AUGUST 1960 | NO. 41

Bulletin from the

EUROPEAN COMMUNITY

BELGIUM, FRANCE, GERMAN FEDERAL REPUBLIC, ITALY, LUXEMBOURG, THE NETHERLANDS

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THE COMMON MARKET: A YEAR OF CONSOLIDATION

A Review Based on the Third General Report of the European Economic Community

THE PAST 12 MONTHS HAVE BEEN A CRUCIAL PERIOD in the existence of the Common Market. Essentially, they have been a time of consolidation. Measures taken during this period, and above all the speeding up of the implementation of the Common Market, have strengthened the Community from within and demonstrated its unity and cohesion.

THE COMMON MARKET HAS MOVED CLOSER TO FULL REALIZATION BY

. . . *taking the first steps toward a single market for all goods:* the first measures were taken toward the elimination of tariffs and quantitative restrictions on trade; a common external tariff has been drawn up; the basis was laid for common rules of fair competition; initial proposals for the free movement of capital were accepted; measures to ensure freedom of establishment, free circulation of services, and free movement of labor were drawn up.

. . . *taking the first steps toward a common Community policy:* substantial progress has been made toward common policies for agriculture, transport, foreign trade, the business cycle, and labor; the European Investment Bank is operating on an increasing scale; and aid to the associated territories is being given through the Overseas Development Fund.

THE IMPACT OF THE COMMON MARKET HAS ALREADY BEEN FELT IN:

. . . *the expansion of trade* within the Community—by 19 per cent between 1958 and 1959;

. . . *an over-all rate of growth* of seven per cent between 1958 and 1959, with industrial production showing an even higher growth rate;

. . . *the readiness of industry and commerce* to adapt their outlook and operations to the new market of 170 million consumers and the growth prospects it offers.

THESE FACTORS HAVE ENABLED THE COMMUNITY:

. . . *to speed up the completion of the Common Market* by a cut of several years in the original transition period timetables;

. . . *to present itself as a unit* toward the rest of the world and thus improve its relations with other countries—particularly with its partners in Western Europe.

IN THIS ISSUE

Published and distributed on behalf of the European Economic Community and the European Atomic Energy Community, Brussels, and the European Coal and Steel Community, Luxembourg, by Leonard Tennyson, Information Consultant for the European Community, 236 Southern Building, Washington 5, D. C., Telephone NAtional 8-5070. Registration statements, together with copies of this bulletin, have been filed with the Dept. of Justice under 22 U.S.C., sec. 611 et seq. and are available for public inspection. Registration does not imply government approval.

TOWARD A SINGLE MARKET

The work of the Community which has made the greatest impact on the public has been the application and supervision of the first measures toward achieving a single market of 170 million consumers in which goods, persons, services, and capital will be able to circulate freely by the end of the transition period. The time it will take to achieve this, originally fixed for the end of 1969, is likely to be appreciably shortened by the decision in May to speed up the process of establishing the Common Market.

In the past year, the Community's executive continued dismantling tariff and quota restrictions, prepared measures for freeing capital movements and for freedom of establishment, and progressed toward establishing rules for free and fair competition.

The Abolition of Trade Barriers

Cuts in Tariffs

The first 10-per-cent cut in tariffs between the Six was made on January 1, 1959. At that time, the Commission's concern was to ensure that none of the member states imposed duties above levels in force at the time when the treaty came into effect. All of the member states carried out their treaty obligations virtually without exception.

The member states made a further cut of 10 per cent on July 1, following the linear procedure urged by the Common Market Commission, i.e., a straight cut of 10 per cent on each product.

In accordance with the decision to speed up the coming-into-being of the Common Market, a third cut of 10 per cent will be made by December 31, 1960. Moreover, the fourth cut of 10 per cent scheduled for December 31, 1961, may be doubled if the Community's economic situation remains favorable. If this further cut is carried out in 1961, the total reduction of tariffs between the Six will be 50 per cent by the end of 1961, and the Community will be three years ahead of the treaty timetable.

The Dismantling of Quantitative Restrictions

The first measures to dismantle quotas were applied in 1959 and 1960. They substantially increased the possibilities of trade within the Community's borders. All the member states have increased their quotas by more than 20 per cent each year and fixed small or nil quotas at three to four per cent, at least, of national output. The moves toward eliminating quotas brought appreciable progress toward full liberalization of trade in the sectors hitherto highly protected.

Under the speed-up decision, all quotas in trade between member states will be abolished by the end of 1961—eight years before the time originally envisaged in the treaty.

The Common Market Commission took a series of steps to remove the restrictive effects of state monopolies existing in France and Italy. In Italy, the discriminatory effects of the tobacco monopoly have as a result been practically eliminated. The French Government submitted detailed proposals for adjustment of its tobacco monopoly, but the Commission declared these proposals inadequate and suggested to the French Government that it bring the operation of the monopoly into line with treaty rules.

Special Action on Agriculture

On minimum prices for farm produce, which may in practice become an obstacle to free trade within the Common Market, the Commission has succeeded in obtaining some changes. It has proposed criteria for the establishment of minimum prices. The Commission has also encouraged the growth of trade in farm products through long-term contracts for products covered by guarantees to domestic producers in one or another of the member states. In 1959, the first long-term agreement—for supply of wheat and other grains—was concluded between France and Germany.

Freedom of Circulation

The Common Market executive has already worked out proposals for putting into force the treaty clauses on free movement of workers, capital, and services. In addition it has submitted to the Council of Ministers a general program to provide for freedom of establishment.

