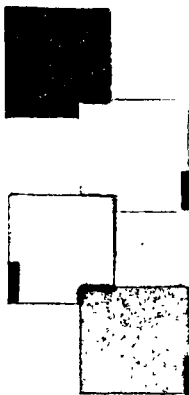


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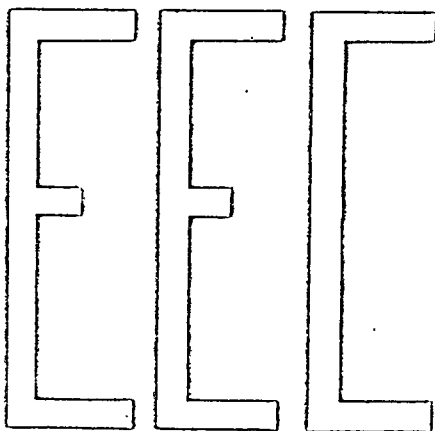
**EUROPESE
ECONOMISCHE GEMEENSCHAP**

**COMUNITÀ
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BULLETIN

of the

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I. A European policy on competition

by Hans von der GROEBEN
Member of the Commission

The task of working out a European policy on competition and of seeing that it is applied is one of the four major problems facing the European Economic Community. These four problems are, firstly, the elimination of customs duties and of quotas, as laid down in the Treaty; next, the co-ordination of economic activities; thirdly, the introduction of the "four freedoms" covering the right of establishment and free movement of persons, capital and services; and finally, the matter of a regime covering competition inside the Common Market. The rulings on competition are intended to prevent trade between the Member States and the exchange of services in the widest sense being hampered and warped either by distortions of competition i.e. by differences in national regulations or administrative practices, or restricted by price agreements or the taking of improper advantage of economic power.

It will be the purpose of these rules to establish a more rational division of labour between the countries of the Common Market, and so to make it possible to use the factors of production to the greatest advantage. From this it is evident that it cannot be the intention of the Community's policy on competition to counter the natural conditions affecting competition or the differences inherent in varying locations, as it is just these differing conditions which should be allowed to exert their influence and play their part in the choice of the site chosen for expanded economic activity. At the same time it will be the aim of a reasonable regional policy in the Community to create conditions which would permit a balanced economic development in the several regions of the Common Market.

In working out common policies for agriculture and for transport and finding a joint solution for the problems of energy, care will have to be taken that due attention is paid to the principles of competition and of the common policy on competition. In coordinating trade within the Community it must also be kept constantly in mind, if we accept the basic concepts of the Treaty, that the pattern of economic life must depend on competition.

The Commission and the Governments of the six Member States have in the last two years been developing ideas in the field of policy on competition and initiating measures which will in time become extremely important.

As the reduction of restrictions on trade advances, the conditions in the Community resemble those of an internal market more and more closely.

In these conditions, differences which distort competition naturally gain in importance. Because of this the Treaty has laid down certain basic rules for a policy on competition; these already have binding force in the Member States though they now need to be interpreted and applied. In this connection the Commission has laid down certain criteria which it will observe in all further action in this sphere. The principles involved cover such points as interpretation of the provisions contained in the Treaty and the conditions needed to obtain uniformity in the application of the policy on competition in all six countries. The Commission has from the start made every effort to ensure close co-operation with the Member States. The first result of this has been that a broad picture of the actual situation in the Member States could be obtained, with details of the factors affecting competition in each country and of the latest position as regards government measures applicable in the various countries and economic sectors.

The Community's five principles for competition

1. The first principle springs from the fact that the European Economic Community's policy on competition can only be considered in direct relationship to the other general objectives of the Treaty. Competition policy must no more be isolated from the measures which the Treaty prescribes for trade, such as provisions on customs and quotas, than from the demand which it makes for economic co-ordination. In practice this means that every measure stemming from this policy must at all stages be kept in line with developments in the other fields.

The reduction of duties and the widening of quotas, together with the implementation of the four freedoms referred to above, provide both the law-makers of the various countries and the Commission itself with a yardstick to be used whenever they add anything to their policy on competition.

Here it must be recalled that, as trade has become increasingly freer and existing barriers have been demolished, there has from time to time been criticism of a tendency in the Member States to counterbalance this liberalization by agreements of a private character (cartels or price-fixing) or by measures under public law, in other words to render it ineffective. In the early stages of applying a common policy on competition, the closest attention will have to be paid to such moves if the advantages of opening and widening markets, which in the last resort should benefit the consumer, are not to be annulled.

In this connection a special problem has come to the fore in the tax policy of Member States. It occurs mainly in the handling of drawbacks of turnover tax and other indirect taxation on imports and also in connection with compensatory charges on exports of commodities. Article 97 of the Treaty

lays down a maximum for drawbacks and compensatory charges, which may not exceed the amount of the internal charges on the goods or group of goods. Limitations of other kinds are not found in the Treaty. Experience has shown that, partly for general economic reasons and partly because of particular considerations in certain Member States, the maximum drawbacks and compensatory charges have not so far been applied. This means that the margin may in fact be used at any moment.

If the time when this is done coincides with the lowering of tariffs under the Treaty, consumers will be given a dangerous impression which will be most disturbing for all in positions of responsibility and will be a psychological barrier to the progress of the Common Market. In the interest of a smooth advance it should therefore be considered whether the Member States are prepared to renounce use of the instrument provided by drawbacks and compensatory charges except for the original aim of achieving relief from internal fiscal charges. Possibly there should even be a general standstill in the field of drawbacks and compensatory charges, which would in individual cases be relaxed only after prior consultation with the Commission and discussion of the matter with all other Member States concerned.

