following crop year. There will be no monthly staggering of target prices.

If prices fall below a lower limit after the harvest, or if they exceed a higher intervention limit in the course of the crop year, the European Grain Office must intervene to stabilize the market. The same system as that applicable to wheat is used at the common external frontier.

The measures taken in the coarse grain markets by the European Grain Office are financed by a Fund for the Stabilization of Coarse Grain Markets.

244. The joint organization of the sugar market is also based on a target price which is fixed before the first of October of each year for the crop of the following year. On the basis of the target price, fixed sugar prices ex-factory are prescribed for a certain number of areas; these prices apply to the quantities consumed on the internal market. Governments may decide whether they wish to fix producer prices for sugar beet on the basis of the ex-factory sugar prices.

Losses incurred in the export of sugar or in alternative uses of sugar beet are passed on to the factories and so to the growers of beet as well. This is done through an annual price equalization by the Stabilization Fund for the Sugar Market, which finances the reimbursements in case of exports or the losses resulting from other uses.

If this system should not prove adequate to discourage surplus production, the use of production quotas will have to be considered.

The organization of the sugar market also calls for unification of the systems of sugar taxation.

The same system as that applicable to wheat is used at the common external frontier. There is also a system which permits duty-free processing traffic.

In addition to a European Sugar Office, there is to be a consultative committee on which representatives of the Commission, the Governments, the agricultural producers, industry, trade and the workers are represented in equal number.

245. In order to establish a joint organization for the milk and dairy produce markets a target price for the milk produced is fixed by 30 September of each year.

The marketing of dairy milk is organized on a regional basis. Consequently it will always be for the Governments to fix sales prices for dairy milk on the basis of the common target price. Joint minimum requirements are to be issued for the measures to regulate the marketing of dairy milk.

The intervention price for butter is fixed in such a manner that the proceeds from the milk converted into butter would be about 15 % below the target price. If the intervention price for butter is not reached on the market, the European Milk Office will intervene. Its operations are financed by the Milk Market Stabilization Fund.

If necessary, a limitation of milk production will have to be considered in connection with the structural programme. Since such measures would only have long-term effects, subsidies to encourage the consumption of butter are sometimes necessary in order to facilitate the disposal of any milk surpluses.

On all dairy produce the differences between the current world market price and the minimum import price, calculated on the basis of the target price for milk, is charged as a levy at the common external frontier. In order to make possible a general survey of the quantities imported, the importers conclude licence contracts with the Milk Office. The Milk Office is entitled to grant equalization payments on any dairy produce exported.

Each year, when the target price for milk is being fixed, an upper limit is also set for the Milk Market Stabilization Fund, whose income is provided partly by the levy and partly by contributions from Governments. If the money available is not sufficient, the Commission will recommend to the Council that additional funds be allocated. If the Council does not accept these proposals unanimously, the intervention price for butter has to be changed. This could, however, be avoided if the milk producers were to make a financial contribution.

246. The institutional procedure for the organization of the markets is roughly the same for all the products so far referred to. Acting on the recommendations of the Commission, the Council lays down by qualified majority the criteria for calculating target prices of wheat, coarse grain, sugar and milk. Each year the Commission then proposes the target prices based on these criteria; these target prices are considered as accepted by the Council unless it decides otherwise within a fixed time-limit. The Commission then fixes or calculates the intervention prices and the minimum import prices and, in the case of sugar, the regional ex-factory prices.

Each year the Council adopts by qualified majority and on the recommendation of the Commission the supply plans for wheat, coarse grain and sugar.

Responsibility for carrying out the marketing measures rests with the Commission, or the European Grain, Sugar or Milk Offices acting in accordance with the Commission's directives. The Offices will be able to make use of the marketing organizations or agencies already existing in the Member States, though a certain degree of adaptation may be necessary in some cases.

247. For the second group of products, comprising beef, pig-meat, poultry and eggs, the market organizations of the States are to be co-ordinated and given powers of direction. There will therefore be no European marketing boards for these products.

The main instrument for the stabilization of these markets is the external tariff.

On beef and veal a customs duty is levied at the external frontier. There are no quantitative restrictions on imports. A minimum import price is fixed as a safeguard. If, as a result of uncommonly low prices on the world market, the price for imported meat plus customs duty is below the minimum import price, the difference is charged as a levy.

In view of the special conditions in the frozen meat market, quantitative restrictions may in addition be introduced by Council decision.

For cattle for slaughter, the import arrangements are different. Import licences are issued on the basis of a supply plan. The customs duty is replaced by a levy corresponding to the difference between the prices of the export countries and the minimum import prices fixed in relation to the minimum import prices for fresh meat.

In order to ensure the free circulation of these goods within the Community, it is of particular importance that all measures for medical and veterinary safeguards shall be co-ordinated.

Price formation within the Community is not controlled. If necessary, however, steps can be taken to stabilize the beef market (temporary stockpiling or aid to exports).

The necessary financial support is furnished by a Beef Stabilization Fund.

External protection for pigmeat, poultry and eggs consists in a levy corresponding to the incidence on their production of the difference between the prices of imported coarse grain and coarse grain grown within the Community. The external tariff, the effective rate of which is fixed by the Council, is added

to the levy. The customs duty only serves to protect processing and can be lower than the duty laid down in the Treaty.

As with beef, a minimum import price is fixed as a safety measure. If the price for imported meat or eggs drops below the minimum import price after the levy and customs duty have been charged, the levy is increased by the amount of the difference.

In the case of exports, a reimbursement is made which corresponds to the incidence on the production costs for pigmeat, poultry or eggs of the payments made on the import of coarse grains.

Within the Community, markets and price formation are not controlled. In order, however, to counteract fluctuations in the price of pigmeat, caused by the business cycle, the Commission can decide that certain quantities of this product are to be taken out of the market and temporarily stored.

Stabilization Funds (one each for pigmeat, poultry and eggs) provide the money for reimbursements on exports and for any intervention needed on the internal market in the case of pigmeat. The necessary money is provided from the import duties and from part of the levies made on imports of coarse grains.

The minimum import prices for beef, pigmeat, poultry and eggs, which are intended as safeguards, are proposed annually by the Commission and are considered as accepted by the Council if the latter does not unanimously decide otherwise within a fixed time-limit. The Commission calculates the minimum import price and the levies on the import of live cattle, pigmeat, poultry and eggs.

248. The common organization of the fruit, vegetable and wine markets is intended to ensure free circulation within the Community for standardized or classified goods.

So far as fruit and vegetables are concerned, this presupposes obligatory verification of the observance of standards and the introduction of common rules of competition for the trade. In addition, the markets are to be stabilized by regional cooperative associations which will keep certain quantities out of the market in the case of excessive supplies. External protection is afforded by a customs duty.

In the case of wine, an important factor is the long-term and short-term adaptation of production to demand. The Council is required to pass an appropriate long-term plan by qualified majority. Thereupon the Commission will take steps to put the plan into practice (clearing, clearing and replanting with new types, new planting of certain strains); these measures are financed with the help of a Wine Stabilization Fund.

An annual supply balance-sheet serves as basis for short-term adaptation. The possibility of temporarily stock-piling a proportion of the vintage with the producers and of pledging it to the Stabilization Fund is intended to enable the sale of the harvest to be spread over a certain period. The Fund is also to finance the taking-up of any surpluses through storage, export or distillation.

A levy paid on the wines marketed by the producers will provide the income of the Fund.

External protection is assured by means of a customs duty. If necessary, quantitative restrictions may be applied to the import of wines if home production is subjected to restrictions.

249. The Funds for individual markets, each of which maintains its separate accounts, are grouped in a European Agricultural Guidance and Guarantee Fund, of which they constitute sub-divisions. The Commission administers this Fund. Stabilization funds are being set up for all products except fruit and vegetables, which the Commission has proposed should belong to a common organization of agricultural markets. The in-

come of these funds is provided out of the levies on imports, except in the case of wine, where no such levies occur. The Stabilization Funds in the wheat and sugar markets will, in certain circumstances, also receive contributions from producers. The Wine Stabilization Fund will draw its revenue exclusively from a levy on producers. The Milk Market Stabilization Fund draws certain limited contributions from Governments, and the possibility of a producers' contribution is also envisaged. The stabilization funds for animal produce based on coarse grain, especially pigmeat, poultry and eggs, draw their principal resources from the Coarse Grain Stabilisation Fund. In addition, the Council can, by a qualified majority and on a proposal of the Commission, decide that transfers be made from one Fund to another or from the European Agricultural Guidance and Guarantee Fund to the European Fund for structural improvement in agriculture. Since the common organization of markets covers Algeria and the French Overseas Departments, the Alignment and Guarantee Fund will apply to these Departments as well.

250. Generally speaking, the common organization of agricultural markets, or in other words the single market phase, is in principle to come into force six years after the Council has taken its decision on the proposals of the Commission. Exceptions are beef, for which a period of only three to four years is envisaged in view of the favourable market conditions, and wine, for which a period of nine years is considered necessary because of the extensive task of preparation and adaptation.

251. The measures required for the transition to the single market will be taken during the preparatory phase.

Special price adaptation measures are required for the basic products, mainly grain and sugar, whose prices are at present fixed by Governments or under government control. The Governments will as a first measure abstain from increasing in any way existing price differences between the various countries; from 1961 onwards, they will gradually adjust prices in accordance with proposals to be made by the Commission.

Simultaneously, trade barriers are being reduced for all products within the Community in accordance with the provisions of the Treaty. The Commission will annually submit proposals to the Council with a view to speeding up the increase in trade between Member States in application of the Treaty.

The introduction of common rules of competition is of special importance for the free movement of goods within the Community. Practices calculated to distort competition are to be eliminated. Subsidies, reimbursements or other financial aids in support of agricultural prices or markets are to be gradually adjusted or abolished.

One important measure affecting animal produce is the harmonization of the provisions for food, hygiene and veterinary inspection.

In a general way, marketing organization measures are to be adjusted and trade relations with non-member states harmonized in close co-operation with authorities in the Member States responsible for regulating the markets.

FURTHER HANDLING OF THE PROPOSALS

252. On 7 November 1959 the Commission transmitted to the Economic and Social Committee for its opinion the text of its "proposals concerning the working out and putting into effect of the common agricultural policy by virtue of Article 43 of the Treaty establishing the European Community".

At the same time, the Commission sent its draft for information to the six Ministers of Agriculture and to the Members of the Agricultural Committee of the European Parliament.

In accordance with Article 198 of the Treaty, the Commission set a time-limit of one month for the Economic and Social Committee to formulate its opinion. It was not possible for the Committee to pronounce on proposals of such scope within this time-limit. Recourse to Article 198 enabled the Commission to lay its proposals before the Council on the expiry of

the time-limit without having to await the opinion of the Economic and Social Committee, and the proposals thus reached the Council on 11 December. The Commission informed the Economic and Social Committee that it was reserving the right to amend its proposals after hearing the Committee's opinion.

253. On 6 May, the Economic and Social Committee gave the opinion requested by the Commission. The vote on the draft opinion as a whole showed 73 in favour and 19 abstentions. The Committee's opinion approves the main lines of the Commission's proposals and makes the further suggestion that a social policy be implemented in the agricultural sector simultaneously with the structural, market and commercial policies.

254. With a view to subsequent deliberations, the European Parliament has also studied in detail the text of the Commission's proposals, which the Council had on 16 February 1960 transmitted to it for information. On the basis of reports which its Agricultural Committee had prepared on the various aspects of the common agricultural policy, the Parliament discussed this policy during its Session of 26 March to 2 April 1960.

255. At the end of 1959 and early in 1960, first unofficial contacts concerning the proposals were made in the capitals of the Member States between responsible officials of the Commission and senior officials from the various Ministries of Agriculture. The main problems which emerged during these conversations were discussed at the meeting of the six Ministers of Agriculture with M. Mansholt, a Vice-President of the Commission, on 1 February and 7 and 8 March 1960. (1)

256. The text of the proposals on the common agricultural policy has been widely discussed in all the agricultural organizations concerned. Numerous opinions, motions and resolutions from these organizations have been communicated to the Commission, which is studying them with the utmost care.

(1) A final meeting between the Ministers of Agriculture took place on 16 and 17 May, after the period covered by this General Report.

The Economic and Social Committee having given its opinion, the Commission will now finalize its proposals and forward the definitive text to the Council. At the same time or immediately afterwards, it will submit to the Council draft regulations, directives or recommendations based on its proposals. ⁽¹⁾

257. During the early months of 1960, the Commission has been busy putting the last touches to the measures to be taken in the preparatory stage in order to implement its proposed agricultural policy.

In co-operation with the governmental experts, the Commission is also working out the procedures and the criteria for the application of the systems of minimum prices referred to in Article 44 of the Treaty and the detailed application of Article 45 (long-term contracts) and Article 46 (compensatory charges).

Finally, proposals are under study for those fields of agricultural policy which the Commission has not yet been able to cover in its initial proposal. In this connection, the Commission has contacted the interested parties to discuss problems relating to the organization of the markets for fats.

INCLUSION OF NEW PRODUCTS IN ANNEX II OF THE TREATY

258. On 18 December 1959, following a proposal of the Commission and in accordance with Article 38 (3) of the Treaty, the Council decided to add the following products to the list in Annex II of the Treaty. (List of the products covered by the agricultural provisions of the Treaty):

| <i>Number (Brussels Nomenclature)</i> | <i>Description</i> |
|---|---|
| 17.05 | Flavoured or coloured sugars, syrups and molasses (including vanilla sugar and vanillin sugar), but not including fruit juices containing added sugar in in any proportion. |

⁽¹⁾ See also Chapter I, Sec. 18.

- ex 22.08 Ethyl alcohol, denatured or not, of all kinds obtained
22.09 from agricultural products contained in Annex II to
the Treaty, excluding spirits, liqueurs and other spir-
ituous beverages or compound alcoholic preparations
(known as concentrated extracts) for the manufacture
of beverages.
- 22.10 Vinegar and substitutes for vinegar.