Labor

The Common Market Commission will shortly submit to the Council of Ministers its proposals for the free movement of workers. They are aimed at making the best possible use of the labor resources of the Community. By the end of the transition period, workers will be able to move freely to take up jobs of their choice in any of the Community's member states.

Capital

The Community's Council of Ministers in May approved the Commission's proposals for freeing the movement of capital within the Community. The Council's first directive unconditionally frees capital movement for direct investments, personal-capital movement, and movement related to short- or medium-term commercial transactions, and dealings in securities quoted on stock exchanges. A series of other capital movements is conditionally freed, notably those related to capital issues, medium- and long-term loans, and financial credits. The main capital movements not yet liberalized are those connected with short-term money movement.

Services and the Right of Establishment

The Commission plans to submit shortly to the Council a general program for abolishing restrictions on freedom to supply services—such as insurance, banking and distribution—anywhere in the Community. The Commission has already submitted to the Council a general program for removal of restrictions on the freedom of establishment (for firms, branches, agencies, or individuals). The program sets out the order of priority in which existing restrictions are to be abolished.

The free movement of labor, capital, and services, added to the abolition of trade barriers for goods, will bring greater competition into the Community's economy.

Healthy Competition

The Common Market's executive branch will establish, as soon as possible, a common policy on cartels and monopolies to ensure that certain difficulties which inevitably accompany economic integration will not provide a pretext for abandoning competition.

The Commission's Competition Policy

Aware that the effect of removing trade barriers and restrictions to free circulation can be partly offset by public or private restrictions on competition, the Common Market's executive has, in the past 12 months, aimed at making it legally possible to apply, in uniform fashion, the rules of competition laid down in the treaty.

Those of the six member states which did not have antitrust legislation have had to adopt new legislation in order to create conditions which will enable a common policy on competition to be put into practice. In Belgium, legislation has already been enacted, and in Italy and Luxembourg, bills are before the parliaments or under examination. The articles of the treaty laying down the basic conditions of antitrust measures have been subject to detailed discussion, and agreement has been reached over a wide area with respect to their definition.

The annual report says that the creation of a large market "makes it desirable to have specialization agreements and other rationalization measures" between industries which are too widely dispersed. However, it would be contrary to the objectives of the treaty if control of the market in the main industrial sectors were in the hands of cartels or a very small number of enterprises.

State Aids

The Commission has carried out its treaty responsibility of banning state subsidies and other supports likely to distort competition by favoring certain firms. It has suggested changes to two Belgian measures for the encouragement of investment and to a French Government decree aiding industries which installed certain types of equipment goods. In all these cases, the Commission's suggestions were taken.

The Harmonization of Legislation and Tax Systems

The Commission has acted to harmonize national legislation and tax policies which affect the establishment or operation of the Common Market or else distort conditions of competition.

On the **protection of industrial property,** the Commission's action should lead either to the harmonization of existing municipal laws or to the establishment of European legislation through the acceptance of a Community convention providing for a European patent law, a European trade-mark law, and a European patterns and designs rule or a combination of these measures.

On **public contracts,** the Commission is studying ways in which tenders can be called and allocated without restriction or discrimination. The Commission is also encouraging current discussions on the possibility of establishing European companies whose incorporation will be recognized throughout the Community.

The most vital part of the Commission's work on legislation and tax systems, however, has been its action to ensure the **harmonization of turnover taxes.** The Common Market executive is convinced that as long as turnover taxes remain unharmonized the six governments must cooperate closely if the advantages of the Common Market are not to be endangered. Moreover, only after harmonization has been achieved will it be possible to remove fiscal barriers to trade and thus obtain the full benefit of the opening of frontiers.

So far, the Council of Ministers has accepted proposals by the executive under which the member states will not modify the rates of compensatory taxes and rebates without consulting the Commission beforehand. They must also have sound technical reasons justifying any proposed change. A working party is studying the possibility of adopting a common turnover or added-value tax, possibly combined with a sales tax, to be levied throughout the

Community. A working party is also studying problems raised by other indirect taxes, and the Commission is studying the economic repercussions of direct taxes.

The abolition of **transport discrimination** has caused difficulties, as it has done in the Coal and Steel Community. The Council of Ministers is still reviewing a draft regulation submitted to it by the Commission. The proposal for compulsory publication of rates and conditions of transport has aroused wide differences of opinion among the member states.

As Markets Merge, Trade Grows

The results of the opening of the frontiers to competition have been more spectacular than hoped for. In 1959, the value of trade between the six countries, as compared with the corresponding periods of 1958, rose by 16 per cent in the second quarter, 22 per cent in the third, and 29 per cent in the fourth quarter. For the whole year the average increase was 19 per cent over 1958 and 15 per cent over 1957.

In dollar value, the total of intra-Community trade in 1959 was $8.08 billion, compared with $6.79 billion in 1958, and $7.03 billion in 1957.

The increase was not evenly divided among the six Community countries. France acquired by far the largest share in the increase of exports to the other Community countries, both by percentage and actual value. Italy also recorded a very substantial percentage increase in exports. The smallest increase was shown by the Belgium-Luxembourg Economic Union.

Business Puts Its Money on the Common Market

The spectacular increase in intra-Community trade occurred partly because the last 12 months of the Common Market have coincided with a resumption of rapid economic expansion, and partly because of the direct results of the removal of tariff and quota restrictions. A remarkable factor in these trade expansion figures can be seen in the anticipation by industry and trade of the implementation of the treaty. Business has been "putting its money on the Community"; it is tending more and more to draw up its development programs and its distribution networks on the scale of a Common Market in full operation.

Industry and the professions are organizing themselves on a six-country scale. Numerous groupings representing the employers of the six countries have been set up in industry and agriculture. By coordinated studies and action they support the workings of the Community and are making an effective contribution to the achievement of the Common Market.