Obviously the legal right of Member States to take their own decisions in this field remains untouched provided their measures do not conflict with the Treaty. The Treaty has, however, placed on the Commission the duty of determining whether such increases in drawback are or are not in accord with the Treaty. The Commission can, of course, only do its job if it is in a position to examine the charges. Experience has shown that it is necessary to aim at uniformity in the methods of calculating compensatory charges and drawbacks; the Commission has put forward a proposal on this point.

Basic for all such plans must be the fact that with the disappearance of duties and quotas the economy will become far more sensitive; differing tax systems, the multifarious State aids and dissimilarities in legislation will weigh heavily on it and test its strength.

Already, to give only an example, complaints have been made about the differences in the regulations relating to the health and safety of men, animals and plants, as Member States feel that these differences hamper movement across frontiers. This difficulty must be dealt with by finding appropriate means of bringing the various regulations more closely into line.

2. Our second principle is that the various possibilities of eliminating these distortions of competition in synchronized sequence are inter-related. This is why questions of competition are all handled in one department, thus ensuring that the organizational form adopted shall itself make possible synoptic appreciation of the problems and uniformity in the shaping of policy.

There is, in fact, extraordinary diversity among the forms taken by restrictions on competition in the Member States. The reasons are to be found partly in the historical development of the six countries and partly in their different attitudes. In some of them, state monopolies play an important role; in others, single companies or cartels have attained positions of great economic power. The regulation of competition would benefit little if nothing more were done than to examine all of these forms of restrictions on competition. In all measures which the EEC takes in future, attention will have to be paid to the complexity of these economic realities. This would avoid the danger that in one country and economic sector the restrictions of a private character could be eliminated in one branch while in another restrictions imposed by the state, which are similar in their effect, remained untouched.

Only a reasonable co-ordination of all measures directed against distortions of competition can ensure for all states concerned a gradual and progressive opening of their markets.

3. The third principle of the Community's policy on competition concerns uniformity in the application of measures in the Member States. In certain of these states the conditions unfortunately still do not exist under which the Treaty's provisions on cartels and dominant positions (Articles 85 and 86) can be enforced. This necessary legislative work must be so pushed forward that within a few months it will be possible to apply the Treaty everywhere in uniform fashion. The organizational form of the authorities which have to deal with restrictive practices in the Member States will need to be given sufficient uniformity to ensure that there is no administrative difficulty in taking parallel action in all Member States. Proposals on the point are at present being prepared.

The Commission has urged that Member States should consult it, and through it, the other Member States, before taking decisions under Article 88. Particularly in view of the existence of international cartels which go beyond the boundaries of any one Member State, it would be extremely unfortunate if differences should grow up between the various countries in the way the provisions on competition are applied. Only consultation with the Commission and the other Member States can avoid divergent decisions being taken. This would also avoid the need for the Commission to take action itself under Article 89. Such action would have the result that the country concerned might find itself in the unhappy position of having to reverse decisions which had been taken without consultation. Prior consultation is therefore of the greatest importance.

4. The fourth principle of the Community's policy on competition recommends a pragmatic approach. In view of existing difficulties in harmonizing

the conditions of competition, such an approach provides the best chance of dealing successfully with all parts of the problem. In its policy on competition the Commission will not try to deal with particular questions in isolation and without reference to its general policy in this field. Consequently conferences have been arranged with government experts dealing not only with cartels but also with aid and the approximation of fiscal measures and legislation. This action provides an opportunity for Member States to reach agreement on the form of their action and on the timing and course of the necessary measures.

The task to be accomplished makes it necessary to take into account a whole series of conditions which strictly speaking do not come into the field of competition policy.

5. The fifth principle is that, as far as at all possible, new distortions of competition shall be avoided.

All new legislative and administrative measures in the Member States must be looked at from this angle. At several points the Treaty contains the idea of a "standstill" and treats it as a matter of fundamental importance. This applies to duties and quotas. In connection with competition policy it affects particularly Article 93, which lays down that the Commission shall be informed of any plans to institute or modify aids in time for a check on their compatibility with the Treaty. This concept of a standstill also recurs in Article 102, which states that, where there is reason to fear that the enactment of new legislative or administrative provisions might cause a distortion, the governments concerned shall consult the Commission.

If these principles of the Treaty are to be translated into realities, the administrations in the various countries will have to pay greater attention to the Community's standpoint than has so far been the case. In this the Commission is dependent on the support of the various administrations. A great deal of advisory work in this sphere and close co-operation between the six countries will be necessary before the Treaty's provisions can be given full effect. Co-operation on these lines will be needed if only to avoid the difficulties that would face both the Commission and the governments if it proved necessary to reverse measures after they had been taken. This aspect of the problem affects mainly the field of public law.

The Commission considers that the European Economic Community's policy on competition should be founded on these five principles. The basic concepts, being political rather than technical, provide a general framework for all further investigations, for arguments between experts and for the elaboration of technical procedures. The experience gained in the first year has fully confirmed the view that one of the main conditions for economic expansion and increased trade in the Common Market is the ensuring of fair competition within the Community.