This decision brings these products within the scope of the measures for the organization of markets without which it would be difficult to implement a common policy with respect to basic products, in particular wine and sugar.

259. For a number of other products which it had been requested to include in the list, the Commission did not submit proposals; it considered that the achievement of the objectives of Article 39, at the stage of the single market, did not require that the application of the common agricultural policy and, in particular, of the measures for the organization of markets should extend to the products in question.

In the opinion of the Commission, it is possible to overcome the difficulties peculiar to the transitional period which already exist for some of these products without placing them on the list at Annex II of the Treaty.

The Commission has put in hand the study of solutions to the problems of certain products of the processing industries for which tariff and quota protection between the Member States is to be eliminated, although the industries concerned are not yet benefiting by any approximation of the divergent delivered prices paid for the agricultural raw materials used.

Transport policy

260. In the matter of transport, the Treaty allots important tasks to the Institutions of the Community. Article 74 provides that the objectives of the Treaty shall be pursued by the Member States within the framework of a common transport policy,

and Article 75 describes how the Community Institutions are to implement Article 74. The Treaty further calls for more urgent measures, in particular to prevent the gradual establishment of the Common Market being indirectly retarded or distorted by the transport situation.

261. In order to be able to work out the common policy in full knowledge of the facts and to prepare the first measures laid down by the Treaty, the Commission considered that the first essential was to obtain the most complete and exact picture possible of the transport situation of the six Community countries.

At the end of the period under review, the study of the overall situation was practically concluded. However, the Commission has not waited for the end of this study to prepare the first measures for the implementation of the Treaty. Proposals on these were made within the time-limit laid down and others are pending. Finally, the Commission has begun the preparatory work on the first proposals to be submitted under Article 75.

262. The fullest possible comparative analysis of the transport situation in the six Community countries has been made.

This analysis has covered, among other matters, the transport policies of the Member States, the organization of the profession of carrier, and the studies which have been carried out on cost prices.

From this study of the situation, the Commission has deduced certain factors which must be taken into account both for the measures to be implemented immediately and for the working out of the common transport policy.

This study shows that, although the transport systems of the six countries have several features in common, the differences between them are much more numerous and deep-seated.

Furthermore, the statistical data available on the activity of enterprises, their financial results, the prices applied, amounts transported, rolling stock used, etc., are, with a few exceptions, often very imprecise and incomplete.

263. In the six Community countries, the public authorities attach great importance to the role of transport in the general economy and draw the conclusion that the State must intervene in one form or another in the organization of transport. Moreover, the burden of a very important part of investment in transport—that for infrastructures—falls more or less completely upon the States. Finally, the business structures and, to some extent, the administrative situations of individual enterprises in the different modes of internal transport are more or less comparable in the six countries: there are close links between the State and the railways and the other two modes of transport are in the hands of a great number of private companies, many of them individual enterprises.

264. But we note that from other angles the transport situation presents marked disparities.

These appear first of all in the policies pursued by the Member States in organizing transport. These policies are all based in varying degrees on two opposing trends: the one seeks to manage transport in the general interest, while the other prefers to place it as far as possible in a situation comparable to those of any other industrial and commercial sector. The measures taken to harmonise and co-ordinate modes of transport vary with the relative importance attached to one or the other of these great principles, which they sometimes endeavour to conciliate; in fact, they differ greatly from country to country.

265. These differences can be seen in the systems underlying tariffs, both in the regulations applicable to rates and conditions of transport (obligatory tariffs with or without possibility of exceptions, publication of prices, limited or complete freedom) and in the principles and the methods used to establish rates. More-

over, the situation of the three modes of internal transport differs in this respect. Whereas the road hauliers, with certain exceptions, are free to fix their prices by mutual agreement, for internal waterways there are generally systems of fixed freight rates and "rosters"; the railways are generally subject to obligatory modes of calculation still strongly influenced by the "ad valorem" system, sometimes made more flexible by the possibility of concluding secret contracts.

Nevertheless, there is a general trend, which seems to be increasing in strength, toward a greater approximation between the rates and tariffs practised and the cost price of the services rendered. Should this trend be confirmed, it would mean considerable changes in the traditional systems of calculating transport rates, and would undoubtedly assist a more rational distribution of traffic between the modes of transport.

However, the application of the principle of calculating rates in relation to cost prices presupposes that tested and generally approved methods exist for establishing the latter. This is, however, not the case. The calculation of transport cost prices is fraught with considerable difficulties, which are still far from solved despite the studies carried out by the States and by the trade organizations concerned and by certain international institutions. Among these difficulties may be mentioned procedures for determining infrastructure costs and for charging them to the categories concerned, the choice of the means to be employed to meet them, the standardization of accounting structures and of statistical data.

In view of the decisive importance of a better knowledge of cost prices, both for this field and for the implementation of other provisions of the Treaty, such as Articles 78, 79 and 80, the Commission considers that studies should be made at Community level in order to overcome these difficulties.

266. Divergences also appear in the fiscal systems applied to transport as well as in the social welfare system; these con-

tribute to the creation of artificial differentiations between transport costs in the six countries.

The extreme diversity typical of transport in Europe makes efforts towards approximation specially necessary yet difficult. The first measures on transport provided for in the Treaty constitute the starting point of this work of approximation.

267. Under Article 76, until such time as the common transport policy is established, it is incumbent on the Commission to see that no Member State applies the various provisions on transport in such a way as to make them less favourable, in their direct or indirect effect, for carriers of other Member States than for its own national carriers. The Commission has carried out investigations on this point, but up to the present it has not found any infringement which would justify its intervening with Member States.

268. As pointed out in Chapter II of this General Report, the rules provided for in paragraph 3 of Article 79, concerning the abolition of the discriminations referred to in the paragraph 1 of that Article, have been submitted to the Council for examination, in line with the procedure established.

But paragraph 1 of Article 79 covers only one special instance in a series of possible cases in which discriminatory transport rates and conditions could be applied. The study of the question as a whole is being pursued, with due regard to the content of Article 7, in the framework of Article 75 to which paragraph 2 of Article 79 refers.

269. The European Commission has initiated the study of the problems involved in the implementation of Article 80. Here it is incumbent on the Commission to determine which rates and conditions of transport involving any element of support or protection mentioned in Article 80 (1) may continue to be authorized.

With a view to working out the decisions which it is thus called upon to take, the Commission has requested the Member States to submit lists of those rates which, in their opinion, come under Article 80. This information will be completed in preparation for a study with the help of governmental experts:

270. The European Commission has also questioned the Governments on the subject of the charges or dues for the crossing of frontiers, referred to in Article 81.

On the basis of the replies already received, the Commission has initiated a detailed study which it intends to pursue with the collaboration of experts in order to make the recommendations required under this Article.

271. Following the request of the Transport Committee of the European Parliament, the Commission has begun the study of the measures which might be taken to implement Article 84 (2) concerning sea and air transport.

The Commission's staff is also examining the effects of the development of pipelines for the transport of mineral oils. The importance of this transport technique, which is fairly recent in Europe, is increasing continually and its rapid expansion cannot fail to have repercussions on the traditional transport media, so that it has now become impossible to conceive a transport policy which did not take account of the existence of these pipelines. Studies of this question are proceeding.

WORKING OUT OF THE COMMON POLICY

272. The preparation of the measures required by these special problems has not caused the Commission to lose sight of the importance of elaborating the common transport policy provided for under Article 74, and it has already begun to work out the bases and the general lines of this policy.

The common policy is not explicitly defined by the Treaty. Nevertheless, the Commission considers that it should

broadly reflect the spirit of the Treaty and respect those rules which are of a general character, while taking due account of the special aspects of transport, as required by Article 75.

273. This criterion applies to the right of establishment. Transport has been included in the draft general programme drawn up by the Commission for the abolition of restrictions on freedom of establishment. In view of the possible incidence of this question on the common transport policy the implementing details applying to transport enterprises must now be settled.

274. Similarly, the Commission is at present engaged on a thorough study of the way in which the provisions of Article 92 and the following Articles will be applied to transport. These articles deal with State aids and, when applying them, account must be taken of Article 77 authorizing aids which meet the needs of transport co-ordination or which constitute reimbursement for certain obligations inherent in the concept of a public utility.

As part of the procedure initiated under Article 92 and the following Articles, a special questionnaire will shortly be sent to the Governments on this point, certain aspects of which impinge on the matters arising under Article 80 and already referred to above.

275. As provided for in Article 75 (1a), the Commission has begun studies with the aim of establishing common rules applicable to international transport.

Once it has heard the opinion of the Committee of Experts set up under Article 83 as to the questions which could be dealt with under Article 75 (1a), the Commission will make proposals on the measures which it considers should be gradually brought into force.

276. The Commission is also assembling the documentary material needed for the working out of the conditions for the

admission of non-resident carriers to national transport services as required by Article 75 (1b).

277. Without attempting at this stage to lay down an a priori definition of the common policy the Commission, in elaborating the proposals called for, has endeavoured to take into account both the general lines of the Treaty and the special characteristics of transport.

In this way, the Commission considers that the aim to be pursued is that of placing transport in a position to meet satisfactorily and as economically as possible all the new requirements to which the gradual establishment of the Common Market will give rise, at the same time observing the principles of non-discrimination and free movement. It is therefore necessary to make possible the elimination by stages of obstacles to the development of transport and of the considerable disparities which now exist between the national systems and between transport enterprises of the different countries. To do this, there can be no question of inaugurating a single policy to replace the policies applied at present in the Member States. But these policies and the conditions under which transport enterprises work must be gradually brought into line.

278. As existing differences and divergences throughout the Community diminish, it will be possible to act in such a way that transport rates become less and less artificial and correspond more closely to the real cost of the services rendered. From this angle, the Commission considers that current studies on the costs both of operation and of infrastructure must be pursued with diligence.

279. It is not possible to wait until the approximation of conditions has come about before setting out along the path traced by the general rules of the Treaty. The measures proposed by the Commission will therefore imply from the outset progress in the development of international transport and of freedom of movement for transport services within the Community.

280. The Commission attaches great importance to the problems of investment in transport and considers it indispensable to establish a general framework for the chief European transport links in order to meet the requirements of an expanding common market.

With this end in view the Commission has decided to call on national experts, who have been invited to work with its staff on ad hoc committees. The first meetings of these committees, which took place in March, dealt separately with the problems of road, rail and inland water transport.

On the basis of an overall plan still to be drawn up, special studies will be initiated in co-operation with the European Investment Bank, should the States concerned ask for the Bank's help in financing specific projects.

281. All these studies call for the use of detailed and valid statistical data, which are not available in sufficient quantity at the present time. A very real effort is called for to fill this lacuna, and the Commission intends shortly to call a first meeting of national experts, to start work on a uniform nomenclature for goods.

Social policy

GENERAL LINES OF THE SOCIAL POLICY

282. Since the essential purpose of the Treaty of Rome, as stated in the Preamble, is the constant improvement of the living and working conditions of the peoples of the Community, the application of the instruments of the Treaty, e.g. the establishment of a common market and the co-ordination of the economic policies of the Member States, implies the pursuit of a social policy for the Community. The task of such a policy will not only be to reduce the difficulties which might result from the merging of the economies as the result of divergences in initial conditions, but also to strive for equalization in an upward direction of living and working conditions of labour, as called for in Article 117 of the Treaty.

283. Although the harmonization of the social security systems of the member countries is to be furthered by the operation of the common market, it will not follow automatically. This is why the Treaty of Rome has singled out two factors, whose introduction is intended to make economic integration possible without holding up or reversing social progress: these are, firstly, the procedures expressly laid down in the Treaty, and secondly, the approximation of legislative and administrative provisions.

Under the terms of Article 118 of the Treaty, the co-ordination of social policies must take the form of close collaboration between the Member States, which it is the function of the Commission to further. It is therefore in no way an ancillary action occurring, as it were, in parallel with the pursuit of the economic aims of the Treaty, but rather a special aspect of the co-ordination to be established between the economic policies of the Member States. In this order of ideas, the priorities which must be observed in implementing social policy will follow quite naturally from constant comparison of economic and of social development in the Community. The Community considers that the first aim of any co-ordination of social policies at the present time must be the optimum utilization of the human resources of the Community.

284. In view of the existing imbalances on the labour market of the Community where, despite scarcities recently felt in some countries, structural unemployment and under-employment persist in certain regions and sectors, the Commission considers that it is essential to pursue an employment policy which can facilitate the harmonious development of economic activities and general economic expansion by means of various measures of a social nature. With this aim in view, the Commission recently submitted to the Council urgent proposals for co-ordination of policies on economic trends. On the basis of a general analysis of the way employment developed in the Member States between 1954 and 1958, the Commission will endeavour to pinpoint the major trends in the development of the Community's labour market, in order to be able to formulate correctly the problem which will face the equilibrium of this market in the years ahead.

285. Pending the availability of such forecasts, which should make greater co-ordination of the national employment policies easier, the Commission is pressing on with the implementation of the direct measures for which the Treaty provides in this field, i.e. free movement of workers and the European Social Fund.

In fact, the Treaty gives a certain degree of priority to the free movement of workers; although it is to be effected by stages, it must be complete at the latest by the expiry of the transitional period (Articles 48 and 49). The proposals which the Commission will shortly submit to the Council will be an important step towards the solution of the problem.

As far as the European Social Fund is concerned, the draft rules proposed by the Commission and adopted by the Council at its May session reflect the concern of these institutions that the Social Fund shall successfully perform its task, which is to "promote within the Community employment facilities and the geographical and occupational mobility of workers".