On the workers' side, the two central organizations of Europe's free trade unions have set up Community groupings. They have held congresses of the six countries and laid the foundation for coordinated action on a Community basis. Even the Communist unions, with their declared hostility to the Common Market, have set up a coordination committee representing the six countries—an unexpected recognition of the reality of the Common Market.

Trade Within the Community—1959

1. Values in millions of dollars

Exporting countries	*Importing countries*					*Export EEC*
	Germany	*France*	*Italy*	*Netherlands*	*B.L.E.U.*	
Germany		738.8	464.2	815.4	561.6	2,579.9
France	773.9		256.9	139.9	430.9	1,601.6
Italy	519.9	177.6		71.3	80.6	849.2
Netherlands	744.3	176.5	90.7		543.4	1,554.2
Belgium-Luxembourg	422.4	269.2	77.3	722.9		1,491.8
Community	2,460.3	1,362.1	889.0	1,749.5	1,616.4	8,077.3

2. Percentage change compared with 1958

Exporting countries	*Importing countries*					*Export EEC*
	Germany	*France*	*Italy*	*Netherlands*	*B.L.E.U.*	
Germany		+ 13.2	+ 20.8	+ 15.5	+ 4.3	+ 13.1
France	+ 37.6		+ 66.8	+ 38.0	+ 18.5	+ 35.6
Italy	+ 28.5	+ 34.7		+ 11.0	+ 19.0	+ 27.2
Netherlands	+ 25.1	+ 24.6	+ 11.0		+ 10.2	+ 18.6
Belgium-Luxembourg	+ 26.1	— 10.5	+ 20.9	+ 11.7		+ 10.8
Community	+ 29.7	+ 11.0	+ 30.0	+ 15.2	+ 10.5	+ 19.0

Tables based on the import statistics of the member countries.
SOURCE: Statistical Office of the Community

THE COMMON MARKET IS NOT ONLY A CUSTOMS UNION. In fact, the machinery of the customs union will operate almost automatically once it has been installed. However, the Community institutions will increasingly have to devote their attention to working out and applying common policies.

Instruments and Aims of a Common Policy

Common policies for agriculture, transport, and foreign trade must be achieved during the transition period under the terms of the treaty. For economic, financial, and labor policy, the treaty stipulates a substantial degree of co-ordination.

The executive of the Common Market believes that today, two and one-half years after the treaty came into force, the foundations of a common policy have been laid.

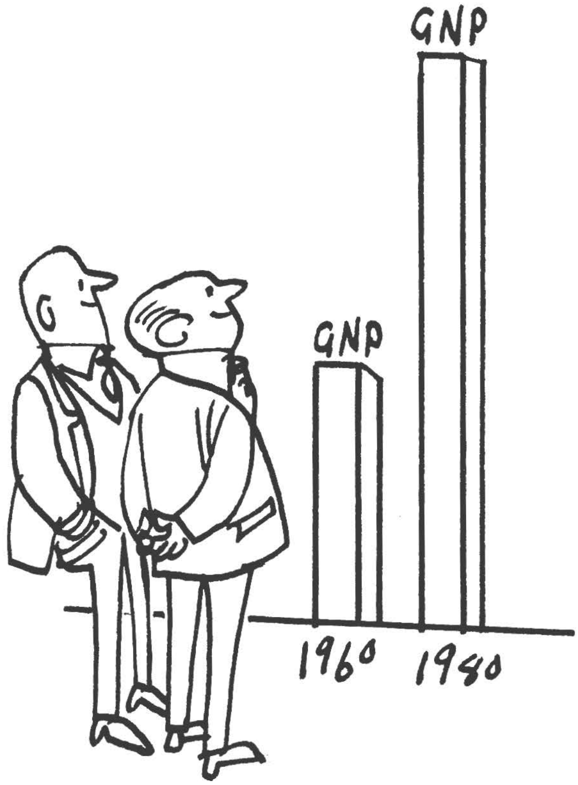
One of its major tasks has been to provide the instruments of a general economic policy. The treaty itself provides a Monetary Committee. A Trade-Cycle Committee has been set up to supplement its work. In addition, a group of senior officials is studying the structure and long-term prospects of the Community's economy.

The Basic Aim: To Double the National Product in Twenty Years

The Common Market's executive believes that the six governments and the Community as a whole should be able to keep up a more rapid rate of expansion than would have been possible for the member states without the Community. An annual average increase of four to five per cent in the gross national product should be possible, it believes. (In this way, the Community will be able to prove the advantages of integration and at the same time assume toward countries in the course of development the responsibilities which flow from prosperity.)

To achieve this general aim, governments as well as firms must plan their activities in relation not to their national market alone but to the new market of 170 million producers and consumers formed by the Community. The Commission's task will be to give particular shape to this global view of a rapidly expanding economy and to see that expansion is accompanied by monetary stability. Its benefit will thus be available to all sections of the population.

In 1959 increases recorded in the gross national product, as compared with 1958, were 6.7 per cent for Italy, approximately six per cent in Germany (Federal Republic) and the Netherlands, and approximately 2.5 per cent in France and Belgium. The low rates for France and Belgium were due to special causes, particularly the economic and financial reorganization program in France and the coal crisis in Belgium. Moreover, some farm products suffered heavily from the summer drought. But industrial



production advanced rapidly in almost all sectors, and the over-all rate of expansion for the Community was about seven per cent over 1958.

For 1960, the Commission forecasts an even more rapid rate of increase in consumption and a greater volume of investment than in 1959. It stresses the major role played by improved productivity in the pattern of expansion.