II. Speedier implementation of the Treaty establishing the European Economic Community

At its session of 9 and 10 March 1960, the Council had a preliminary discussion of the recommendations for speeding up the pace of the Treaty submitted by the Commission on 26 February 1960 in conformity with Article 155 of the Treaty. The Ministers unanimously welcomed these recommendations and requested the Permanent Representatives to examine them in detail. They also agreed that the Special Committee instructed to examine the problems relating to a European economic association should be responsible for examining those aspects of the recommendations which come within the sphere of external relations. The result of the Special Committee's examination will be submitted to the Council.

The Commission's recommendations, which were communicated to the European Parliament in March 1960, were thoroughly discussed in the general policy debate at the March-April session. The debate was opened by a statement from the President of the Commission and closed by the adoption of the following resolution :

The European Parliament,

— *Having studied the recommendations of the Commission of the European Economic Community for acceleration of the rhythm of the Treaty,*

— *Notes with satisfaction that the economy of the European Economic Community is developing at such a rate that it is possible to envisage in all sectors an acceleration of the rhythm laid down by the Treaty,*

— *Welcomes the action of the European Economic Community in this regard,*

— *Considering that the European Economic Community is neither a limited free trade area nor simply a customs union, but looks upon itself as a single and powerful economic entity,*

— *Requests the Commission of the European Economic Community, the Council of Ministers and the governments to speed up the simultaneous and harmonious application of measures for the implementation of a common economic, agricultural and financial policy and of a common policy in the sphere of transport,*

— *Hopes that the recommendations of the Commission of the European Economic Community will be completed in such a way as to give due prominence to social questions, whose importance is growing with the greater speed of economic integration, and, in particular, to improve the provisions concerning the European Social Fund,*

— *Urges 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,

— Requests the Commission to submit as soon as possible to the Assembly 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.

In the speech with which he opened the general policy debate, M. Hallstein, President of the Commission, stated the reasons for these recommendations. He recalled that on 24 November 1959 the Council had instructed the Commission to submit within two months proposals for a speed-up. He emphasized, however, that the reasons in support of the recommendations of the Commission lay deeper. They are to be found in the Treaty establishing the Community, which itself poses the question of acceleration, under different forms for the "core formed by the customs union" and for the remainder of its content, referred to summarily as the chapter on the economic union. The Treaty thus offers the possibility of acceleration. But as is always the case when a public body is entrusted with a right, this also imposes on those who have been given that right an obligation to make proper use of it.

M. Hallstein emphasized that the Commission had let itself be guided by this conviction when it took into account, not only the time-table of the Treaty, but also the possibility of acceleration which it offered.

The President of the Commission pointed out that in certain essentials the position today is different from that which existed when the Treaty was concluded. It differs in four ways which, he added, "all point towards acceleration". In this connection he mentioned, first, the way economic trends had developed; secondly, the manner in which the economy and, more specially, enterprises, had adapted themselves to the Common Market; thirdly, the harmonisation of the economic policies of the Member States during the last two years; finally, the need for the Community to become as rapidly as possible a unity with a fully-fledged personality of its own so that it shall be seen by the outside world to be irrevocable.

At the end of this opening speech the President of the Commission summarized the main points of his statement in the following words :

The significance of acceleration in the pace of our Treaty lies as much in the field of economics as in that of pure politics.

From the economic point of view, acceleration means a strong impulse for the release of economic energies. Internally, it will cure the inhibitions and hesitations which, here and there, still stand in the way of conversion to the new facts of life, and it will thus strengthen the process of expansion in which our economy is at present engaged.

Externally, the task is to reinforce the effects which the establishment of our Community has already exercised on the development of free trade throughout the world. The list of these achievements is already imposing. In the convertibility of the currencies of the Community countries, the calling of a world tariff conference, the general reduction of import restrictions, the reorganisation of O.E.E.C., everywhere we find that the founding of our Community is among the most outstanding causes of these developments. Is this not a balance-sheet of which one can be proud ?

Here we are already touching on the future shape of things which we will help to engender and to fashion. Among them, stemming from the Paris resolutions, are the efforts being made to increase and further liberalize trade, and a greatly improved co-ordination of development policy.

Let me, however, repeat that by far the greatest importance attaches to the extension of trade. We expect that our Atlantic partners, too, will benefit in ways which will discourage any protectionist tendencies among them.

There are, however, reasons for haste which go far beyond the simply economic. I am referring to the expansionist policy of the Soviet bloc, a policy which spills over into the field of foreign trade.

It is really rather frightening to see the nonchalant manner in which most Western countries conduct their individual trade policy with the East regardless of what others are doing. Meanwhile the East has set up its Comecon, a council for mutual economic aid, a most efficient instrument of large-scale planning in all economic fields; this Comecon serves as an excellent instrument with which to pursue a purposeful foreign trade policy.

Do not let us forget that highly effective weapons can be — and are — employed in this trade policy. We are faced with a gigantic buying monopoly being used to undermine the independence of underdeveloped countries by taking raw materials which are hard to sell. We are faced with a power capable of putting pressure on industrialised countries which have to sell their manufactures; the pressure is promptly felt when the exports linking any country with the Eastern bloc reach too high a proportion of its total exports.

We are faced with the possibility of the markets for raw materials being upset by sudden selling, as has happened recently. We are faced in particular by the complete disregard of economic calculations in fixing prices, with the result that manufactures can one fine day be exported at purely political prices. This makes it possible to endanger whole branches of industry in the free world and to bring about dangerous economic and social dislocation.