286. In the Commission's view, the emphasis is to be placed on occupational mobility. In fact, the geographical mobility of labour is closely dependent on its occupational mobility: the free movement of workers could not play its part in the framework of the common market if the available manpower were not prepared to take up the new positions created by economic and technological developments in the pattern of our production. Furthermore, in the opinion of the Commission, the free movement of workers and the balance of the labour market at Community level will be important but accessory factors in implementing national development policies. These policies, which are of concern to the European Commission notably from the angle of the co-ordination of regional policies, also require an increased effort in the field of occupational training. Finally, the well-known fact that economic development results in greater diversity of productive structures and changes in the distribution of the working population, with increasing numbers of workers

moving from the primary to the secondary and tertiary sectors, justifies the special attention which the Commission is paying to the problem of occupational mobility of workers, particularly in relation to the implementation of common agricultural policy.

287. From the angle of a co-ordinated employment policy at Community level, the action of the Social Fund is essentially a stimulant to the action of the Member States to maintain a balanced yet dynamic labour market. In order that those seeking work shall constantly be adapting themselves to the available vacancies, and in order to encourage employers by improving the skill of the available manpower, the financial contributions made by the Fund must be devoted primarily to the occupational re-training of all unemployed or under-employed workers, whatever the nature of the unemployment or the previous training of the worker concerned. Although the occupational training of young workers or of independent workers not looking for employment as wage-earners is in any case outside the Fund's terms of reference, new formulae for Community co-operation in this field must be found, particularly where Article 128 of the Treaty applies.

288. The Treaty of Rome sees in the harmonization of the social systems an objective to be attained through the introduction of a common market rather than a prior condition to its establishment. Nevertheless, the Treaty recognizes the need to further a certain "approximation of such legislative and administrative provisions of the Member States as have a direct incidence on the establishment or functioning of the Common Market" (Article 100). This same approximation is mentioned in Article 117 of the Treaty as one of the essential factors in a development which is to permit equalization in an upward direction of the living and working conditions of labour.

The problems involved in the approximation of legislation must therefore be considered both from the economic angle, with a view to eliminating any element likely to distort

conditions of competition within the common market, and in the light of the social objectives of the Community. The Commission has considered that an enquiry into manpower costs and workers' incomes was of particular importance from this angle.

In addition, the Treaty of Rome contains a certain number of precise obligations upon the member countries to harmonize their social systems. Chief among these is the duty to ensure in the course of the first stage the application of the principle of equal remuneration for equal work as between men and women workers (Article 119). In this field, discussions have already taken place with representatives of the Governments and with business organizations. The Commission attaches great importance to the implementation of this principle.

289. In the general concept of the European Commission, the improvement of living and working conditions in the Community is inseparable from the pursuit of a policy to ensure a high degree of employment. The Commission could not accept the principle of an employment policy whose implementation was likely to hinder both the general expansion of the economy and the economic and social progress of the regions and sectors affected by this expansion. Nor could the Commission accept a concept of economic and social integration under which the prosperity of certain regions and sectors would be paid for by an aggravation of the economic and social imbalances within the Community. ⁽¹⁾

From this angle, a common policy on occupational training must necessarily be considered as the linch-pin of the Commission's future action in the social field. Indeed such a policy can not only help to further a more balanced geographical distribution of economic activities, the re-distribution of the working population to meet the changing requirements of economic development, and real freedom of movement for workers between the member countries, it can at the same time facilitate the

⁽¹⁾ See this Chapter, Sec. 216 et seq.

conversion of enterprises and the changes in activity necessitated by the gradual establishment of the common market. It is therefore calculated to guarantee the protection and expansion of the level of employment without hindering the transformations required by economic progress and by changes in the technological conditions of production.

This policy will necessarily have to go further than the occupational training of manpower and to take in the technical training of supervisory personnel and non-manual workers in general. It therefore represents one of the main tasks which the future economic development of the Community involves in the social field, particularly by reason of the transformation in the structure of enterprises and in the distribution of jobs which technical progress will make necessary. Finally, in an action of this scope, the qualitative improvement of the labour force will imply a coherent effort for the cultural improvement of the whole social milieu extending far beyond the field of occupational training in the strictly technical sense: this is a task which by its very nature cannot be dissociated from fundamental changes in living and working conditions. Only in the light of the above considerations is it possible to appreciate at its true value the action which the Commission plans to take in this field.

THE EUROPEAN SOCIAL FUND

290. On 3 July 1959 the Commission forwarded to the Council draft rules designed to enable the Social Fund to be brought into operation as soon as possible. In conformity with Article 127 of the Treaty, the Council requested the opinion of the Economic and Social Committee and of the European Parliament on the Commission's draft.

291. The Economic and Social Committee finalized its opinion on 30 October 1959. It noted that "the rules give concrete expression, in the form of an institution of common aid, to the notion of solidarity which is fundamental to the European Economic Community. While differences between the domestic ar-

rangements for aid to the unemployed continue to exist, the rules of the Social Fund for the first time institute a supra-national joint guarantee for those living in the European Economic Community.”

Among other points, the Committee expressed the hope that similar measures would be taken to assist workers in the Overseas Countries and Territories, independent workers and day labourers in agriculture.

292. On 14 January 1960 the European Parliament pronounced itself in favour of the draft rules for the European Social Fund, with the rider that the scope of the Fund should be extended in due course to activities other than those provided for in Articles 124 to 126.

The Parliament further urged that, in order to form a working reserve, a way be found to carry forward from year to year monies not used by the European Social Fund.

It also expressed the hope that, where the particular problems of certain categories of farmers or other independent workers could not be resolved in the framework of the European Social Fund, means would be found to draw up helpful rules on occupational re-training and resettlement for these categories of workers also.

Finally, the Parliament proposed that certain amendments be made to the Commission's text.

293. In conformity with Article 149 of the Treaty, the Commission amended its initial draft rules in the light of the opinions expressed by the Council of the European Parliament and the Economic and Social Committee. The amended draft was transmitted to the Council on 5 February 1960.

The Council adopted the rules for the European Social Fund on 11 May 1960.

294. The rules are in three parts. The first defines the scope and describes the action of the Fund within the limits of Article 125 of the Treaty, which provides that the Social Fund shall cover 50 % of expenses incurred by a State or by a body under public law in the following three cases: occupational re-training of unemployed workers, resettlement of unemployed workers, and maintenance of the same wage level for workers affected by conversion of their enterprise to other productions.

It is also provided that, on a proposal of the Commission, the Council may entrust to the Fund other tasks concerned with schemes for improving possibilities of employment, geographical mobility and occupational training of workers.

The draft defines the concepts of "unemployed", "occupational re-training" and "resettlement", and goes on to indicate the conditions which the workers concerned must fulfil and the types of expenditure to which the Fund may consider contributing. As far as conversion is concerned, it was necessary to define the concepts of "workers benefiting", and "same wage level", and to lay down the categories of enterprises entitled to help from the Fund.

The second part establishes the procedure for implementing the aid given by the Fund and the manner in which applications shall be submitted and examined. The most important definition in this part is that of a "body under public law".

The third part deals with the Social Fund Committee which, under the Treaty, assists the Commission in administering the Fund. The draft does no more than define the Committee's competence, lay down that it shall assist in the administration of the Fund and state what opinions it shall submit to the Commission. Other aspects, such as the composition of the Committee, appointment of members, calling of meetings, and so on, would be settled by the Council on the basis of Article 153.

295. The draft concerning the Fund Committee was submitted to the Commission for its opinion in December 1959. The Commission formulated its position on 5 February 1960, expressing itself in favour of a tripartite set-up in which governments, trade unions and employers' organizations would be equally represented, each with a third of the members.

The Council adopted this draft at its meeting of 11 May. It accepted the tripartite arrangement favoured by the Commission.

296. On the basis of the provisional estimates of expenditure on occupational re-training and resettlement furnished by the Member States for the years 1958 and 1959, the Council decided, at the request of the Commission, to include a credit of 500 million Belgian francs in the 1960 budget and to carry forward to 1960 the 500 million from the 1959 budget.

LABOUR PROBLEMS

297. The European Commission considered that an enquiry into the cost of manpower and the income of workers in the six countries was required before certain provisions of the Treaty could be fulfilled. This enquiry will cover both direct wages and the compulsory social charges borne by the employers, as well as charges resulting from benefits granted voluntarily.

The enquiry will be carried out in 14 branches of industry ⁽¹⁾ chosen by agreement between the staff of EEC, the

(1) 1) Sugar (mills and refineries), 2) Breweries and malt-houses, 3) Wool spinning, 4) Cotton spinning, 5) Manufacture of man-made fibres, 6) Manufacture of paper pulp, paper and paperboard (excluding processing of paper and paperboard), 7) Chemical industries (excluding rubber), 8) Rubber industries (including rubber tubing and footwear, tyres, retreading of tyres), 9) Cement (excluding plants making pure lime, agglomerated products and fibro-cement), 10) Pottery, china and crockery, 11) Machine-tools, 12) Electro-technical industries, 13) Shipbuilding and repair of ships, 14) Manufacture of motorcars and trucks (excluding assembly plants)—(applies to Germany, France and Italy only).

governmental experts of the Six and the representatives of the two sides of industry.

A regulation based on Article 213 of the Treaty and laying down the limits and conditions in which the information required will be gathered by the European Commission has recently been approved by the Council. Under it, all enterprises within these branches of industry employing a minimum of 50 workers will be invited to furnish the information necessary to determine the cost of manpower and the income of wage-earners. The information will be based on the accounting figures for the year 1959.

298. In co-operation with the employers' and workers' organizations of the six countries participating in the enquiry, an outline plan for an analytical study of the pattern of wages for men and women workers working under the collective bargaining agreements for certain branches and typical jobs has been prepared.

Statistical work will be necessary to ascertain the real situation in the six countries and this is being prepared in co-operation with the national administrations and the two sides of industry.

To complete these statistical studies, special cases are being investigated on uniform lines in the different Community countries. On the basis of these preliminary steps, the Commission will shortly start on the main work in this field.

299. Under Article 120, which calls on Member States to maintain the existing equivalence of paid holiday schemes, a review has been completed of the legal situation in the countries of the European Economic Community. Furthermore, a review is at present being made of the relevant arrangements included in collective bargaining agreements, while the enquiry into wages costs and workers' incomes referred to above is expected to give some indication of the burden borne by employers and the benefits derived by workers under the systems of paid annual leave and of official holidays in the six countries.

300. As regards payment of overtime (Chapter II of the Protocol relating to certain provisions of concern to France), the Government of France has been requested to furnish details on the position in that country in 1956. The study of various aspects of the interpretation of the Protocol has also been undertaken. At present, material is being assembled on the trend of the average level of salaries in the six Community countries since 1956. On this point too, the enquiry into manpower costs and workers' incomes will furnish data covering the year 1959.

301. Other studies on labour laws and working conditions have been put in hand. A study is being made of the trend of the working week—statutory, as laid down in agreements, and in actual practice—in the six countries, and of the method to be used in judging the economic and social consequences of the shorter working week; the European Commission attaches the greatest importance to these.

The Commission requested the International Labour Office to make a study on progress in the ratification and implementation of its conventions by the Community countries. The completed study was recently transmitted to the Commission.

302. The Executives of the three Communities are at present preparing a "Conference on the economic and social consequences of the new techniques and of the rationalization of work", to take place in Brussels in the autumn of 1960. The purpose of this conference is to gather detailed information on the present situation and on the probable trend in the near future. The conference will work in several seminars.

UNEMPLOYMENT AND MANPOWER PROBLEMS

303. In the field of policy relating to economic trends, the European Commission has devoted attention to the problem of the imbalances on the labour market in several Community countries where the boom conditions experienced for several months past are now tending to exhaust manpower reserves, whilst there are still important surpluses in other places.

To study this problem a specialist working party was constituted in February 1960. ⁽¹⁾ It consists of two representatives per country—one from the Ministry of Economic Affairs and the other from the Ministry of Labour—and two representatives of the Commission. The working party has held three meetings, and on 27 April it adopted a final report, which confirms that the effects on employment of the present boom conditions are generally a very pronounced increase in manpower requirements and a decrease in availabilities—which are almost exhausted in certain cases—so that shortages have appeared and are spreading. This is the situation particularly in Germany, Luxembourg, and the Netherlands, while the phenomenon is much less pronounced in Belgium and in France. By contrast, there are still important manpower reserves for a large number of occupations in Italy.

Certain conclusions have been drawn from these facts. First, emphasis has been laid on the need to develop between the countries rapid occupational training courses for adults, so as to provide, by means of courses, lasting four to six months, manpower to fill the gaps occurring in a great number of branches. The working party has also suggested certain improvements in the present arrangements for the migration of workers between member countries.

304. With a view to planning its long-term policy, one objective of which must be to ensure a "high level of employment" in the Community, the Commission wished to be informed as precisely as possible of the present manpower situation. A study has therefore been made of the changes that occurred in employment in the Member States between 1954 and 1958, seen against the general background of the demographic and economic trends. Certain conclusions may be drawn from this study, particularly that there exist in the Community wide divergences in the structure, level and rate of development of employment, divergences which appear even more clearly on the regional than on the national plane. Thus Community action appears necessary

⁽¹⁾ See also this Chapter, Sec. 210.

if all useful elements for the promotion of a more harmonious expansion of employment possibilities are to be assembled.

In particular, the persistence of widespread under-employment in certain regions of the Community poses a problem on which the European Commission would wish to be better informed. A pilot study of this phenomenon has been initiated, and it will serve as a basis for a general enquiry. In addition, precise information has been assembled by the Commission on aid to the unemployed, and on the provisions used in the various States to combat unemployment and to deal with the special problem of seasonal unemployment in the building industry. The aim is to bring out the principles on which action to improve the employment situation in this industry can be based.

The Commission intends to try to make a forecast of prospective manpower and employment developments. Forecasts of the working population for the period 1960-1970 are being worked out with the help of the statistical institutes of the member countries.