Business-Cycle Policy

The Commission has, from the outset, urged the advantages of a coordinated business-cycle policy and has formulated measures of economic policy which it has regarded as necessary in the light of current business trends. It was recognized that measures adopted in one or other of the member countries should not create difficulties for the others. Above all, measures of a business-cycle policy such as higher credit terms could not be allowed, through faulty coordination, to act as a brake on expansion in those countries still possessing growth resources.

The Commission has also urged a more active policy of tariff and quota liberalization for third countries as a means of avoiding existing surpluses in payment balances.

The setting up of the Trade-Cycle Committee to coordinate business-cycle policy in the member states will provide the Commission with guidance in drawing up concrete proposals to submit to the Council of Ministers as required by the economic and monetary situation.

Development Policy and Problems

In addition to the group of senior officials studying the Community's structure and long-term prospects, the Commission has also set up machinery to carry out studies by industry or region to deal with special problems. Some of the industries covered are textiles, shipbuilding, sulphur, automobiles, oil, and paper pulp.

The European Investment Bank is playing an increasing role in joint development. In 1959 it approved seven financing operations providing a total of $52.1 million for projects in Italy, France, and Luxembourg, representing a total investment of $288 million.

The Coordination of Energy Policy

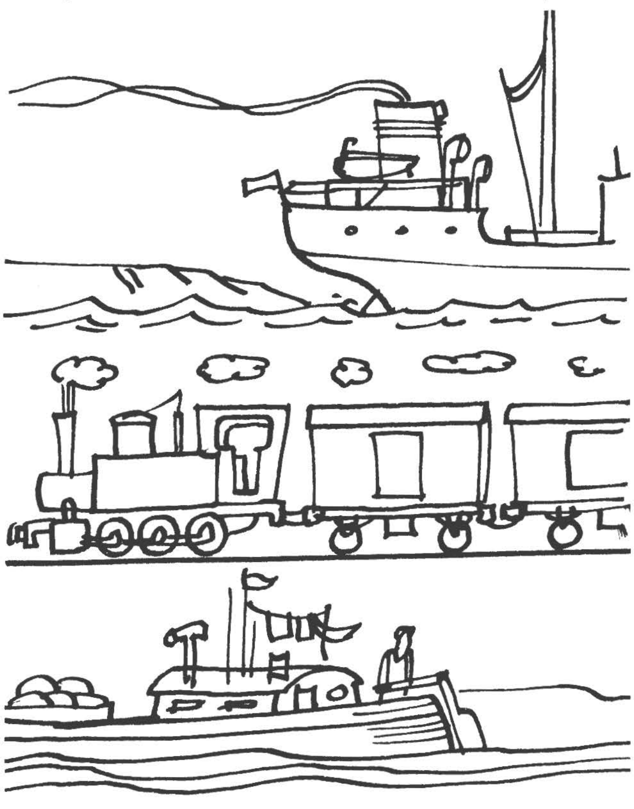
The difficulties in the fuel market, which continued throughout 1959, and the spread of the coal crisis to all the producing countries of the Community underlined the need for coordinated action on energy. The Common Market Commission considers that cheap energy is an essential factor in economic expansion. It is also aware of the need to safeguard the Community's competitive capacity relative to other countries and expresses the hope that the coordination of energy policies will be achieved on the basis of competitive prices. In particular, the present scale of divergencies in fuel oil prices could, if it continued, hamper the operation of the Common Market as a whole.

At the same time, the Commission believes, as does the High Authority, that violent economic upheavals in the coal industry must be avoided and that there must be no dislocation of the economy in the coal-mining regions.

The three Communities' executives—the High Authority of the Coal-Steel Community and the Common Market and Euratom Commissions—have joined forces to deal with these problems and are at present cooperating to work out adequate solutions.

Transport Policy

The Common Market Commission expects to finish working out the basic principles of a common transport policy during 1961. Detailed studies of the Community's transport systems carried out by the Commission show that there are numerous and deep-seated differences between the six countries. In all the member states two opposing trends influence policy in varying degrees. The one seeks to manage transport in the general interest, while the other prefers to treat it like any other industrial or commercial sector of the economy. The Commission notes, however, the general trend toward greater correlation of transport rates and tariffs with the cost of the services rendered. Further strengthening of this tendency could greatly aid the more rational distribution of traffic between the different forms of transport.



The Commission considers it indispensable to create a general framework for the chief European transport routes in order to meet the needs of the expanding Common Market. Discussions have taken place in recent months to see how this framework can be provided for road, rail, and inland water transport. An over-all plan will be drawn up, and the cooperation of the European Investment Bank may be sought for specific projects.

The Common Agricultural Policy

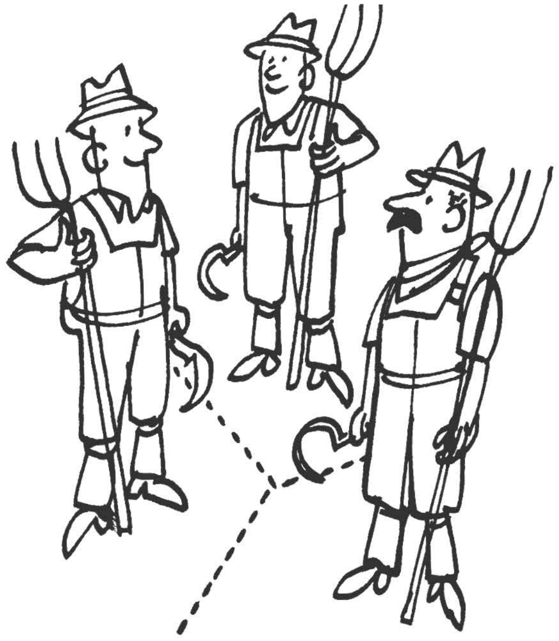
The Common Market Commission in December, 1959, presented its proposals for a common agricultural policy for the six countries. In May, the Common Market's consultative body, the 101-member Economic and Social Committee, gave its favorable opinion, and the Commission has now drawn up a final version of the proposals which it forwarded to the Council of Ministers in July, 1960.