True, far-reaching systematic disturbances of world trade in general have not so far occurred. But is this not because the economic capacity of the Soviet Union has not so far been great enough ?

How will this be in future ? The language of figures is clear. In one year, from 1958 to 1959, the quantities of pig iron, steel and rolled goods produced in the Soviet Union all rose by 9 %. In the same period we find that production of generators rose

by 26 %, of Diesel locomotives by 41 %, of combine harvester-threshers by 52 % and of chemical installations by as much as 55 %. Soviet leaders now feel so sure of their increasing production successes that they think they will be able to decide on the general introduction of a six or seven-hour day during the current year.

Who can doubt that the power reflected in this upsurge of economic capacity will, when the time is ripe, be used as a weapon in that policy which has been given the misleading name of "co-existence", in other words to bring an end without war to the capitalist system which in the communist view is doomed in any case? In face of such a threat the petty technicalities of day-to-day routine are impotent. There can only be one effective answer: common action, and common action without delay.

One last word remains to be said about the political repercussions of acceleration on the internal life of our Community itself. If it is true that we are required by the Treaty to keep the question of speedier implementation constantly under review in the light of developments occurring in the Community, this may prove to be the first great test to face the Community since the Treaty was signed.

We like to say that this Community is a dynamic entity. But being dynamic does not mean being automatic. The establishment of the Community did not set in motion a machine which will move forward towards its goal without any help from us. What is dynamic about it is rather that the changes demanded by this work call every day and every hour for fresh decisions on our part. This means that the will which produced the decision to sign the Treaty must be constantly reinforced, constantly re-affirmed.

The text of the recommendations of 26 February is given below in extenso.

THE COMMISSION'S RECOMMENDATIONS ON SPEEDIER IMPLEMENTATION OF THE TREATY

1. That a speed-up is both possible and desirable is clear from an examination of the results achieved in two years' experience of the Treaty in practice and of the economic situation as it stands to-day. A whole series of new political and economic factors suggests that the present favourable combination of circumstances for accelerated implementation of the Treaty will not easily recur.

This point of view was adopted by the Commission as early as 18 September 1959, in its Second Memorandum to the Special Committee for the study of problems concerning a European Economic Association. A similar line of thought has since been expressed by various governments, and appears in a memorandum put forward by M. Wigny, Belgian Minister of Foreign Affairs, in October 1959.

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 stages and timings 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.

2. The introduction of the common market is due to take place by progressive steps fixed in the light of the situation existing at the time the Treaty was signed. This gradual process was based on a given initial situation in the fields of internal economic policy and of commercial policy. However, economic circumstances have changed and the forecasts made at the time are now seen to have been pessimistic. It would therefore be legitimate, in the light of the experience gained in the first phase, to revise the forecasts and to adapt the stages of European economic integration to a changed situation. This follows from the recognition of two facts: the results obtained in the last two years are in advance of the time-table of the Treaty; and the present favourable situation offers an opportunity to complete and confirm the partial acceleration which has already taken place.

The principle of gradual implementation is not in question; it is the pace which today seems too slow, because the factors which set the pace have changed.

The precaution of a transitional period of twelve years, which could, if necessary, be extended to fifteen, was justified as much by certain general economic circumstances which might prove to be lasting as by the structural distortions between the economies of the Member States.

Today the situation is different.

The development of the payment balances of all the Member States and the level of their currency reserves are such as to make it possible to plan for a rapid opening of frontiers. Exchange rates reflect fairly correctly the true state of affairs and the financial situation is everywhere stable. There has been a certain improvement even in the employment situation and the capital market has become easier.

Divergences between internal and external economic policies have considerably narrowed. Today the six States are in fact following very similar economic policies and their commercial policies are also pretty much alike. They have all achieved a higher level of liberalization vis-à-vis non-member countries, and particularly the United States, whereas two years ago some of them felt obliged to maintain strict control over imports.

Finally, relations between the economic circles in the different member countries have developed fast over the last two years and the Common Market has come to be a major factor in the life of a great many enterprises. Far from exceeding the pace expected by business circles for the realization of the Treaty, more rapid implementation would in many respects do no more than catch up with the pace which they have implicitly accepted.

To sum up, the situation after two years' experience of the Treaty in practice is very different from what could have been expected in 1957. In numerous fields there has been a *partial acceleration*, the extent of which cannot always be gauged exactly. This has helped to create a situation where the task of finding a Community form for practices which are already close to each other is replacing the struggle to overcome obstacles of principle such as still existed two years ago.

3. The general economic situation is particularly auspicious for a reduction of those time-limits in the Treaty which recent developments have rendered pointless. After a period of reduced activity, whose effects they all felt in varying degrees, the Member States are now in a phase of economic expansion. In the opinion of the Commission this is a determining element.

This expansion is calculated to soften the "shock effect" of the opening of the Common Market: the effect produced by the widening of quotas and by a speedier reduction of customs duties will not be the same when these take place in a dynamic market as when they occur in a market which is on the defensive. It is in periods of expansion, when investment is growing, enterprises are rationalizing and business circles find it easier to plan on the basis of a vast market, that the stimulus of speedier implementation can be most effective.

In addition, there are psychological and material reasons why livelier competition in a wider market can be a factor contributing to economic expansion. The structural effects of the Common Market will therefore be eased by this general business situation, the importance of which is not inconsiderable if we accept that the Europe of the Six has great possibilities of increasing production and raising living standards and that, in the great economic contest now joined in the world, it should exploit them as rapidly as possible.