305. Various other measures for the improvement and harmonization of employment services are planned by the Commission. A first overall study of the national employment services has already been put in hand, and this will serve as a basis for a comparative description of these services. It will help the services concerned to expand their knowledge of each other, promote more effective co-operation between the employment administrations in the several countries, spotlight the lessons learned and the improvements introduced, and increase the exchange of experience and the overall efficiency of the employment services on the plane of the European Economic Community.

306. Vocational guidance problems are a special and important field in which the Commission also considers that it should help to facilitate and develop co-operation among the national administrations concerned and to establish close technical co-operation with the competent international organs and institutions. In addition, the Commission hopes to prepare nation-

al monographs on vocational guidance activities, with particular emphasis on the relations which it considers desirable to establish or reinforce between the employment services and the organs or institutions engaged in vocational guidance.

OCCUPATIONAL TRAINING

307. It was found that action on the mutual exchange of documentary material and other information was needed in order to place co-operation between the Member States on solid foundations. A first comparative monograph on the occupational training systems of the Six up to the level of skilled worker has been undertaken. This study covers all the systems of occupational training in the various callings.

As it is the Commission's wish to encourage constant improvement of occupational training in the Member States, it has also carried out a first annual examination of these activities with the help of governmental experts and the collaboration of representatives of the organizations on both sides of industry.

A thorough enquiry into the present situation of exchanges between the Community countries is going on with a view to implementing a common programme of exchanges of young workers for further training (Article 50).

GENERAL SOCIAL SECURITY PROBLEMS

308. The work of approximating legislative and administrative provisions also extends to the social security field. Material on the social security systems for wage-earners and independent workers has been collected for this purpose.

Acting within the framework of the general programme of co-operation with the High Authority of ECSC, the Commission has entrusted a group of independent experts with the task of working out monographs to complete the series prepared by ECSC. The social security systems which these monographs, restricted as they were to the ECSC industries, did not cover, are to be studied: these are the systems applicable to employees, to

supervisory staff, to artisans, to the liberal professions, to traders and industrialists, and to agricultural workers, whether wage-earners or not, both in the metropolitan territories and in the Overseas Countries and Territories.

A comparative table of legislation on occupational diseases has been drawn up. Other tables are being prepared in liaison with the High Authority; they deal with such matters as old age and invalidity risks, family benefits, accidents at work, sickness insurance and unemployment.

A general study on the present state of social security in the Community at the beginning of the Common Market is being made, as well as glossary in four languages of the technical terms used in social security. A certain number of studies are planned or in progress. Some deal with the economic aspect of the harmonization of legislation, providing a comparison of the sources from which social security is financed; others concern the social aspect, treating the problem of harmonization by sectors, in particular in the field of occupational diseases.

SECURITY, INDUSTRIAL HYGIENE AND HEALTH PROTECTION

309. A general study of industrial medicine, security and hygiene at the inception of the Community is being prepared as a counterpart to the study on social security already referred to.

Because of the benefits that will derive from approximating legislation on occupational diseases, several studies will be carried out. The first concerns the establishment of an analytical list of agents causing occupational diseases which give or may give a right to compensation in the six Community countries; the second deals with the preparation of a series of monographs giving medical, legal and statistical information on certain diseases of occupational origin and on their prevention.

310. Co-operation with ECSC, Euratom, and the ILO has developed both in the matter of exchange of information and in that of studies in common and concerted action. For instance,

the Commission recently decided to lend its support to the activities of the International Information Centre for Industrial Security and Hygiene, recently created in Geneva on the initiative of ILO and ISSA.

The Commission is following with interest the development of scientific and technical research in Community countries. A list of institutes specialising in industrial hygiene and medicine is being drawn up.

SOCIAL HOUSING, FAMILY QUESTIONS, SOCIAL SERVICE

311. In conformity with the provisions of Articles 117 and 118 of the Treaty, the Commission is concerned to study different problems whose solution can contribute to an improvement of the living conditions of workers. In the fields of social housing and social service, the Commission continued the work already begun in 1958. It also found it necessary for family questions to be studied thoroughly by its services. This attitude met with the approval of both sides of industry during discussions on the problems which arise in the various sectors.

SOCIAL PROBLEMS IN AGRICULTURE

312. At the request of the Social Affairs Committee of the European Parliament, a brief initial study on the social situation of wage-earners in agriculture has been drawn up on the basis of data supplied by the governmental experts of the six countries and by both sides of industry. This has been followed by a more detailed report.

The Commission will later transmit to the Parliamentary Committee its replies to a questionnaire concerning "the social situation on family farms in the Community countries".

At the end of 1960, the European Commission will invite delegates from farming organizations and observers from the Governments of the Member States to a conference on the social aspects of the common agricultural policy.

CHAPTER V

THE ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

313. The implementation of those articles in the Treaty of Rome relating to the association of Overseas Countries and Territories and to the Implementing Convention proceeded normally during the past twelve months, a period characterized by profound changes in the special relationships between certain Associated Countries and Territories and Member States.

These political changes, whether they involve less rigid relationships between overseas countries and certain Member States, or efforts by the former to bring about regroupings in Africa, are still too recent to have had any tangible influence on the dealings of the countries concerned with the European Economic Community.

314. The tariff disarmament on 1 January 1959, and the widening of quotas on 1 January 1959 and 1 January 1960, were implemented in accordance with the requirements of the Treaty.

As regards trade between the Associated Countries and Territories and the Member States, these measures are too recent and their scope still too limited for the results to show clearly in the available external trade statistics. The variations noted in this field, which should be interpreted with great caution, appear to be mainly the result of business trends.

315. The examination and approval of investments submitted for financing by the European Development Fund have been considerably speeded up. If it seems at times that the work is slow in getting under way this is because there remained practical difficulties of implementation to be overcome. The Commission is aware of the urgent nature of the projects submitted by the countries which the Development Fund is intended to benefit,

and is doing its utmost to reduce to a minimum the time taken to pronounce on them.

316. At a time when the industrial countries of the world are announcing their intention of stepping up help to countries in the course of development, the association of overseas countries with the European Economic Community is a clear and concrete manifestation of that intention: the importance attached to the success of this experiment by the associated countries and, doubtless, by others, which count on Western aid to improve their living standards and to develop their economic and human potentialities, is worthy of emphasis.

Changes in the status of certain associated countries

317. The Second General Report already mentioned important changes which are beginning to take shape in the special relationships existing between certain Member States and some of the Overseas Countries and Territories associated with the European Economic Community. This trend has become more marked during the last twelve months: on 1 January 1960 Cameroon became independent; Togo on 27 April; the Belgian Congo will reach independent status on 30 June; Somaliland under Italian trusteeship on 1 July. Finally, at the beginning of April, Madagascar on the one hand, and the Mali Federation formed by Senegal and the Sudan on the other, signed with the French Republic agreements relating to the independence of these associated countries.

The European Commission is following these developments attentively. In fact, apart from the declarations of intent concerning Somaliland under Italian trusteeship and the independent countries of the franc area, the Treaty contains no special provision governing relationships between the European Economic Community and Overseas Countries and Territories which become independent. In reality, the continuance of the association depends essentially on the wishes of the parties concerned.

No explicit declaration by the Government of the Republic of Guinea has been issued to define this country's position in relation to the Community since it acquired independence.

On the other hand, pending the working out of the definitive details of its association, the Government of the State of Cameroon, in agreement with the French Government, expressed the wish that Part IV of the Treaty and the Implementing Convention should continue to apply in its case after 1 January 1960.

The Community has agreed that the terms of association laid down in Part IV of the Treaty and the Implementing Convention shall remain applicable to Cameroon until the conclusion of definite agreements. The President of the Commission informed the Cameroon Government of this decision on 28 March 1960.

For its part the Republic of Togo, in a letter from its Prime Minister to the President of the Commission, has made known its wish to be associated with the European Economic Community after becoming independent.

**The results of the implementation of the Treaty—
31 March 1960**

A. MEASURES IN THE FIELD OF TRADE

318. These measures are of two kinds: those taken by the Member States in favour of the Associated Overseas Countries and Territories, and those taken by the Associated Overseas Countries and Territories in favour of the Member States.

*Measures by the Member States in favour of the Associated
Overseas Countries and Territories*

319. In conformity with Article 133 (1) of the Treaty, and with the provisions of Articles 10, 11 and 12 of the Convention,

imports from the Overseas Countries and Territories have benefited during the period under review by the same customs and quota disarmament measures as those applied in implementation of the Treaty between the Member States.

In the matter of customs, the Overseas Countries and Territories have thus benefited by the first 10 % reduction of duties on 1 January 1959.

However, the scope of this reduction has been limited as regards the marketing in the European Community of the products of the countries and territories. In fact, for reasons and under conditions described in Chapter III ⁽¹⁾, the first tariff reduction was extended in toto to non-member countries in respect of industrial products and also, to a very great extent, for agricultural products. Furthermore, some Member States lowered their customs duties to the level of the common external tariff as from 1 January 1959 for certain goods exported by the associated countries and territories. The result of this speedier alignment, carried out notably by the Federal German Republic for its coffee imports, has been to cancel out the preference until such time as the future reductions in duties within the Common Market made it possible to reach a duty below the level of the common external tariff.

In its resolution of 27 November 1959 the European Parliament warned the Governments against any measures which might result in the benefits from the implementation of the Treaty, not only in its letter but in its spirit, being forfeited. In response to the wish thus expressed by the Parliament the European Commission, in agreement with the Member States, is studying how preferential rates for coffee from the Associated Overseas Countries and Territories might be restored when the next tariff reduction comes into force.

320. As regards quotas, those goods which may be exported by the associated countries and territories are, with certain ex-

⁽¹⁾ See Chapter III, Sec. 92.

ceptions, not subject to quantitative restrictions in the Member States other than France. It is therefore difficult to gauge the consequences of the liberalization measures in these countries.

In France, on the other hand, a very great number of tropical products remain subject to quotas in order to ensure markets in the franc area for products exported by the associated countries and territories with which France maintains special relations. France has therefore made available import opportunities, in accordance with the provisions of the Treaty, in favour of the associated countries other than those with which it maintains special relations.

*Measures taken by the Associated Overseas Countries
and Territories*

321. The tariff reduction of 10 % was correctly applied and none of the countries or territories asked to benefit by the provisions of Article 133 (3), which allows the levying of customs duties which correspond to the needs of their development and to the requirements of their industrialization.

During the last quarter of 1959, inforamatory meetings were held to prepare the second tariff reduction due on 1 July 1960. The agreement of the associated countries and territories has been obtained to the second reduction also being carried out across the board and without exceptions.

322. Quota disarmament measures have been taken only by the countries and territories which had import quotas before 1 January 1959, e.g. all the countries and territories with which France maintains special relationships. Import possibilities open to Member States other than France thus rose on 1 January 1959 from 34 million to more than 46 million units of account. On 1 January 1960, the quotas were widened on the average by 20%. They thus represent for 1960 import possibilities of the order of 56 million units of account.

However, difficulties have appeared in implementing the "3 % of national production" rule ⁽¹⁾ and in the allocation of quotas opened by the Commission for products which are subject to a market organization in the associated countries and territories. In both these cases, the European Commission has intervened to ensure the effective implementation of the provisions of the Treaty. Furthermore, there were some delays in allocating the quotas in the associated countries and territories in 1959. The Commission has taken measures to prevent a recurrence of these delays in 1960.

In addition, the Commission has carried out an enquiry in all the associated countries and territories to ascertain whether, apart from quotas, there do not exist other restrictive or discriminatory measures against imports.

323. The increase of exports from Member States to the associated overseas countries must be expected chiefly from the widening of import quotas in the countries with which France maintains special relationships. The measure should substantially increase export possibilities open to Member States other than France (imports from France are not subject to quantitative restrictions).

The wider quotas generally concerned products for which normal import requirements are large and demand strong. It may be deduced from this that, with the exception of products for which some overseas countries have a relatively highly developed industry, the quotas will be widely taken up. Nevertheless, it may also be noted in this respect that the demand for products of French origin has increased considerably because French prices have become very competitive as a result of the

(1) The increase of small quotas open to Member States in the associated countries and territories is, in fact, governed by the regulations in Article 33 (2) of the Treaty (Percentage of the national production) and in Article 11 (2) of the Implementing Convention (Percentage of total imports). Up to the present, the French Government and the responsible authorities of the Overseas Countries and Territories have confined themselves to applying the rule on the percentage of total imports.

currency devaluation of December 1958. On the other hand, political and business developments in the majority of the countries and territories have been reflected in some slowing-down of imports.

It will not be possible to judge the actual incidence of the measures taken before the import statistics for 1959 and 1960 become available. The quotas were only allocated during the year 1959 and did not result in actual imports until the end of that year and the beginning of 1960.

B. THE EUROPEAN DEVELOPMENT FUND

324. The year 1959 has seen the first operations of the European Development Fund, the machinery for which was set up in 1958. The finishing touches have now been put to the Fund, which made its first payments at the end of 1959.

The status of the development projects submitted to the Commission at 31 March 1960, and of the projects which the Fund had agreed to finance at the same date, is shown in summary form in Tables 1, 2 and 3 appended to this Chapter.

Projects submitted

325. It would seem that some associated countries and territories have experienced difficulty in submitting to the Commission projects which are sufficiently detailed and clearly integrated into coherent development programmes.

This doubtless results largely from the fact that most of the countries concerned were almost at the end of their current investment programmes in 1958/59. As their new programmes were not always clearly outlined, there were few projects which could be presented rapidly for financing from abroad. To this must be added the fact that in any case the Associated Overseas Countries and Territories as a general rule cannot devote

sufficient means to the studies necessary for drawing up development programmes and projects.

To meet this difficulty, the Commission has accepted, for example, a project submitted by Ruanda-Urundi for an overall study on development possibilities in that country. This decision illustrates the Commission's wish to help the overseas countries and territories in constituting reliable dossiers of their basic economic data so as to facilitate the development envisaged in the Preamble to the Treaty.