Agriculture occupies a key position in the Community's economic and social life. It contributes about 12 per cent of the national product of the Community and provides employment for about a quarter of its working population.

The difficulties faced by agriculture in the highly industrialized countries of the world have led to government intervention in all of them. In the member states of the Community, a great variety of methods is used to protect agriculture and raise the incomes of the farmers, which are lower than those of the other groups.

The Common Market Treaty lays exceptional stress on the establishment of a common agricultural policy. The present widely varying agricultural policies of the member states must therefore be fitted into the common agricultural policy or replaced by it. At the same time, by raising productivity, particularly that of labor, the Commission's policy would also seek fundamental solutions to the problems which face agriculture today. It must ensure a fair return to the farmer, raise living standards, stabilize markets, and ensure regular supplies at reasonable prices.

This means, in the long run, thorough structural changes involving general economic development of agricultural areas; also, surplus farm labor must be enabled to leave agriculture for better-paid occupations without leaving home. For this purpose, the Commission considers that financial aid by the Community is necessary. A structural fund would, therefore, operate from 1961 onwards to improve the organization of agriculture by subsidizing lower interest rates or extending the duration of credits granted by the European Investment Bank or other bodies.



Agriculture's Place in the Common Market

The Community's agricultural production has increased sharply since the war, and food consumption has increased at the same time. Though the rise has been concentrated on high-grade foodstuffs, consumption has risen faster than production only for beef and eggs. The Community now produces about 87 per cent of its total requirements, and for all products except coarse grains, citrus fruits, fats other than butter, and oils, its output meets or exceeds its needs.

In spite of this production, the Community plays a leading role in world agricultural markets: it accounts for one third of total world imports of farm products and is the world's leading agricultural importer. It is also the world's second exporter of farm products, coming after the United States—though at some considerable distance—with 10 per cent of the world total.

The Commission's Proposals for a Common Policy

The basic aim of the Commission is to create, out of the agricultural markets of the Six, a single, stable market with a basically common level of prices. These prices cannot be at the same level as those ruling on the world market, which in some cases do not correspond to the prices actually paid. Community prices must, therefore, be stabilized at a higher level. For this purpose, common import and export policies are essential.

The Commission proposes three kinds of systems for specific products:

EUROPEAN PRICE SYSTEMS

For wheat, coarse grains, sugar, and dairy produce, the Commission proposed a system of European indicator prices, with fairly detailed intervention in the internal markets of the Community and such external protection as is necessary. Indicator prices are to be fixed annually for all these products. In the case of grains, quantities can be offered for sale to the marketing organizations throughout the year at an intervention price yet to be fixed. This price will, however, be five to seven per cent below the indicator price.

The price of import grains, sugar, and dairy produce is to be brought up to the internal Community level by means of a levy at the common external frontier.

The proposals also include measures to discourage surplus production of sugar and milk should this prove necessary. European grains, sugar, and dairy-produce bureaus would be set up with consultative committees for all products, and import licensing arrangements would be concluded with the bureaus. All applications for licenses would be approved. The issuance of import licenses would be stopped only if price levels in the Community market were threatened as a result of excessive imports. Stabilization funds would be set up for all these products.

COORDINATION OF MARKETS

For beef, pork, poultry, and eggs, the market organizations of the member states are to be coordinated, and European bureaus with consultative committees are to be set up for grains, sugar, and dairy produce. On beef a customs duty will be levied at the common external frontier and a minimum import price fixed; if prices are lower than the latter plus the customs duty, the difference is charged as a levy. Medical and veterinary controls on imported beef and cattle would be coordinated. For pork, poultry, and eggs, protection would be given by the common external tariff reinforced by a levy based on the difference between domestic and external prices of feed grains; in the case of pork, however, the levies would be fixed on the basis of the difference between the price of pork itself on the Community markets and on the world market. As with beef, a minimum import price is fixed, and if the price of the imported products drops below this level the levy is increased by the difference. Within the Community, markets and prices would not be controlled. Three stabilization funds would be set up for pork, poultry, and eggs, as for grains, sugar, and dairy produce.

QUALITY AND PRODUCTION CONTROL

For fruit, vegetables, and wine, the Commission's proposals aim at ensuring the free circulation of goods coming up to certain standards. This implies common standards and rules of competition. In times of glut, markets would be stabilized by keeping a proportion of supplies off the market. For wine, a long-term plan to bring production into line with demand involves the clearing and planting of vines, financed with the aid of a wine stabilization fund. There would be no stabilization fund for fruit and vegetables.

The funds for the individual markets would be grouped in a **European Agricultural Fund,** of which they would constitute subdivisions. The fund would obtain its income from the levies in imports and also, for wheat and sugar, from contributions from producers in certain circumstances. For wine, the income would be provided solely by a levy on producers.

Transition Period to End in 1967

The common policy would be in full operation by June 30, 1967, except in the case of beef where it would become effective in three and one-half years (at the end of 1963) and for wine which would be covered by a common policy after nine and one-half years (at the end of 1969).

During the preparatory phase, first steps would be taken from the beginning of 1961 onward to bring prices roughly into line throughout the Community. For the

1961-62 harvest year, the Commission proposes the following price increases or reductions.