Speedier implementation of the Common Market can only have inflationary effects on prices indirectly, when the Member States whose present tariff is lower than the Community tariff increase customs duties vis-à-vis non-member countries. This danger has often been mentioned. However, it may be pointed out that the proposal is only to put forward by 18 months the date for increasing such duties as need to be raised — and that the increase would eventually have to be made in any case. As they will be effected in several stages, the repercussions of the new rates will be greatly softened. For the major portion of trade, moreover, the reduction of customs duties within the Community and the lowering of the external tariff of those countries which at present have high duties, will work in the opposite direction and thus make it possible to compensate any unwelcome consequences. It will also be seen that, for other reasons, the Commission is proposing a general reduction of the common external tariff. Finally, on the plane of general policy, the decision of the six States to make a joint study of the problems facing both them and the Community in connection with policy relating to economic trends provides an instrument for bringing their points of view closer together and harmonizing policies whose flexible operation should not lead us to underestimate its usefulness.

4. Thanks, therefore, to much more rapid developments than could be foreseen in 1957, to decisions on partial acceleration taken individually or jointly by the States and to a particularly favourable business situation, very weighty arguments exist for advancing more speedily along the road of economic integration. It is for the Member States, in the light of the fundamental importance of the aim of economic integration which they have set themselves, to draw the lessons from the existing situation and to increase the speed at which the objectives of the Treaty are attained. This would involve no additional risks.

5. The Treaty of Rome is not only a customs union but even more an economic union, and there can be no alteration to its internal equilibrium through the increase in speed, no undue emphasis on certain of the mechanisms embodied in the Treaty coupled with restriction in scope or complete cancellation of other objectives which were linked with them, which would result in transformation of the very character of the Treaty.

The Commission has reached the conclusion that it is possible to attain this acceleration without in any way detracting from the aims of the Treaty or disturbing its balance.

In this connection a few remarks are called for. During these two years, progress has been made on working out the common policies. Approximation of economic and business cycle policies is now going on and the rudiments of a trade policy have been defined, although divergences of view still exist on certain important points. It would be possible to mention numerous other examples of studies or decisions which evidence substantial progress in the harmonization of policies and justify the opinion that we are somewhat in advance of the forecasts which it was reasonably possible to make at the time the Treaty was signed.

The Member States now have before them the Commission's first proposals for the implementation of a joint agricultural policy. These proposals, too, imply *de facto* acceleration since they lay down that the agricultural common market shall become a reality within a time-limit appreciably shorter than the remaining ten years of the transition period. Indeed, the Commission attaches great importance to the link between industrial and agricultural integration.

The European Social Fund will be inaugurated in the near future. The Commission expects shortly to submit proposals on the free movement of workers and the development of a co-ordinated occupational training policy. It will look to it that every means of economic action at the disposal of the Community, such as the European Investment Bank and the Social Fund, contributes to ensuring balanced development. The implementation of the common policies does not depend on the time-table but on the resolve of the Member States. The Commission considers that when these States accept a speed-up of the customs union, they must undertake to advance more rapidly in this second field also. The close and necessary link between the automatic processes of the Treaty and its other provisions is so evident, and imposes

itself on the institutions of the Community with such force, that we may count on every endeavour being made to ensure that the customs union, the application of common rules of competition and the development of co-ordinated or joint policies all move forward in step.

6. The problem of speedier implementation arises both from the needs of the Community's commercial policy and the facts of its internal economic development. On this plane the advocates of a speed-up believe that if the Community is established rapidly it will be able to apply a liberal and bold common policy to the best advantage. The idea of more rapid implementation is a source of anxiety for others, who fear that a speedier realization of the Common Market will make it more difficult for other States or groups of States to adapt themselves to the new situation.

The Commission does not underestimate these problems. Already in its Memorandum of last September, it established a close relationship between the strengthening of internal links and the working out of a policy with regard to non-member countries. In the Commission's eyes there is no doubt that the quicker the Common Market is established, the sooner it will be able to play an important and dynamic part in freeing and developing trade. The Commission is of the opinion that the speed-up would have a beneficial effect in this respect.

It cannot be denied that the existence of the Community has given a powerful impulse to the vigorous growth of economic relationships in the world during the last fifteen months: the extension of convertibility, the considerable reduction of import restrictions, the new world tariff conference, the meeting of the "21".

The institutional changes occurring in the relations between States invited to the Conference of the "21" and the joint examination of the problems facing the underdeveloped countries are sufficient evidence that a new phase has opened, in which the Community is playing its due part and providing further proof not only of the spirit which inspires it but also of its anxiety to see this spirit reflected in facts.

This being so, the counter-arguments of a political and economic nature which may be brought against a speedier implementation of the Treaty of Rome cease to be relevant, because the six States have dispelled by their attitude and by their acts all doubt concerning the line they intend to follow, and because the necessary procedures to resolve problems which may arise have begun to operate. The reasons in favour of a speed-up which would strengthen the position of the States in their external relations remain valid. The sooner economic integration is a fact, the more the commercial policy of the Common Market will of necessity be dynamic, open and liberal.

7. On the basis of the above analysis the Commission concludes that a speed-up is both possible and desirable provided certain conditions are observed. These are 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 policy, and insistence on the European Economic Community's mission as champion of liberalism in its dealing with the outside world.