For the financial year 1958, 223 projects were submitted to the European Commission. They represented a total of 168,451,000 units of account. In respect of the financial year 1959, a further 77 projects, involving a total expenditure of 149,315,000 units of account have already been submitted. However, some of these have been withdrawn after submission.

326. In conformity with the distinction laid down in Article 3 of the Implementing Convention, the projects submitted may be divided, according to their aims, into economic projects and social projects. However, projects concerning studies or research of a general nature are difficult to place into one or the other category, and are, therefore, mentioned separately in the Tables.

In the economic field, infrastructure work (roads, ports, railways, etc.) occupies by far the most important place. It appears logical, moreover, that the object of the sort of non-repayable financial aid granted by the Fund should be to establish or improve infrastructures, which are often costly, and whose productivity, although certain, is indirect and deferred.

Fairly far behind the infrastructure projects come those with the aim of improving indigenous productive activities in the agricultural sphere. The problem here is how to remedy the low productivity of traditional agriculture, which often results in chronic malnutrition of the local populations. Such projects

are particularly well suited for inclusion in the province of the Fund, since increased productivity should not only directly ensure a rise in the level of material well-being, but also enable local authorities to support the burden of more extensive social services.

In the social field, the projects which represent the largest demands for credits concern public health and education, particularly primary education.

Another fairly considerable portion of the social projects aims at improving the infrastructure of urban housing schemes and the supply of water to the local populations of the associated countries; climatic conditions make this latter problem particularly important, especially in the regions bordering the Sahara.

Projects approved

327. On 31 March 1960, 75 economic and social projects had been finally approved. They represent credit commitment totalling 51,936,000 units of account. Their estimated average cost is therefore 692,480 units of account. The average is much higher for the economic projects (1,164,830 units of account) than for the social projects (278,150 units of account).

For Somaliland under Italian trusteeship, a single project now being financed accounts for all the available credits (see Annex B to the Implementing Convention) up to and including the financial year 1960.

The countries and territories which maintain special relations with France have already been allotted credits amounting to one-half of those available to them for the first financial year and one-eighth of those for the second financial year.

Projects approved for the Belgian Congo and Ruanda-Urundi use up practically the whole of the credits available for

the first financial year and a quarter of those for the second financial year.

As to Dutch New Guinea, the whole availability for the first financial year has been used and two-thirds of the funds granted for the second financial year are already committed.

328. Because of the advisability of speeding up the action of the Fund, and in accordance with the wish expressed by the European Parliament in its resolution of 27 November 1959, the Commission decided to take the necessary measures, within its province, to simplify the procedures originally established for the approval of projects; it will propose to the competent authorities any other changes which may appear desirable.

329. Before beginning the first financing operations, it was necessary to complete the general outline of the financing conventions to be concluded between the Commission and the responsible and local authorities of the Associated Overseas Countries and Territories. The conclusion of a certain number of conventions involving countries and territories having special relations with France was deferred for some time pending a general agreement on the application of technical control; a solution of the difficulties inherent in this question now seems to be in sight.

For projects already approved, 12 financing conventions covering 30 projects had been signed, by 31 March 1960, by the representative of the Commission, the responsible authorities, and the local authorities. In addition, eleven financing agreements had been drawn up covering 18 projects involving the countries and territories which maintain special relations with France; these conventions were signed by the representative of the European Commission and transmitted to the responsible authorities in the countries and territories concerned.

330. Projects already approved by the Commission number 49 in the social category and 21 in the economic category. To these should be added five study or research projects.

In November 1958 the Council fixed a first provisional breakdown: two-thirds for social projects and one-third for economic projects. In order to ensure a better balance between schemes which are a charge on local budgets and those which bring them extra resources, this ratio was modified by the decision of 25 July 1959, which granted between 70 and 75 % to the economic field. As at that time the countries and territories had already submitted all their projects for the financial year 1958, and prepared those for 1959, the alignment on the final breakdown decided upon by the Council will, in practice, only be attained gradually over the coming financial years. However, the Commission will endeavour to ensure that this breakdown is observed for the financial years concerned, considered as one period.

331. Up to the present, the Commission has approved a percentage of directly productive projects—18.6 %—higher than the one which appears in the breakdown of projects submitted (14.4 %). The same tendency is seen in favour of the social fields likely to have the greatest influence on the productivity of local populations: public health and education thus representing 14.9 % and 17.1 % respectively of the projects which the Commission has decided to finance, whereas they account for only 7.8 % and 7.1 % of the projects submitted.

This trend in the decisions taken is moreover in keeping with the conclusions of the economic report of the delegation from the European Parliament entrusted with a study and information mission in the Overseas Countries and Territories. This report emphasizes the expediency of those social investments “which make the greatest contribution to overall economic development”.

C. THE RIGHT OF ESTABLISHMENT

332. During 1958 the European Commission had worked out draft directives laying down details for the gradual implementation of the right of establishment in the Overseas Countries and

Territories and the French Overseas Departments' (Article 8 of the Implementing Convention).

In the course of 1959, the public or the local authorities—consulted through the Governments of the Member States concerned—and the Economic and Social Committee gave opinions on these draft directives; these opinions were favourable on the whole. The Committee and the public or the local authorities have nevertheless expressed the wish that the problem of the establishment of nationals and companies of the Overseas Countries and Territories on the European territory of the Member States should also be settled as soon as possible. The Commission has taken account of this wish in the final motivating reason advanced in the preamble to the directives in the strict sense, which refers to the provisions of the Treaty.

On 23 November 1959 the Council approved these directives. They constitute no more than a first stage in the direction of the complete elimination of discriminations in the right of establishment within the meaning of Article 8 of the Implementing Convention.

The problems posed by the conditions of entry, residence and expulsion of nationals and companies of other Member States in the French Overseas Countries and Territories and in the French Overseas Departments are being specially studied by the Commission.

D. STUDY OF THE DEVELOPMENT OF THE ASSOCIATED OVERSEAS COUNTRIES AND TERRITORIES

333. The strict implementation of the terms of the Treaty of Rome in reference to trade, investments, and right of establishment in the Associated Overseas Countries and Territories demands that the Commission should constantly analyze the requirements expressed by the local populations in these fields, and study all possible means of ensuring that the measures laid down by the Treaty shall operate to full effect.

With this object in view, the Commission, since the publication of the last General Report, has carried out a programme of studies and missions concerning the associated countries and territories. For the same purpose, it has participated in working meetings both at its own headquarters and in other national or international circles.

Present state of studies

334. A certain number of studies have been carried out at the request of the European Parliament or on the initiative of the European Commission. Thus a study on "The social situation in the associated overseas countries" dealing with population, labour force, education, health and housing, has been forwarded to the Parliament. Another study deals with investments in the Overseas Countries and Territories since 1945 (methods, sources, state of progress). An enquiry into methods for spreading education in the underdeveloped countries is being carried out in collaboration with a specialized institute; another study deals with certain animal diseases to which African cattle are prone. Finally, it has been decided that an investigation will be carried out to determine the factors of all kinds (economic, technical, psychological) which govern the level of consumption of certain tropical products—notably cocoa, coffee and bananas—in each member country.

335. In addition, the Commission has been studying the possibilities of remedying the instability of prices for tropical products, with a view to submitting to the Member States a formula for regularizing the export income of the overseas countries. Several formulae concerning agricultural products of primordial importance for the economy of the associated overseas countries have been examined. These formulae would not involve any economic dirigisme, and would leave market prices and commercial transactions free, while making it possible to aid the associated countries on the basis of inter-governmental conventions to deal with the sudden and violent price fluctuations affecting certain tropical commodities.

Solutions to the problems of outlets for the groundnut production of the Associated Overseas Countries and Territories have also been studied on instructions from the Commission. Groundnut production is generally a monoculture which has to support the whole social and administrative apparatus of the producing regions while the market for groundnuts is facing the strong competition of other nonsolid, edible fats. The need is for a formula which will ensure a stable outlet for this product in the Europe of the Six.

336. This regional action must be brought into line with efforts being pursued on the world plane to stabilize the prices of basic products. The Commission has therefore continued to study, in close co-operation with the national experts, problems concerning the world market for certain tropical products such as coffee and cocoa. Following several meetings to study the effects of the International Coffee Agreement and the attitude of the Six to its renewal and extension, the competent services of the Commission have worked out suggestions concerning measures for a long-term reorganization of the coffee market.

A parallel study of the cocoa market has just been made, but it is not yet in its final form.

*Contacts with leading personalities, nationals and specialists
from the overseas countries*

337. About 15 missions have been carried out overseas during the last twelve months by the Chairman of the Overseas Countries and Territories Group and by staff of the European Commission.

It was a source of satisfaction to the Commission to be represented at the inaugural ceremonies for establishment of the Republic of Niger and the Republic of Gaboon, and at the official ceremonies on the occasion of the proclamation of the independence of Cameroon and of Togo.

338. The results of the missions accomplished overseas were very usefully rounded off by visits made to the headquarters of the European Economic Community by leading personalities from the associated overseas countries.

The President of the Republic of Upper Volta, the heads of the Governments of Senegal, Mauretania, Dahomey, and Niger, accompanied by several of their ministers or colleagues, came to discuss development plans and the outstanding requirements of their respective States with the members of the European Commission. The Mwami of Ruanda and the Mwami of Urundi took advantage of their stay in Brussels to establish similar contacts.

In addition, working meetings have been organized with members of the Governments of Sudan, the Ivory Coast and Madagascar, as well as with departmental heads from the administrations of most of the other associated countries.

339. Study days have been arranged with leaders, students and African civil servants likely to be interested in questions of concern to the European Economic Community. In this way the Community acquires certain of the informatory material needed to base its judgments and guide its action. The French organization of the "Secrétariat social d'outre-mer" was invited by the Commission to take part in a three-day study session in Brussels from 30 June to 2 July 1959, and sent about 20 representatives holding responsible posts in the fields of youth and social and cultural activities. On 14 and 15 December 1959, there was a meeting with African leaders of the trade unions in the African countries associated with EEC and in Madagascar belonging to the International Federation of Christian Trade Unions and the International Confederation of Free Trade Unions. The subject discussed was the economic and social aspects of the association of the Overseas Countries and Territories. Informatory meetings were held on 11 and 12 February 1960 with trainees of the International Co-operation Administration who are specialists in problems of the African continent and are finishing their training

under the auspices of Centre for African Study and Research of the University of Boston. Finally, a meeting on the subject of the European Institutions and their association with the Overseas Countries and Territories took place on 23 March between French and African trainee leaders of the "Fédération française des maisons de jeunes et de la culture".

340. A third form of co-operation with the African administrations is the presence of trainees from the associated countries on the staff of the European Commission. As soon as it began its activities, the Commission studied the problem of recruiting officials from among nationals of the Associated Overseas Countries and Territories. However, when the question was discussed with the local authorities, the opinion prevailed on both sides that the "trainee" system was a more suitable way of conciliating the wish of the European Commission to initiate nationals of the associated countries into European problems with the desire of the local administrations not to be deprived too long of the services of their supervisory staff. Thus the Commission has begun to recruit, for limited periods, young civil servants nominated by the local governments, who are seconded to the Directorate-General for the Overseas Countries and Territories in order to familiarize themselves with its work and to give it the benefit of their knowledge of the problems of their respective countries. These trainees are also offered the opportunity of sharing in the work of other services of the European Commission and of making contacts with the public and private bodies in the Member States which deal with problems of special interest to them.

The association and European circles

341. The interest aroused in political, economic and cultural circles by the association of the Overseas Countries and Territories with the European Economic Community and, in a general way, by the problems of the countries in the course of development have led the European Commission to participate in various meetings at which its representatives have made statements and answered numerous questions.

Information in the associated countries

342. Following the recommendation made by the European Parliament "that the aims and means of the association should be brought to the knowledge of the populations by systematic dissemination of information", the European Commission has taken pains to publicize in the countries associated with the European Economic Community the concrete advantages and the prospects which association with Europe today offers them.

The Commission has paid special attention to the important means of contact with the public which the press and radio represent in Africa, and has applied itself to the task of amplifying its contacts with representative personalities from the Overseas Countries and Territories, notably on the occasion of their visits to Europe.

TABLE No. 1

Breakdown of projects by groups of countries and territories

31 March 1960

In '000 units of account

| Groups of countries and territories | Total credits available (1) | | | Projects submitted (2) | | | Projects approved | | | Payment credits authorized |
|--|-----------------------------|--------------|--|--------------------------|---------|----------|---------------------------|------|----------|----------------------------------|
| | Financial years | | | Commitments requested | | | Commitments authorized | | | |
| | 1958+1959 | 1958 to 1962 | | 1958 | 1959 | 1958+'59 | 1958 | 1959 | 1958+'59 | |
| | | | | | | | | | | |
| Belgium | 6,750 | 30,000 | | 4,884 | 9,463 | 14,347 | 3,460 | 480 | 3,940 | 3,940 |
| France | 115,031 | 511,250 | | 116,151 | 134,015 | 250,166 | 38,628 | — | 38,628 | 33,204 |
| Italy | 1,125 | 5,000 | | 1,950 | — | 1,950 | 1,950 | — | 1,950 | 1,125 |
| Netherlands | 7,875 | 35,000 | | 8,181 | 1,513 | 9,694 | 7,418 | — | 7,418 | 6,509 |
| Total | 130,781 | 581,250 | | 131,166 | 144,991 | 276,157 | 51,456 | 480 | 51,936 | 44,778 |

(1) See Annex B of the Implementing Convention relating to the association of Overseas Countries and Territories.

(2) Not including 1958 projects withdrawn: latest amounts.