Proposed Price Changes for Agricultural Products In Deutsche Marks per 100 Kilograms

Wheat:	Luxembourg	−DM 1.50
	Italy	−DM 1.00
	Germany (F.R.)	−DM 1.00
	Netherlands	+DM .50
	France	+DM 1.00
Feed Barley:	France	+DM 1.00
	Germany (F.R.)	−DM 1.00
Corn:	France	−DM 1.00
	Italy	+DM 1.00
Sugar:	Germany (F.R.)	+DM 2.00
	Italy	−DM 2.00
	France	+DM .50
	Netherlands	+DM 1.00

For dairy produce, the Commission has drawn up a timetable to bring prices into line, and the first indicator price would be applied in the year 1963-64. The Commission has not submitted proposals to bring prices into line for beef, pork, eggs, poultry, fruit, and vegetables, or wine since it believes that this will follow automatically from the removal of internal trade barriers and the introduction of a common external trade policy. Existing trade barriers would simultaneously be reduced for all farm products within the Community, common rules of competition introduced, and subsidies and other financial aids gradually adjusted or abolished.

The Commission will, at the end of this year, submit proposals for coordinating the national market organizations for rice. It is also drawing up proposals for a common policy for oils and fats, fish, tobacco, and forestry.

Labor Policy

The rapid expansion of the economy which the creation of the Common Market has helped bring about cannot be isolated from the improvement of living and working conditions. Though the treaty gives the Commission only a limited field for direct action, it also leaves it a wide freedom of choice for indirect action. The Commission intends to make full use of this freedom.

The fundamental aim of labor policy will be to make the best use of the Community's human resources. Since the Common Market is a rapidly developing industrial society, its executive places strong emphasis on occupational mobility: workers must be able to move freely not only from one part of the Community to another but they must also be fitted to take up the new jobs offered by rapid technological and economic development. A common policy on occupational training for workers and management will be an essential part of the Commission's labor policy.

Through close voluntary cooperation between the public authorities, the Community's institutions, employers' associations, and the trade unions, it will be possible to take practical measures to ensure that European integration is not achieved at the expense of the less-favored social groups.

The Social Fund

The rules for the Community's Social Fund were drawn up by the Common Market Commission and adopted by the Council of Ministers on May 11, 1960. The fund will cover 50 per cent of the expenses incurred by governments of member states or other public bodies for the retraining or resettlement of unemployed workers and for making up the wages of workers affected by conversion of their firms to other operations. On a proposal by the Commission, the Council can also entrust to the fund other tasks concerned with improving employment prospects, labor mobility, and occupational training. The fund will thus make a substantial contribution to full employment and labor mobility and will ease the transition to new employment for workers whose firms are forced to reorganize drastically. For 1960, it has a total of $20 million at its disposal.

Manpower Shortages and Unemployment

In February, 1960, the Commission and the six governments set up a working party to examine imbalances in manpower. In the boom conditions which have prevailed for some time, manpower reserves have tended to become exhausted in several Community countries—notably Germany, Luxembourg, and the Netherlands, while substantial manpower reserves still exist for a large number of occupations in Italy. Efforts are now going ahead to develop short courses of occupational training which will help fill the gaps occurring over wide fields of industry.

The Commission will also draw up a forecast of prospective manpower and employment developments. In addition, to aid labor mobility, it plans to improve and harmonize employment services; in particular, it will organize the exchange of information between the different Community countries and regions on available vacancies and labor reserves.

A wide range of studies—notably one into labor costs and workers' income in the six countries and others on such subjects as social security, occupational training, industrial health and safety, and the social aspects of the common agricultural policy—will provide the data on which the Commission can base its policy.

Aid for Overseas Development

One of the features which emerges most clearly from the political and economic developments of recent years is the special duty of the industrialized countries to aid countries in course of development. For the Community, Africa is the first of these duties, since the Treaty of Rome laid the foundation for cooperation between the two continents.

The action of the Community has already strengthened the links between the Community and the associated countries. But political changes since 1958, which have led and are leading many of these countries to full sovereignty, have modified their relations with the member countries and call for a new definition of their relationship with the Community. This crucial problem must be dealt with without delay so that the joint effort for social and economic development may continue. The treaty does not lay down any procedure to be followed for associated overseas countries and territories which become independent: the continuance of association depends on the decision of the countries concerned.

The Removal of Trade Restrictions for Associated Countries

Exports from the associated countries to the Six benefited from the first 10-per-cent tariff cut within the Common Market on January 1, 1959. The tariff cuts agreed on under the accelerated timetable for the Common Market will also be applicable to the associated countries; thus, tariffs on goods coming from them will be reduced by 25 or 30 per cent by the end of 1960.

In general, the products exported by the overseas countries were not subject to quantitative restrictions except in France. France has now opened up import possibilities for all the associated countries and not only for those with which she maintained special relations as was previously the case.

For exports from the European Community to the associated countries, the first tariff reduction of 10 per cent was applied and the associated countries decided to make the second 10-per-cent reduction, due on July 1, 1960, an across-the-board cut without exceptions. Thus, so far, the associated countries have not resorted to their right to retain customs duties for development or industrialization needs.

The countries of the French-African Community, which applied import quotas before January 1, 1959, expanded quotas available to Common Market countries other than France by 20 per cent at the beginning of 1960. Import possibilities open to these countries thus rose from $34 million in 1958 to $46 million in 1959 and roughly $56 million in 1960.

The Development Fund

In 1959 the Overseas Development Fund, which was created in 1958 under the Common Market Treaty to aid economic and social development in the overseas countries, announced its first grants.