*

8. The detailed procedure for acceleration falls into two parts :

a) For those portions of the Treaty which are subject to a time-table, the speed-up will essentially consist in the more rapid introduction of the customs union.

b) In the other fields, where it is not possible to measure the speed-up, the Member States would have to affirm their awareness of the problems which arise and take further steps to maintain the unity of the Treaty. Such action is moreover justified by the desire to prevent the speed-up from leading indirectly to an aggravation of the structural imbalances within the Community; the problems arising from these were among the major preoccupations of the authors of the Treaty.

The Commission considers that, in the light of the current situation in production, trade and employment, advantage must be taken of the favourable overall economic conditions to make the greatest advances possible during the next two years. Action to this end is the more desirable as the speedier establishment of the customs union is intended to be a factor of both expansion and stability.

The Commission expresses its conviction that the acceleration achieved in the first stage will make it possible to shorten the transitional period laid down in the Treaty.

These views have led the Commission to put forward the following proposals :

a) All remaining industrial quotas between the Member States to be eliminated by 31 December 1961. The extension of trade in agricultural products to be stepped up in line with the gradual introduction of the common agricultural policy, by methods and procedures to be defined later.

b) Customs duties between the Member States to be reduced by 50 % instead of 30 % during the first stage. The decrease on 1 July 1960 to be 20 % instead of 10 % and the same figure to hold for the reduction due to take place on 31 December 1961.

c) The elimination of industrial quotas vis-à-vis non-member countries at a comparable stage of development to take place as a general rule before 31 December 1961, subject to reciprocity.

d) The introduction of the common external tariff to begin on 1 July 1960 instead of 31 December 1961, the changes to be calculated on the basis of the external tariff adopted by the Council on 12 February 1960, less 20 %. The conditions of reciprocity to be granted by non-member states will be studied further.

e) No immediate decision to be taken on the question of not prolonging the first stage or of shortening the following ones. The Commission would nevertheless express its conviction that the provisions enacted in accordance with its proposals would make it possible, at the end of the fourth year of operation of the Treaty, to shorten the second and third stages under the conditions laid down in Article 8. The Commission reserves the right to propose such shortening in due course.

10. *The elimination of quantitative restrictions* among the member countries must be effected during the transitional period in line with the provisions of Article 30 and the immediately following Articles of the Treaty. In fact, recent developments have shown that most of the obstacles in the way of speedier action have disappeared; they were due to the inadequacy of the currency reserves held by the States or to price problems linked with exchange rates which were likely to arise in some of them. As regards industrial quotas, even the hard core has begun to melt. Taking into account these factors and also the changes which have come about in international trade relations, the Commission proposes that the Member States should note the new situation and agree to abolish all industrial quotas amongst themselves before 31 December 1961.

In their relations with each other, the Member States should not limit their action to purely industrial quotas (Article 33) but should include State monopolies of a commercial character (Article 37), the adjustment of which should also be speeded up. However, the special character of these monopolies precludes the elimination within two years of all the obstacles to trade to which they give rise. The Commission therefore proposes that each Member State concerned should examine with it one specific problem, so that it shall be possible to draw up before the end of the year a precise programme for the elimination of discriminations between nationals of the Member States in the conditions governing supplies and markets. This programme would have to depend on the cases, but would be of the shortest duration compatible with the economic and legal factors taken into consideration.

The Commission is conscious of the need to deal with *agricultural quotas* more rapidly than has been the practice since the coming into force of the Treaty, for it fears a possible time-lag between the elimination of the obstacles to the exchange of industrial products and the removal of difficulties hampering trade in agricultural products. However, in view of the close link between this problem and that of the common agricultural policy, the Commission reserves the right to deal with this question among the proposals it is preparing on the expansion of trade during the period before the common agricultural policy is inaugurated.

11. The reduction in customs duties under the Treaty is to be 10 % on 1 July 1960 and 10 % on 31 December 1961 (semi-linear reduction). The Commission considers that the advances in the rationalization of production during the last two years and

the current business expansion make it possible to go appreciably further without causing serious economic difficulties for the various branches of activity or for individual undertakings.

It therefore proposes that the reductions on 1 July 1960 and 31 December 1961 should be 20 % instead of 10 %. Thus, at the end of the first stage, total duties levied should be reduced by 50 %.

Should the Member States adopt this proposal, the Commission would recommend that, as far as possible, the customs duties be reduced across the board.

12. There is a close link between the reduction of customs duties among the Six and the introduction of the *common external tariff*. If the first were to go on for a long time without the counterbalance provided by the second, there would be risk of serious distortion of traffic.

This being so, it is necessary to maintain the parallel lines of advance fixed in the Treaty itself and to decide that the first alignment on the common external tariff shall take place at the time when reductions in duties on the internal plane reach 30 %, that is to say, according to the Commission's proposal, on 1 July 1960.

In the part of this study which deals with the advisability of a speed-up, the Commission has already stated that, in its opinion, this earlier introduction of the common external tariff entailed no disadvantages for the economy of the Member States, especially as it considered it should recommend that the basis of the tariff thus introduced should be 20 % below the rates resulting either from the application of the arithmetical average or from negotiations between the States.

This reduction of the common external tariff could be of a provisional nature until such time as the negotiations to take place in GATT in the second half of 1960 and in 1961 have been concluded. In the light of the tariff reductions which its partners accept during these negotiations, the Community will decide whether to maintain all or part of the 20 % reduction.