TABLE No. 2

Breakdown of projects submitted and approved (by sector)

31 March 1960

In '000 units of account

| Categories sector | Total amounts requested (1) | | | Provisional amounts authorized (Commitments) | | | % of total |
|-----------------------------------|-----------------------------|---------|---------------|---|------|---------------|---------------|
| | Projects | | % of total | Projects | | % of total | |
| | 1958 | 1959 | | 1958 + '59 | 1958 | | |
| <i>Studies and research</i> | 8,332 | 616 | 8,948 | 7,898 | 130 | 8,028 | 15.5 |
| Infrastructure (2) | 54,303 | 108,393 | 162,696 | 11,313 | — | 11,313 | 21.8 |
| Agriculture (3) | 25,557 | 9,547 | 35,104 | 9,288 | — | 9,288 | 17.9 |
| Other economic (4) | 3,356 | 1,346 | 4,702 | 366 | — | 366 | 0.7 |
| <i>Total economic investments</i> | 83,216 | 119,286 | 202,502 | 20,967 | — | 20,967 | 40.4 |
| Education & Occupational training | 12,410 | 7,304 | 19,714 | 8,910 | — | 8,910 | 17.1 |
| Public Health | 14,525 | 7,022 | 21,547 | 7,631 | 130 | 7,761 | 14.9 |
| Town Planning & Housing | 5,986 | 7,376 | 13,362 | 3,410 | 220 | 3,630 | 7.0 |
| Water supply for populations (5) | 5,644 | 3,087 | 8,731 | 2,640 | — | 2,640 | 5.1 |
| Other social (6) | 1,053 | 300 | 1,353 | — | — | — | — |
| <i>Total social investments</i> | 39,618 | 25,089 | 64,707 | 22,591 | 350 | 22,941 | 44.1 |
| Total | 131,166 | 144,991 | 276,157 | 51,456 | 480 | 51,936 | 100.0 |

(1) Not including projects withdrawn.

(2) Roads, harbours, railways, large dams, aerodromes.

(3) Agriculture, stock-raising, forestry, indigenous fish-hatcheries.

(4) Industrialization, sea fisheries, etc.

(5) Water supplies for local populations.

(6) Social aid, sports, administrative services, etc.

TABLE No. 3

Projects financed by the European Development Fund

| Overseas countries and territories having special relations with | Title of projects | Date of decision | Commitments authorized (in units of account) |
|--|---|---|--|
| I. BELGIUM BELGIAN CONGO | Medical and surgical centre at Doruma Anti-erosion schemes at Luluabourg Infrastructure at Elisabethville Infrastructure at Stanleyville | 20. 2.59 20. 2.59 20. 2.59 20. 2.59 | 400,000 654,000 400,000 600,000 <hr/> 2,054,000 |
| RUANDA-URUNDI | Study on the opening up of Mayaga-Bugesera Improvement of road Bugarama-Muramvya Track from Rwesero to Kinyinya Introduction of tea-growing by natives Rural hospitals at Chibitoke and Kayanza Road construction in native cities in Usumbura Overall study for the development of Ruanda-Urundi | 20. 2.59 5. 4.59 5. 4.59 5. 4.59 16.12.59 16.12.59 19. 1.60 | 480,000 440,000 120,000 366,000 130,000 220,000 130,000 <hr/> 3,940,000 |
| II. FRANCE CAMEROON | Total for Belgian Overseas Countries and Territories Hospital building at Meiganga Hospital building at N'Tui Reconstruction of four ships berths in old port of Douala Watering points in sub-district of Mora | 17. 6.59 17. 6.59 2. 2.59 17. 6.59 | 52,000 30,000 3,565,000 249,000 <hr/> 3,896,000 |
| COMORO ARCHIPELAGO REPUBLIC OF CONGO | Building of four maternity clinics Health protection for young mothers and infants | 23.10.59 25. 1.60 | 81,000 457,000 |

TABLE No. 3 (cont.)

| | | | |
|----------------------------|--|---|--|
| REPUBLIC OF IVORY COAST | Drinking water supplies: watering points Establishment of five auxiliary hospitals Construction of 60 primary schools Fishing port at Abidjan | 22. 7.59 22. 7.59 13.11.59 6. 9.59 | 1,090,000 580,000 1,216,000 600,000 3,486,000 |
| FRENCH SOMALI COAST | Infrastructure work - 'Stadium' housing estate at Djibuti | 28. 5.59 | 741,600 |
| REPUBLIC OF DAHOMY | Schools for nurses at Cotonou Hospital group at Sawalou Hospital group at Athémé | 22. 7.59 22. 7.59 22. 7.59 | 222,000 107,000 67,000 396,000 |
| GABONESE REPUBLIC | Health units Construction of a commercial section at the Libreville vocational school | 16. 9.59 13. 9.59 | 567,000 45,000 |
| REPUBLIC OF UPPER VOLTA | Construction of ten health units Construction of a hospital pavilion at Koudougou Construction of 50 primary schools Irrigation in East Volta | 23.10.59 23.10.59 23.10.59 13.12.59 | 612,000 426,000 84,000 1,115,000 300,000 1,925,000 |
| REPUBLIC OF MADAGASCAR | Teachers' college at Diégo-Suarez Classical and modern college at Majunga College at Tuléar Primary schools (120 class rooms) Water supply works at Diégo-Suarez Emergency repairs to road communications Emergency repairs to rail communications | 3. 6.59 3. 6.59 3. 6.59 3. 6.59 3. 6.59 27. 7.59 27. 7.59 | 142,000 102,000 243,000 162,000 608,000 1,620,417 1,215,313 4,092,730 |

NB The figures shown on this table refer to the gross totals and do not include any administrative costs.

TABLE No. 3 (cont.)

| Overseas countries and territories having special relations with | Title of projects | Date of decision | Commitments authorized (in units of account) |
|--|--|---|---|
| REPUBLIC OF MADAGASCAR (cont.) | <p><i>Brought forward</i></p> <p>Irrigation scheme in the Anony Delta</p> <p>Irrigation scheme in the Tuléar plain</p> <p>Construction of Amboanio road</p> <p>Improvement of stock breeding and introduction of mixed farming in the Tsiroanmandidy district</p> <p>Manakara-Farafangana road</p> | <p>26.10.59</p> <p>26.10.59</p> <p>26.10.59</p> <p>5.12.59</p> <p>5.12.59</p> | <p>4,092,730</p> <p>1,620,000</p> <p>1,944,000</p> <p>365,000</p> <p>849,000</p> <p>2,634,000</p> <p>11,504,730</p> |
| MAURITANIA | <p>School construction programme</p> <p>Construction of village wells</p> | <p>25. 1.60</p> <p>25. 1.60</p> | <p>1,100,000</p> <p>693,000</p> |
| NIGER | <p>School construction programme</p> <p>Watering points and vaccination centres</p> | <p>15. 10.59</p> <p>12. 12.59</p> | <p>1,793,000</p> <p>2,781,000</p> <p>4,509,000</p> <p>7,290,000</p> |
| NEW CALEDONIA | <p>Children's clinic and operating theatre at the Nouméa hospital</p> <p>Dispensary at Poindimié</p> <p>Bush schools</p> <p>Centre for rapid vocational training courses at Nouville</p> | <p>16.12.59</p> <p>16.12.59</p> <p>16.12.59</p> <p>16.12.59</p> | <p>140,000</p> <p>38,000</p> <p>61,000</p> <p>34,000</p> <p>273,000</p> |

TABLE No. 3 (cont.)

| | | | |
|-------------------------------------|--|----------|------------|
| FRENCH POLYNESIA | Construction of a berth for coastal vessels at Papeete | 26.10.59 | 295,000 |
| SUDANESE REPUBLIC | Establishment of four seasonal agricultural schools | 23.10.59 | 92,000 |
| | Hospital unit at Nioro | 23.10.59 | 143,000 |
| | Anti-tuberculosis dispensary at Sikasso | 23.10.59 | 47,000 |
| | Maternity clinic at Goundam | 23.10.59 | 39,000 |
| | | | 321,000 |
| REPUBLIC OF CHAD | Reconstruction of health centres | 16. 9.59 | 1,211,000 |
| | Extension of the Bailli agricultural training centre | 16. 9.59 | 89,000 |
| | | | 1,300,000 |
| TOGOLAND | Maternity hospital at Anecho | 28. 5.59 | 29,860 |
| | Maternity hospital and hospital building at Paline | 28. 5.59 | 90,180 |
| | Ten primary schools | 28. 5.59 | 81,000 |
| | Modernization of a railway line | 23. 7.59 | 294,000 |
| | Electrification of cranes at Lomé wharf | 23. 7.59 | 164,880 |
| | Total for French Overseas Countries and Territories | | 35,031,250 |
| III. ITALY | | | |
| TRUSTEESHIP TERRITORY IN SOMALILAND | Construction of a new hospital at Mogadishu | 17. 6.59 | 1,950,000 |
| IV. NETHERLANDS | | | |
| NETHERLANDS | Agricultural research station at Manokwari | 11. 1.60 | 2,026,000 |
| NEW GUINEA | Demographic research | 3. 3.60 | 655,000 |
| | Geological research team | 3. 3.60 | 4,737,000 |
| | Total for Netherlands Overseas Countries and Territories | | 7,418,000 |

N/B The figures shown on this table refer to the gross totals and do not include any administrative costs.

CHAPTER VI

THE COMMUNITY AND THE OUTSIDE WORLD

343. The establishment, according to the rules laid down by GATT, of a customs union between countries which play a leading part in world trade should normally have a favourable influence on the development of that trade and so contribute to the prosperity of non-member countries. This was recognized by the signatories to the General Agreement when they authorized, in Article XXIV of the Agreement, the setting-up of regional organizations. What is true of a customs union is even truer of an economic union like the Community, a union which will be in a position rapidly to develop its economic potential and, as a result, its imports from the rest of the world.

344. In order to share in the economic expansion of the free world, the Community has embarked upon a wide-scale policy of co-operation with the other Western powers. It has accepted the suggestions put forward by Mr. Dillon, the U.S. Under-Secretary of State, for negotiations within the framework of GATT aimed at bringing about a substantial reduction of customs barriers. The Community's own proposals concerning the elimination of tariff and quota restrictions will certainly give a vigorous boost to the efforts which the Contracting Parties to the General Agreement are making to remove obstacles to trade.

In order to avoid crises which might spread throughout the free world and upset the very foundation of its economy, the Community declared itself in favour of co-ordinating the economic policies of the great powers in the Western world.

The Community at the same time stressed the need for the industrialised Western Powers to make a greater contribution to the advance of the countries in the course of development.

It considered that all aid supplied in this manner should be co-ordinated not only among Member States but also among the principal economic powers of the free world.

345. In the sphere of trade liberalisation, the Community's endeavour to co-operate with the world will assume concrete form through such activities as the negotiations due to take place in GATT during the next few months. In the field of policy on economic trends and policy on aid to countries in the course of development, the Community has been associated with the negotiations which will lead to the establishment of the Organization for Economic Co-operation and Development (OECD); if, as may be hoped, the United States and Canada, by accepting the liabilities envisaged in the draft agreement, join the European countries in carrying through these tasks, a considerable step forward will have been taken on the path of co-operation among the states of the free world.

346. The establishment of the Community has, however, brought with it certain fears on the part of non-member states concerning their commercial affairs; it is, in particular, the non-member countries in Europe which have shown their anxiety on this count.

The Community is convinced that the expansion resulting from the implementation of the Treaty, as well as the general aspect of its policy vis-à-vis non-member states, will largely compensate for any damage which certain non-member states may perhaps suffer.

Furthermore, at the Fourteenth Session of GATT the representative of the Community declared the Community ready to consider, together with the injured States, any practical measures which might appear to be warranted by the material damage done. It recognised the fact that certain marginal or temporary difficulties might arise.

In conjunction with the member states of EEC, Canada and the United States, the Community is also studying, within

the "Committee on Trade Problems", the repercussions of the Common Market or non-member states, particularly those in Europe.

The Community has already proposed to its partners on this Committee the establishment of a Contact Committee whose task would be to find specific solutions to each particular difficulty.

Towards a common trade policy

347. The Treaty of Rome foresees the implementation of a common trade policy by the end of the transition period at the latest. During this period measures for co-ordination and harmonisation must create the conditions necessary for a common policy.

Since the first months of its work, the European Commission has found speedy definition and implementation of a common trade policy to be essential conditions for a liberal commercial policy on the part of the Member States towards non-member states, and has consequently taken various steps which will lead in the end to certain general principles of trade policy being evolved.

The Commission also hopes to be able to devote time to making more systematic the measures agreed on by the Member States and the European Commission for the co-ordination of trade negotiations.

In order to hasten the establishment of a common trade policy the Commission had in 1958 asked its services to complete work on the common external tariff as rapidly as possible. This tariff was adopted by the Council on 13 February 1960. In addition, the agreement settling the duties applicable to the products in List G was signed on 2 March 1960. The Community thus has available complete plans for the coming tariff negotiations with GATT.

348. With a view to implementing Article 111 of the Treaty the European Commission has endeavoured to find a preliminary basis for a co-ordination of commercial policies among the Member States which would lead, during the transition period, to the introduction of a common policy on external trade. Several aspects of commercial policy, such as relations with countries where abnormally low producer prices obtain or with countries which practise state trading, have been carefully studied with experts of the Member States.

349. Extensive work has been done under Article 111 (5) on securing uniformity at as high a level as possible in the liberalization lists of Member States. Certain measures of liberalization taken by a number of Member States, and especially the steps taken at the end of 1959 which enabled France to reach for the first time since 1955, and even exceed, the percentage of liberalization laid down by OEEC, are making it a great deal easier to reach the desired degree of uniformity. The hope is justified that in the near future virtually all industrial products can be liberalized within the Community. The European Commission is studying the possibilities of extending the degree of liberalization reached within OEEC to other non-member states and in particular to the countries of the dollar area. Discrimination has already largely disappeared between the dollar zone and the OEEC area.