By March 31, 1960, 75 projects had been approved, representing a total expenditure of $52 million for economic and social investment. On the economic side, projects to help create an infrastructure of roads, harbors, railways, etc. for economic development are predominant, while among social projects schools and hospitals are most prominent.

In 1958 and 1959 exactly 300 projects were submitted to the Common Market Commission, representing a total of $318 million. After withdrawal of certain projects, the total of projects submitted was $276 million.

The procedure for examining and approving investments by the fund has been greatly speeded up. The Commission is aware of the urgency of the projects submitted and is doing its utmost to reduce to a minimum the time taken to decide on them.

In addition, where associated countries find it difficult to finance or undertake global studies on which to base their development needs, the Commission is ready to help. It has already accepted a project submitted by Ruanda-Urundi for a general study of economic development possibilities in that country.

The Overseas Development Fund will help build new port facilities like these docks in Togoland

A LIBERAL FOREIGN TRADE POLICY

The existence of the Community should contribute to a general expansion of world trade and therefore to greater prosperity not only in the Community but also in other countries. The establishment of the Community has, however, aroused certain fears on trade questions in non-member countries, particularly in Europe.

The first tasks of the executive were to meet the attacks which ensued and to take the initiative in creating an atmosphere of mutual confidence for cooperation with non-member countries. It had to make clear the liberal nature of its policy and the existence of the Community as a part of the world economic and political scene.

A Liberal Policy via the Common External Tariff

Undoubtedly the most important aspect of the Community's liberal external policy was the rapid completion of the work on the common external tariff. The new tariff, comprising 2,893 items—only a fraction of the number in some national tariff lists—was adopted by the Council of Ministers on February 13, 1960; its duty levels were calculated as the arithmetical average of existing duties ruling in the Benelux, France, The Federal Republic of Germany, and Italy. On March 2, the agreement fixing the duties in List G, those to be fixed by negotiations between the member states, was signed in Rome.

The rapid completion of the common external tariff enables the Community to take part in the tariff negotiations due to start in the General Agreement on Tariffs and Trade (GATT) meetings this year.

The level of the common tariff is on the whole moderate. The weighted average rate of duty resulting from applying the common customs tariff to the Community's imports amounts to 7.4 per cent. The weighted average of the national tariffs would have amounted to 9.1 per cent.

The weighted rate varies from one group of products to another and amounts to 5.9 per cent for processed goods, from 13.6 per cent to 17.2 per cent for equipment and other industrial goods, and 5.5 per cent for all non-food products. If raw materials are excluded, it rises to 12 per cent.

The over-all incidence of the common customs tariff appears to be considerably lower than that of the British tariff.* The difference is particularly striking in the case of industrial products, where the weighted average of duties is lower by at least 5 points for capital goods and 2 points for the other industrial products.

Moreover, the Commission proposed, and the Council of Ministers agreed, that the first 10-per-cent cut in the Community's internal tariff barriers be extended unilaterally to all countries. This has been done.

Finally, when the proposals for speeding up the Common Market timetable were adopted by the Council, the Six at the same time decided that the first move toward the common external tariff should be made on the basis of the common external tariff reduced by 20 per cent without the effective duties being brought below the common external tariff level. The reduction will be consolidated, in whole or in part, depending on the degree of reciprocity which is obtained in the forthcoming GATT negotiations for world-wide tariff cuts.

World-Wide Cooperation

Recent developments have confirmed the Commission's belief that the problems of trade relations with the Community's European partners would be easier to solve if they were considered as part of the Community's economic policy toward the world as a whole.

To share in the economic expansion of the free world, the Community has embarked on a wide-scale policy of cooperation with the other Western powers.

The Community has:

- accepted the United States' suggestions for negotiations in GATT on substantial reductions in customs barriers;
- supported the coordination of the economic policies of the great powers of the West;
- urged a greater contribution by the industrialized Western powers to the progress of countries in course of development;
- participated in negotiations leading to the establishment of the Organization for Economic Cooperation and Development (OECD), the successor body to OEEC in which the U. S. and Canada will take part as full members.

The Community is participating as such in the Committee on Trade Problems (the Committee of 21) and in the nine-member working party on aid to underdeveloped countries set up following the meetings held in Paris on January 12 and 13, 1960.

Specific Action for Specific Problems

At the same time, the Common Market's executive repeatedly declared its readiness to discuss practical measures to deal with any specific difficulties which might arise in trade with non-member countries. For this purpose, it suggested that a contact committee be set up.

The Community's proposals bore fruit in Paris on June 10, 1960; the Six and the Seven agreed to set up a study group within the Committee of 21 to examine particular trade difficulties which might arise from the tariff cuts within the Six of the Common Market and the Seven of the European Free Trade Association and to seek solutions in accordance with the rules of GATT. The tension which had been aroused among some of the other European countries following the Commission's proposals to speed up the Common Market was thus greatly eased.

* The weighted averages obtained by applying the two tariffs to the present patterns of either British or Community imports give a lower rate for the Community tariff in both cases.

The Community as a Major Factor in World Affairs

By May 15, 1960, 17 non-member countries had sought diplomatic relations with the Economic Community and their requests had been accepted by the Community institutions. The Council of Ministers has also agreed in principle to the establishment of joint Community missions in London and Washington.

Meanwhile, Greece and Turkey have requested association with the Community and negotiations are continuing with both governments following favorable replies by the Community institutions.

TOWARD POLITICAL UNITY IN EUROPE

The Community is not simply a trading agreement. It is one element in a broader picture—in the political construction of Europe which was begun on May 9, 1950, on the initiative of Robert Schuman and Jean Monnet. It is the expression of the common resolve of the peoples of the Six "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 common destiny."