In addition, immediate reciprocity on a scale to be determined might be demanded of the other industrial countries of GATT (with the exception of the United States, in view of the complicated and slow internal procedure which has to be gone through in that country before tariffs can be reduced). The United States would furnish its *quid pro quo* in the negotiations which are to take place in GATT on Mr. Dillon's proposal. The discussions on immediate reciprocity could include the question of extending to the Contracting Parties of GATT and the other States benefiting by the most-favoured-nation clause, the tariff reductions which the Member States mutually grant each other on 1 July 1960, where these reductions concern customs duties at a rate higher than that of the common external tariff and with the proviso that the duties in question are not brought down to a rate lower than this tariff.

13. The above remarks concerning the detailed procedure for speeding up the customs union take no account of the problems arising from other Titles of the Treaty where no time-table has been laid down. As mentioned in section 5 above, the Commission is of the opinion that the Member States must work out joint policies *pari passu* with the implementation of tariff and quota disarmament and the introduction of the common external tariff.

In this field it will be mainly a question in future of making full use of the provisions already enacted or of the institutions recently set up. This is the case for economic and financial policy, where the machinery for comparing the points of view of the Member States already exists. The Committee on policy relating to economic trends and the Monetary Committee together will supply the framework in which policies may be harmonized. In another sphere, the harmonization of the systems of turnover tax is in hand. Studies have also begun on the co-ordination of the regional policies of the Member States, and it may justifiably be expected that the Institutions of the Community, the European Investment Bank and the European Social Fund, will be able to play their full and proper part in this field.

The Commission offers suggestions on two points :

— Firstly, the Member States should undertake to speed up their work for the implementation of the Treaty in all fields, so that the objectives which it lays down may be attained before the end of the transitional period. In the opinion of the Commission, such an undertaking would be beneficial in two ways : it would make it possible to give public expression to the link between the customs union and the other parts of the Treaty; it would also bring out the fact that more rapid completion of the tasks imposed by the Treaty in spheres other than the customs union depends on the will of the Governments.

— In addition, further studies could be added to the very considerable list of those already going on, thus making it possible to provide for speedier implementation of the Treaty the means which are still lacking or to attain more rapidly objectives which seem within the reach of the Member States.

In the matter of *social policy*, for instance, the Commission has ordered an immediate study, for submission to the Council, of the general principles which should govern the implementation of a common policy on occupational training. At the same time, the Commission proposes that it and the Council together tackle the general problem of the training of technicians at all levels, a problem which the individual States and the Community have to face. These two closely related yet distinct questions appear to the Commission to be fundamental for the future of the Community and to call for study without delay.

In addition, the Member States concerned ought to initiate now the procedures necessary for ensuring, as far as possible, the application before the end of 1960 of the principle of equal remuneration for equal work as between men and women workers, laid down by Article 119 of the Treaty.

On *commercial policy*, the Commission proposes that it and the Member States co-ordinate trade negotiations with non-member states in a more systematic fashion. The fact that the member countries have to deal with identical problems, the step forward implicit in the entry into force of common tariff policy, the need already being felt of dealing with the major questions in a co-ordinated manner, make it essential that approximation in the particular field of trade negotiations be pushed forward with special vigour.

The Commission further suggests that the Governments of the Member States, in collaboration with the Commission, should speed up the unification by commodities of their liberalization measures, since recent developments have shown both the possibility and the need for much greater harmonization of attitudes in this field.

The Commission is finally of the opinion that in cases of recognized importance in which considerable diversions of 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 the *common agricultural policy*, the Commission has already made its proposals known, and it is planned to implement them before the end of the transitional period. The Commission is preparing complementary proposals covering either further products or the gradual adjustments needed if the goal of the common agricultural policy is to be attained without setbacks. The Commission attaches great importance to the acceleration of the customs union, which will mainly concern the industrial sector, being rounded off as far as possible by the speedy implementation of the common agricultural policy.

In connection with this speed-up of the customs union, the measures referred to in Article 112 (1) (i) concerning *aids granted to exports to third countries* must also be adapted to the new pace at which the Treaty is to be implemented.

Finally, as far as the *means of action* are concerned, the Commission has chosen two fields in which it considers that the Member States should undertake without further ado very thorough harmonization of their regulations or practices, on the grounds that this would be very important for the effective implementation of the Common Market. The Commission's suggestions to Member States are:

— That they plan for complete co-ordination of their statistical systems within two years, as the basic elements for a serious study of problems on the level of the Community are too often lacking.

— That they initiate, under the aegis of the Commission, a study of the abolition of obstacles arising from customs or other regulations (such as plant health controls, health regulations, industrial standards, etc.) which hinder perfectly free movement of goods; in this way, once the customs and quota barriers had disappeared, commodities could move absolutely without let or hindrance. Proposals in this field should be submitted to the Council within a period of two years and the study should deal with all branches (agriculture, preserved foods, capital goods, the

pharmaceutical industry, etc.) in which divergent regulations provide obstacles to trade.

14. In its proposals for speeding up the implementation of the Treaty, the Commission has endeavoured to be as specific as possible on the points dealt with and to request the States to lose no time in accelerating the establishment of the Common Market. It is clear that other suggestions might have been made and a different presentation of the problems adopted. However, the Commission considers that its proposals correspond to the two objectives which in the present circumstances the Member States seem bound to pursue : to profit from favourable economic conditions by moving ahead as rapidly as possible on the road of integration and to launch the maximum possible number of study and planning operations in those fields where acceleration cannot be brought about simply by altering a time-table laid down in the Treaty.