350. The European Commission has taken an active part in international efforts to stabilise the markets for basic commodities. Since this problem is a very important facet of long-term commercial policy, the main aim of the Commission has been to bring about a common attitude on the part of the Member States.

It should be pointed out that the six Member States are all members of the new International Wheat Agreement. Italy joined its partners of the European Economic Community in acceding to the International Sugar Agreement when it was renewed.

The Six are endeavouring to co-ordinate their attitude in the current negotiations on tin, lead, zinc, olive oil and coffee.

351. *The Economic and Social Committee.*—The European Commission consulted the Economic and Social Committee on the question of commercial policy, and on 25 July 1959 the Committee issued an opinion containing suggestions on the harmonization during the transition period of certain measures taken by the Member States.

The Committee restricted the opinion issued to questions concerning imports and reserved the right to add further points. In the opinion of the Committee, the failure to co-ordinate commercial policy among the Member State vis-à-vis countries with abnormally low salaries or state trading and countries operating multiple rates of exchange or other practices calculated to distort prices artificially, could wreck free trade in certain industrial and agricultural products within the Community, because the provisions of Article 115 of the Treaty would be invoked. In the view of the Committee, commercial policy should be co-ordinated without further delay in the cases which give rise to this danger.

The Committee has suggested the adoption of various measures appropriate to the specific cases: application of the common customs tariff, unification of the rules on duty-free entry, the possible imposition of specific duties, the fixing of quotas in cases where the most serious risks are involved, and the application of an anti-dumping policy.

Finally, the Committee has requested that, during the time needed to put into practice the co-ordination which the Treaty calls for in the transition period, all new measures capable of aggravating the dangers arising out of existing differences or creating new ones should be avoided. To this end, and in cases where serious difficulties exist, Member States should not, without the previous agreement of the other Member States, alter the conditions of their trade with countries in the categories referred to earlier in any way which could involve such risks.

IMPLEMENTATION OF ARTICLE 115

352. Several Member States, however, have invoked the escape clauses provided in the Treaty; they have thus prevented a number of products coming from Member States, but originating in non-member states, from circulating freely.

These measures can be justified only by diversions of trade or disparities in the commercial policy of the Member States. The European Commission has therefore had to examine whether these conditions have been fulfilled. Wherever they have in fact been met, the Commission has authorised the Member States to take, as an exception, protective measures in accordance with the provisions in Article 115.

353. There is no doubt that recourse by the Member States to measures of this nature is harmful to the proper functioning of the Common Market because it stands in the way of the full implementation of Article 10 (1), which provides for the free movement within the Community of goods coming from non-member states. The European Commission therefore expressed the hope that, in accordance with Article 115, the Member States would if possible address themselves to it and would cooperate by adopting methods of the type the Commission could recommend rather than take emergency steps on which the Commission is required to express its views a posteriori.

In order to avoid too frequent recourse to the escape clauses, the European Commission is endeavouring to find, with the representatives of the Member States, measures at Community level which would remedy the causes of the diversions of trade or of economic difficulties.

THE COMMON CUSTOMS TARIFF AND LIST G

354. When the European Commission drew up its programme at the beginning of 1958, it was assumed that it would take until the beginning of 1961 to work out the common customs tariff.

Since the end of 1958, however, it has become clear that this tariff would be needed very much earlier, since it is an indispensable element in the trade and external policy of the Community. The European Commission has decided to speed up the work of the experts meeting under its auspices, so as to be able to take part in the GATT tariff negotiations to be begun this year in accordance with the proposals made by Mr. Dillon, the United States Under-Secretary of State. Another direct motive for the speed-up was the decision of the Council that, within the limits of the common customs tariff, the reduction of customs duties provided for in the Treaty should be extended to non-member states enjoying the most favoured nation clause.

With the same ends in mind and also in order to follow up the provisions of Article 20 of the Treaty, under which the Commission is required to take all appropriate steps to ensure that negotiations on the duties applicable to the products in List G shall be undertaken among the Member States, the European Commission in April 1959 proposed a procedure for speedier negotiations.

355. All this work culminated on 13 February 1960 in the approval by the Council of the draft customs tariff based on the arithmetical average and in the signing in Rome on 2 March 1960 of the agreement fixing the duties applicable to the products in List G. There now remain only a very few items, in fact, seventy-two, representing less than 3 % of the tariff lines, for which no duty has yet been fixed. With these items the main problems are the introduction of special duties for a number of products, certain adjustments of duties under Article 21 (1), the determination of the extent to which certain duties declared by Member States to be of a fiscal nature (Article 22) are protective, and finally the settling within List G of the duty for four headings representing petroleum products. Most of the rates will be fixed before negotiations open within the framework of GATT.

356. The tariff comprises 2,893 lines, which is a relatively modest number when compared with certain national tariffs (the Italian tariff, for instance, contains 7,618 lines).

The level of the common customs tariff is on the whole moderate. The weighted average rate resulting from its application to all the imports of the European Economic Community in 1958 amounts to 7.4 %. From this it follows that calculation of the tariff on the arithmetical average has proved more favourable to non-member states than the weighted average would have done; though many people favoured this latter method the resulting level would have worked out at 9.1 %.

The weighted rate varies from one group of products to another. It is negligible in the case of raw materials, low for processed goods (5.9 %) and higher for equipment and other industrial goods (13.6 to 17.2 %). The general rate drops to 5.5 % if the total of non-agricultural products alone is considered; if raw materials are excluded, it rises to 12 %.

The incidence of the common customs tariff appears to be considerably below that of the British tariff. This comparison is particularly favourable to the Community where industrial products are concerned: the weighted average of the common customs tariff duties is at least 5 points below that of the British tariff for equipment goods and 2 points below it for other industrial products.

357. List G contains those products in respect of which the Member States felt that the arithmetical average would not produce a satisfactory result and that duties corresponding more closely to the special situation in one or several Member States should be worked out by negotiation.

List G contained 70 headings. The Member States' imports of the products contained in the list represented, in 1957, 15.7 % of their total imports from non-member states and amounted to 2,671 million dollars in value. Raw materials accounted for three quarters of these products. The rest was made up mainly of foodstuffs and some manufactured goods.

When these products were studied, it appeared that the fixing of duties gave rise to very serious difficulties because of their social or economic repercussions. In addition to these difficulties, there were the divergent interests of producer and consumer countries, which explains why some of the solutions arrived at are of a mixed type. In certain cases fairly high average duties were coupled with liberal tariff quotas, and in others the economic situation in a particular branch of production allowed a low duty to be fixed, but the Member States favoured action by the European Investment Bank to enable production which was threatened in one of the States to be modernized or converted; such action was to occur in any isolated market until the critical situation in the Member State concerned was remedied.

The Community and the non-member states

PROBLEMS OF INTRA-EUROPEAN TRADE

358. In its Second General Report on the Activities of the Community the European Commission had set forth the main ideas contained in its "First Memorandum concerning the problems raised by the establishment of a European Economic Association".

At its meeting of 16 March 1959, the Council took note of this and, after a preliminary study, it requested the Governments of the Member States to inform the European Commission with as little delay as possible of their comments on the Memorandum and of any suggestions they wished to make. A Special Committee, consisting of representatives of the Governments of the Member States and of members of the Commission, was set up to study these comments or suggestions and to report them to the Council.

359. The Special Committee sat eight times under the chairmanship of M. Rey, a member of the Commission. In view of the discussions in this Committee, the Commission considered it advisable to submit to it a further Memorandum on 18 September.

Recent developments had confirmed the European Commission in its conviction that the solution of the problems of a European Economic Association would be facilitated if the matter were looked upon as one important element among others of the Community's liberal economic policy vis-à-vis the outside world as a whole. It had become evident to the Commission that Europe's problems did not lend themselves to abstract or isolated solutions, but could be overcome only if the fullest account were taken of the relations of Europe with the other parts of the world, in particular with the United States and with the countries in course of development. These considerations led the European Commission to advance in its Memorandum a pragmatic solution involving quota and tariff measures and the establishment of a European Contact Committee.

360. The European Commission proposed that vis-à-vis the whole world there should be gradual but complete elimination of industrial quotas; the quota increases already decided on 3 December 1958 were to be repeated on 31 December 1959, subject to the same conditions of reciprocity and care being taken to reduce the differences in treatment between Europe and the rest of the world in this sphere.

361. The European Commission proposed that the tariff reduction which is to take place on 1 July 1960 among the Member States should be extended to the non-member states on the same terms as those laid down in the Council resolution of 3 December 1958. The Commission further suggested that at the end of the multilateral tariff conference which is to take place within GATT in 1960 and 1961 the Community should, subject always to reciprocity, take the initiative in proposing a further major reduction of customs duties going beyond that proposed by the Government of the United States.

362. On Atlantic co-operation the European Commission suggested that a proposal for regular consultations should be made to the Governments of the United States and the United Kingdom; other countries or international institutions could take

part in these consultations concerning the speedy elaboration of a coherent programme for aid to countries in the course of development.

363. The Memorandum also contained the proposal that a Contact Committee be set up, composed of representatives of the Member States, the Commission and the other European states or groups of states. It would be the function of the Contact Committee to study the flow of trade between the Common Market and its European partners and to single out those sectors in which trading difficulties seem to emerge; it would also propose practical solutions to overcome these difficulties and to bring about agreements between the parties concerned.

364. On the basis of the Memorandum of the European Commission, and bearing in mind the report of the Special Committee, the Council on 23 November 1959 took several important decisions concerning the Community's external relations; these give concrete evidence of the Community's intention of following a liberal trade policy on the widest scale.

On the question of industrial quotas, the Council announced that the countries of the Community were willing—as from 1 January 1960—to grant the same advantages to non-member states as those which they were to concede to one another on that date. The Council expects those members of the OEEC which belong to GATT and the FMI to take similar steps and suggests to those OEEC countries which do not belong to these organisations that they should do likewise.

In the tariff field the Council decided that Member States of the Community would be able to extend to the Contracting Parties to GATT, and to any other states enjoying most-favoured-nation treatment, the tariff reductions on industrial products which the Member States were to grant one another on 1 July 1960, provided always that these reductions referred to duties higher than those in the common customs tariff. For agriculture it was proposed that, at least for non-liberalized prod-

ucts, the Member States could reduce tariffs under the same conditions as those applicable to industrial products.

The Council also decided to propose to the other European states or groups of states the creation of a Contact Committee; its functions would be:

- a. to study the flow of trade between the Common Market and its partners and to determine the sectors in which the trend of trade reveals difficulties;
- b. to propose practical remedies for these difficulties and to bring about agreements between the parties concerned;
- c. to watch over the execution of the short-term measures in the tariff field defined above;
- d. to carry out the tariff studies which will be necessary if the functions mentioned above are to be fulfilled;
- e. to organise prior consultations between the participants in order that the tariff negotiations being prepared on a multilateral plane may have the greatest possible effect and deal in particular with the critical points in the Community's trade with its European partners.

The deliberations of the Contact Committee could also cover agricultural products without impeding the development of the Community's agricultural policy.

365. In the field of industrial quotas the Member States have started to apply the Council's decision; the Special Committee is studying what co-ordinating measures could be useful in this connection. With regard to the tariff measures to be taken on 1 July 1960, the Council has requested the Special Committee to go into all the alternative proposals now put forward.

366. A new phase in the development of trade relations opened when Mr. Dillon, the United States Under-Secretary of State, visited a number of Western European capitals towards the middle of December 1959. Mr. Dillon had conversations in London, Bonn, Paris and Brussels. In Brussels he met the members of the European Commission. These visits cleared the way for negotiations amongst the principal countries, including the United States, interested in the development of trade between the Community and its partners in the free world. As a result of Mr. Dillon's talks, the Heads of State and Government of Four Powers (the United States, France, the Federal Republic of Germany and the United Kingdom) decided to invite thirteen countries which are either members of or associated with OEEC, together with the European Commission, to an economic conference where closer economic co-operation could be discussed. This conference met in Paris on 12 and 13 January 1960. To make it easier for the Member States of the Community to adopt a common attitude, the Special Committee and the Council met in Paris before the conference began. On 14 January a conference of all members of OEEC, plus the United States, Canada and the European Commission approved the decisions taken the day before.

These various meetings have spotlighted the worldwide aspect of the problems raised by a European economic association.

367. It was decided to study in what way the OEEC could be reorganized so as to allow the United States and Canada to become full members. A working group of four experts was to draw up appropriate proposals and these were to be submitted to a conference of senior officials from the twenty states who are either members of or associated with the OEEC; the Executives of the European Communities would also take part in this conference.

A working group has been set up to study the problem of aid to countries in the course of development. Belgium, Canada,

the United States, France, Italy, Portugal, the Federal Republic of Germany, the United Kingdom and the European Commission are represented on this working group.

Finally, on the question of trade problems, the Special Economic Committee, "considering the need to examine, as a matter of priority, the relationship between the European Economic Community and the European Free Trade Association, with due regard to the commercial interest of third countries and the principles and obligations of the GATT", decided to propose to the twenty Governments that they constitute themselves, together with the European Economic Community, a committee with power to "establish one or more informal working groups for the consideration of these problems without infringing the competence upon the functions of the existing international institutions such as the GATT or the OEEC; these groups should report back to the committee".

The Committee also decided to invite the Executive Secretary of the GATT to participate in these discussions.

368. The Committee on Trade Problems met on 29 and 30 March 1960 in Paris under the chairmanship of the Netherlands Foreign Minister. At the end of the discussions which took place at this meeting, the Committee instructed its Secretariat to assemble factual information on the levels of the various customs duties to be applied from 1 July 1960 on the basis of measures laid down in the Treaty of Rome and the Stockholm Agreement, and also on the basis of the other proposals that had been put forward, i.e. the proposal made by the European Free Trade Association in the Vienna communiqué of 12 March 1960 and the recommendations made by the European Economic Community for speeding up the implementation of the Treaty of Rome.