The Fundamental Importance of the Institutions

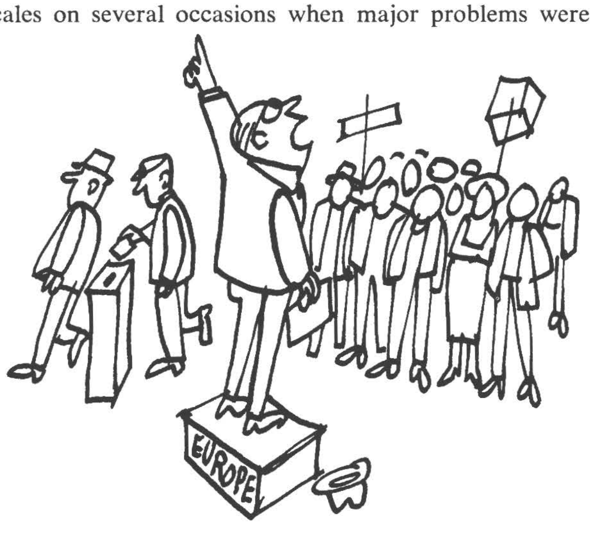
The institutions of the Community are an expression of this common resolve. Their efficient operation and their reinforcement condition the health not only of the Common Market but also of Europe.

The vitality of the institutions has been evident in the past year. The authority of the European Parliament has constantly increased. To it the executives make their most important political statements; its standing committees have kept an increasingly close watch on the Community's policy and actions—surveying the executives, supporting them, stimulating them, and inspiring their action. The Court of Justice is a constant reminder of the rule of law.

The Council of Ministers has played to the full the role given to it by the treaty, and its cooperation with the Commission has become increasingly close.

The Commission itself has had a double task—to work out proposals for Council decisions and to put these decisions into practice. A proposal made by the Commission is not a compromise of the kind normally sought by an international secretariat; it is an autonomous political act expressing what the Commission believes to be the general interest of the Community as a whole.

Thus the Commission has thrown its authority into the scales on several occasions when major problems were at issue. In the end the Community has rallied to its proposals.



Stable institutions which are becoming stronger and common rules which are respected guarantee the continued existence of the Community in face of whatever difficulties may arise. At the same time, they give governments, firms, and workers the certainty that it is in this new setting that they must act and plan.

The Political Will

The good will of the six countries toward the Community idea has made it possible to obtain the results which are summed up in these pages. Only a sustained political determination, backed by the European Parliament and the national parliaments, by the weight of public opinion and the action of industry and commerce, can make it possible to transform national policies and apply a truly common policy.

This was the spirit in which the Commission put forward its politically significant recommendation to the Council of Ministers for speeding up the implementation of the Common Market. The strengthening of the Community which will result should enable the Six, on January 1, 1962, to decide on a substantial shortening of the transition period. It should also give a firm impetus to the move toward union on which the Six have embarked.

The year 1960 is the tenth anniversary of the declaration by Robert Schuman which proposed the pooling of Western Europe's coal and steel economies and laid the foundations of the European Community. A decision to speed up the establishment of the Common Market has been taken; the European Parliament has drafted a project for direct election of its members by universal suffrage; the merging of the executives of the three European Communities (Common Market, Coal-Steel Community, Euratom) has been urged by the executives themselves and a widening body of European opinion.

PUBLICATIONS AVAILABLE

EIGHTH GENERAL REPORT OF THE EUROPEAN COAL AND STEEL COMMUNITY. Report on activities of the Community from 1 February 1959 through 31 January 1960, 455 pages $2.00

THIRD GENERAL REPORT ON THE ACTIVITIES OF EURATOM. Report on activities of the Community from March 1959 to April 1960, 127 pages . . . $ .80

SUMMARY OF THE THIRD GENERAL REPORT ON THE ACTIVITIES OF EURATOM, 9 pages . . . . free

THE 1960 OUTLOOK FOR NUCLEAR ENERGY IN THE EUROPEAN COMMUNITY (Chapter 3 of the Third General Report of Euratom), 15 pages . . . . free

LES ENTREPRISES SIDÉRURGIQUES DE LA COMMUNAUTÉ *(multilingual edition: legends in Dutch, French, German, and Italian).* A directory of Community steel companies and sales organizations with their addresses and location of their plants. Also gives details of their range of products and types of steel produced, 120 pages $1.20

EXTRA COPIES – Because of the particular interest in achievements of the Common Market to date, additional copies of this issue of the *Bulletin* have been published and are available in quantity free of charge.

NEW BOOK

EUROPE'S COAL AND STEEL COMMUNITY:
An Experiment in Economic Union.
By Louis Lister. *Twentieth Century Fund,* 1960.
494 pp.

Louis Lister spent some five years in research and preparation for this authoritative study of the operations and the successes and failures of the ECSC during its first seven years of existence. The author has examined the vital European economic areas in which the Schuman Plan exercised its authority and has evaluated the results. Mr. Lister's book is scholarly and comprehensive, particularly in its economic detail, and serves as an invaluable reference work for students of Europe's continuing process of unification.

CORRECTION

In the interview with Commissioner Robert Lemaignen concerning overseas aid (*Bulletin* No. 40, July 1960, page 7), M. Lemaignen was quoted as saying that "more than 4 billion dollars" had been provided for the opening of credits. The figure should correctly read: "more than 4 billion CFA." CFA represents the currency of the overseas members of the French Community and stands for Colonies Françaises d'Afrique. Converted into U. S. dollars, the amount would equal $16,203,960.

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