In accordance with the wish expressed by the Committee on Trade Problems, the chairman of the Committee had several exploratory talks during April with representatives of the different delegations.

ASSOCIATION WITH THE COMMUNITY

369. In connection with bilateral association the Community in 1959 undertook exploratory talks with the countries concerned on the possible forms for association agreements based on Article 238 of the Treaty.

370. The Council, having been informed by the European Commission that a request for association might be received from Tunisia, decided at its session of 2 February 1959 that there was no objection to such an association. In consequence, the European Commission was able to undertake a first round of exploratory conversations with the Tunisian authorities. These discussions took place in Brussels. Contact has been maintained since then.

371. In June 1959, the Greek Government expressed the desire for association with the Community. On 25 July of the same year this request was favourably received by the Council, which instructed the European Commission to begin exploratory negotiations with the Greek Government.

In July, the Turkish Government also addressed a request for association to the Council and to the European Commission. At its session of 11 September 1959 the Council gave a favourable reply in terms similar to those addressed to the Greek Government.

372. The exploratory talks held with Greece developed in two phases, the first in September and the second in November and December.

They enabled the European Commission to list the problems, both of procedure and of substance, which it was necessary to settle before negotiations proper could be undertaken, negotiations for which the Council has now given instructions to the European Commission. As a result, talks between a Greek delegation and the European Commission concerning the association of Greece with the Community began on 21 March 1960.

The state of these negotiations was discussed at a meeting of the Council held in Brussels on 12 May 1960. The Council instructed the European Commission to continue its negotiations so as to reach an agreement between the European Economic Community and Greece as soon as possible.

Having noted that the phase of exploratory talks with the Turkish Government could be considered as being over, the Council invited the European Commission to start negotiations with representatives of the Turkish Government with a view to investigating lines along which an association agreement might be reached between Turkey and the European Economic Community.

373. At the session of the Council on 2 February, the Government of the Netherlands formally requested that the Netherlands Antilles be associated with the Community in accordance with the Declaration of Intention annexed to the Treaty of Rome. The European Commission has been instructed to carry out a technical inquiry on the problems connected with such an association and will make the necessary contacts with the Netherlands authorities.

When it met on 10 and 11 May, the Council instructed a special group composed of delegations from the Governments and the European Commission to examine the memorandum drawn up by the Netherlands Government and the technical study made by the European Commission with a view to drafting an association agreement with the Netherlands Antilles and to present its findings to the Council. This special group will start work in the first week of June.

CO-OPERATION WITH THE COUNTRIES IN COURSE OF DEVELOPMENT

374. As soon as they were set up, the Institutions of the Community arranged for the study of a number of problems which concerned the trade relations of the Community but were bound up with the existence of a serious state of economic underdevelopment in several parts of the world.

In 1959 the activity of the Institutions increased. In its "First Memorandum", submitted to the Council on 26 February 1959, the European Commission had already stressed the responsibilities of the great industrial countries in this field. In its Second Memorandum (September 1959) the European Commission suggested that internal measures be taken to determine the volume of possible aid to the underdeveloped countries and to devise a common procedure. In October and November 1959, the Foreign Ministers of the Member States decided to set up an ad hoc committee to undertake the necessary studies in the following fields: methods of commercial policy, financial aid and technical assistance; this decision was based on a suggestion made by M. Wigny, the Belgian Foreign Minister. The representatives of the Member States and of the European Commission are working together on this committee.

The policy to be followed vis-à-vis the countries in the course of development has also been the subject of an exchange of views between the European Parliament and the Councils and Executives of the three Communities; the occasion for this was offered by the "colloquy" which took place during the November session of the European Parliament. ⁽¹⁾

375. The Council emphasized that effective solutions for underdevelopment can only be found and translated into practice if all the industrial countries share in them. In order to ensure the coherence and effectiveness of aid to countries in the course of development, given under an international programme, the Council declared at its meeting of 23 November 1959 that the Community was prepared to take part in regular consultations with the Governments of the United States, Canada, Great Britain and the other European countries which wished to take an active share in such a policy; other countries or international institutions might be associated with these consultations.

A first practical result of this was the emergence, at the meeting of the Special Economic Committee in Paris, of the

⁽¹⁾ See also Chapter II, Sec. 35.

group to study the problem of aid to countries in the course of development. This body (Development Assistance Group or DAG), on which four Member States ⁽¹⁾ and the European Commission are represented, held its first meeting in Washington on 8 March 1960, with Japan participating; it will meet again in Bonn at the beginning of July 1960.

All those who took part in this first meeting stressed the importance they attached to further increase in the aid given to the regions in the course of development and announced their intention of doing everything possible within the limits of their material resources.

376. The Community has always been aware of the fact that whatever measures it, or all the industrial countries together, proposed to take, ultimate solutions can only be put into practice with the co-operation of the development countries themselves. For that reason it has taken every opportunity during the last year to encourage and to strengthen that co-operation. Its intentions are confirmed by the fact that not only the Member States but also the Institutions of the Community have regularly participated in the meetings of international organizations dealing with problems such as underdevelopment: these include sessions of GATT, of FAO, of the regional economic committees of the United Nations, of the World Bank, of the Monetary Fund and a number of commodity conferences.

Relations with international organizations and non-member states

THE COMMUNITY AND GATT

377. The European Commission took part in the two sessions of the Contracting Parties held in Geneva from 11 to 31 May (Fourteenth Session) and in Tokyo from 14 October to 28 November (Fifteenth Session). The Commission also co-operated in

⁽¹⁾ See Sec. 367.

the work done under the programme for the expansion of international trade and has followed as an observer the work of several subsidiary organs of the Contracting Parties.

378. At the Fourteenth Session the discussions on the Treaty of Rome were not of major importance. The decision taken in the previous year to postpone for the time being legal examination of the question whether the Treaty is compatible with the obligations of the Member States under the General Agreement was not raised and the Contracting Parties confined themselves to reviewing the results of the consultations on a series of tropical products which had been held between the Community and a number of countries in order to find practical and constructive solutions for the difficulties which certain countries might experience as a result of the implementation of the Treaty.

Whilst fully recognizing the usefulness and effectiveness of the consultation procedure for arriving at a better mutual understanding of the problems, certain countries expressed their disappointment at the fact that these consultations had not been followed by measures which could allay their anxieties. They disputed the Community's theory that no action should be taken before any actual harm was seen to have been done. The same countries have, however, noted with satisfaction the statement, made by the European Commission on behalf of the Community, that it did not deny the possibility that the implementation of the Treaty could cause real harm to the trade of certain countries. The Community has promised that in such an event it and the country concerned would take whatever practical steps might be considered necessary to meet the situation.

During this same session, at the end of a debate on the question of information to be given in future by the Community on the subject of the application of the Treaty, the representatives of the Community stated that the Six desired, independently of any legal obligation and of their own free will, to give, through the European Commission, information on various aspects of the

working of the Community and on certain developments affecting the economy of the Six.

379. Thus, as a token of its good will and its desire for international co-operation, the European Commission laid before the Fifteenth Session of the Contracting Parties a general review of what had been attempted and done in the common market since the beginning of 1959. This report was very well received by the Contracting Parties who, being aware of the Community's great importance in world trade, showed keen interest in the measures taken to implement the Treaty in the commercial field as well as in the other sectors which it covers.

380. The first days of the Fifteenth Session were set aside for declarations of a general nature made by the Ministers representing several Contracting Parties. On this occasion, the representative of the European Commission gave notice of the Community's resolve to support effectively the efforts made by the Contracting Parties to ensure the harmonious expansion of international trade and to encourage exports from the countries in course of development. The Community's decision to take an active part in the multilateral tariff conference and to negotiate on the basis of the common customs tariff is concrete evidence that it intends to take an active share in the common work before the Contracting Parties.

The representative of the European Commission also stated that in the view of the Community the time had come to close the phase in which the problems of the underdeveloped countries are a matter of discussion and to draw up a practical programme of aid.

381. As part of their efforts for a reduction of obstacles to international trade the Contracting Parties had in 1958 established a programme for the expansion of international trade. Three committees had been set up, and the European Commission was officially asked to share in their work. These committees met several times in 1959 and their interim reports were studied at the two half-yearly sessions of the Contracting Parties.

382. Committee I drew up the rules for the Tariff Conference which will open in Geneva on 1 September 1960 and be in two separate stages; the first, from 1 September to 31 December 1960, will be set aside for re-negotiations with the EEC on the question of the unbinding of duties necessary for the alignment of national tariffs with the common customs tariff; the second, beginning in January 1961, will be devoted to multilateral negotiations with countries wishing to accede to the General Agreement: Cambodia, Israel and Tunisia. In conformity with the Treaty, the European Commission will conduct the tariff negotiations on behalf of the Community; it will be assisted in this work by a Special Committee appointed by the Council.

383. Committee II arranged meetings between all the Contracting Parties to discuss their general agricultural policies and their policies on certain commodities of importance in international trade. So far, consultations of this kind have been held with 23 countries, including the Member States of the Community; they have shown these countries to have a very wide range of non-tariff measures designed to protect their agriculture and to support agricultural incomes. It is to be hoped that by the end of these meetings the Committee will be able to form an overall picture of the consequences produced by these protectionist policies and of measures in the agricultural field which will enable it to lay the foundations of a code of good behaviour in the agricultural sector likely to encourage the expansion of trade on the basis of reciprocity and mutual advantage.

384. Committee III, established by the Contracting Parties to study other measures for the expansion of international trade and to increase the export earnings of the less-developed countries, has compiled data on the obstacles which stand in the way of these countries' dealings in a number of commodities in which they have an actual or potential export trade.

It invited the industrialised countries to examine their fiscal, tariff and quota arrangements with a view to facilitating an early expansion of the export earnings of the less developed countries.

385. The European Commission is actively engaged in preparatory work for the tariff conference. A preliminary list of concessions requested has been addressed to the Government of the United States; lists of requests to other countries likely to take part in the negotiations are being drafted.

In order to facilitate negotiations under Article 24 (6), the European Commission is at present drawing up a table, in the nomenclature of the common customs tariff, of the items bound under the General Agreement by each of the Member States. This table will also contain statistical information on the Community's imports in 1958.

The European Commission will state in respect of each binding whether it considers it a subject for negotiation. In many cases the increases of duties in certain tariffs are compensated by reductions in others; frequently this internal compensation exceeds the compensation required, and in such cases the Community must be given a credit to be set off in the negotiations on headings where the increases in duties outweigh the reductions. The table of bound items and the other information referred to above will be laid before the Contracting Parties in May.

THE COMMUNITY AND THE UNITED NATIONS

386. The repercussions which the establishment of the European Economic Community has on non-member states have been very carefully studied by several organs of the United Nations and in particular by its regional economic committees during their regular meetings. The Community has on every occasion confirmed its desire to contribute to the harmonious development of world trade.

In these meetings a change of attitude on the part of the representatives of the non-member states has on the whole been observed as better information about the Community was made available to them. More realistic concepts have taken the place of unfavourable prejudices which existed at the time the Treaty of Rome entered into force.

Most of these organizations have decided to put and keep on their agenda the question of the effect produced on the non-member states by the European common market; this makes possible a broad exchange of views between them and the Community.

THE COMMUNITY AND THE EUROPEAN ORGANIZATIONS

387. The European Commission has established with OEEC working relations intended to produce an effective system of liaison between that organization and the services of the Commission.

Under this arrangement the Council of OEEC has agreed to invite the European Commission to be represented at the Council or the Executive Committee in order to attend all discussions which it considers affect its functions. The Council of the OEEC has taken note of the arrangements to ensure effective liaison which could be made in the technical committees and other organs of the OEEC and in the Steering Board for Trade, the Committee on Invisible Transactions and in the Steering Board for the European Monetary Agreement.

In addition, a Co-ordinating Committee between the EEC and the OEEC has been established, to allow the exchange of views on work of mutual interest undertaken by the Commission and by OEEC.

388. On 18 August 1959, letters were exchanged between the Secretary-General of the Council of Europe and the President of the Commission of the European Economic Community to the effect that the European Commission and the Committee of Ministers of the Council of Europe will co-operate in every way; without prejudice, however, to the overall agreement which may be concluded later between the Community and the Council of Europe in accordance with the provisions of Article 230 of the Treaty of Rome.

This exchange of letters settles the practical form of co-operation between the European Commission and the Committee of Ministers of the Council of Europe; it lays down that the Commission shall furnish its annual General Report to the Committee of Ministers and will take part in the Committee's discussions on the subjects with which that report deals.

Within the framework of the good relations established with the Council of Europe, and in accordance with the decision of the Consultative Assembly, the European Commission presented its Second General Report at the joint session of the Consultative Assembly and the European Parliament. The President of the European Commission took part, at the invitation of the President of the Consultative Assembly, in the debate on European economic relations which was held during this Assembly in January 1960.

THE COMMUNITY AND NON-MEMBER STATES

389. By 15 May 1960, 17 non-member states, seven of which are members of the European Free Trade Association, had asked and been given permission to establish diplomatic relations with the EEC.

Thirteen of them are already accredited. These, in chronological order of the dates on which their letters of credence were presented to the President of the Commission by the Heads of Missions, are: the United States, Greece, Israel, Denmark, Japan, Sweden, Switzerland, Great Britain, Norway, Ireland, Austria, Canada and New Zealand.

The procedure for the agreement of the Head of Mission of the other four countries, Portugal, Australia, Brazil and Morocco, is under consideration.

390. Acting on a proposal submitted by the Commissions of the EEC and of Euratom, the Councils have agreed in principle to establish joint missions of the three European Communities

in Washington and in London. The two Governments concerned have been officially informed of this intention in order to enable them to take the necessary steps. Meanwhile the competent authorities of the three European Communities will work out the organization of these missions.

By agreement amongst the three Communities, missions to non-member states will be joint missions, thus expressing their unity of purpose and conforming to the resolution passed by the European Parliament on 27 July 1958.