The experience of the last few years justifies the conclusion that the more rapid the realization of the Common Market, the greater will be the chances of maintaining its cohesion and adding to its strength and the more dynamic and outward-looking its policy towards the surrounding world.

III. Activities of the Community

EXTERNAL RELATIONS

Intra-European trade problems

1. When it met on 8 March, the Special Committee instructed to examine the problems relating to a European economic association made a preliminary examination of those parts of the Commission's recommendations for speeding up the implementation of the Treaty which relate to the tariff measures affecting non-member countries and due to be taken on 1 July 1960.

The Committee also discussed the application of the quota measures in the industrial field on which the Council had decided when it met in Strasbourg on 23 and 24 November 1959, and under which there is to be an increase on 30 June 1960 of the quotas granted to non-member countries whose economic structure is comparable with that of the Community.

2. At a session held on 9 and 10 March 1960 the Council, after noting the Commission's recommendations on a speed-up of the Treaty, decided that the Special Committee should make any necessary studies on those aspects of the recommendations which belong to the field of the Community's external relations and should report back to the Council the result of these studies.

3. The Commission noted the resolution adopted by the Ministers of the member countries of the European Free Trade Association (EFTA) at their meeting in Vienna on 11 and 12 March 1960. In this resolution the seven governments stated that they were prepared to discuss extending to Member States of EEC and to other countries the tariff cuts they are due to make between themselves on 1 July, to the extent that the Six are prepared to act on a reciprocal basis.

They also stated that they were ready to negotiate a solution based on this proposal at the meeting of the Committee on trade problems set up as a result of the Conference of XXI.

4. The Committee on Trade Problems met on 29 and 30 March in Paris under the chairmanship of M. Luns, the Netherlands Minister of Foreign Affairs.

The Committee took the following decisions :

The Secretariat is charged with the task of collecting factual data concerning the level of individual tariffs which would be applied after 1 July 1960 on the basis of the measures provided for in the Rome Treaty and the Stockholm Convention, respectively, and on the basis of other proposals which are under consideration, as follows :

- a) *the proposal of the EFTA referred to in the Vienna communiqué of 12 March 1960;*
- b) *the proposal of the Commission of the EEC.*

Any member of the Committee is free to request the Secretariat to arrange for the provision of relevant data concerning particular items of interest to its export trade.

Any member of the Committee is also free to communicate to the Secretariat any factual data or analyses of the measures referred to above which they would like to bring to the attention of the members of the Committee.

These data will be consolidated by the Secretariat and communicated to all members of the Committee before 30 April 1960.

The Chairman of the Committee (or his alternate) will maintain contacts with representatives of the various delegations in order to arrange consultations with countries or groups of countries which might wish to exchange views on a purely informal basis.

The Committee shall hold its second session on 24 May 1960, on the understanding that the Chairman, after consultation with the members of the Committee, might convene the meeting at an earlier date.

Association of Greece and Turkey with the Community

5. At its session of 9 and 10 March, the Council had a final exchange of views with the Commission concerning the directives to be given to the Commission for its negotiations with Greece on an association agreement.

These negotiations between a delegation representing the Greek Government and a delegation from the Commission follow a period of exploratory contacts and began on 21 March at the seat of the Commission. The Greek government delegation was led by M. Pasmazoglu, and that of the Commission by M. Seeliger, Director-General of External Relations.

6. The Special Committee instructed to assist the Commission in its negotiations with the Greek Government met on 5 April under the chairmanship of Ambassador Borschette, Permanent Representative of the Grand Duchy of Luxembourg. The Committee took note of the status of the negotiations.

7. The Commission has drawn up an outline agreement in preparation for the negotiations with Turkey. It will be for the Council to agree directives for these negotiations at one of its coming sessions.

Association of the Netherlands Antilles with the Community

8. At the same session of 9 and 10 March the Council, considering the request from the Kingdom of the Netherlands dated 18 January 1960 for negotiations to be opened on a convention for the economic association of the Netherlands Antilles with the Community, invited the Commission to undertake the technical study of the problems raised by this association, to make all necessary contacts with the

competent authorities of the Kingdom of the Netherlands and to report to the Council.

At its May session the Council may be able to undertake a further examination of the Netherlands application on the basis of the Commission's study.

The Community and GATT

9. At the Fifteenth Session in Tokyo, the Contracting Parties agreed to examine at the Session in May 1960 the problem of dislocation of markets which could be caused by large-scale imports of manufactured products from countries where salaries are comparatively low, and as preparation for this examination they instructed the GATT Secretariat to consult the governments and draw up a detailed report on the factual elements in this problem. Being anxious to help in finding a solution which would make it possible to avoid the serious economic and social dislocation which stems from such large-scale imports without thereby disturbing the regular expansion of international trade, the Community has supplied the GATT Secretariat with detailed information drawn from the experience of Member States in this matter.

10. The services of the Commission have been following what has been done by the working party on state trading and aids, which met at Geneva from 22 to 29 February. This working party will be reporting to the Sixteenth Session of the Contracting Parties.

Relations with non-member countries and international organizations

11. The competent institutions of the European Economic Community (the Council and the Commission) have agreed that New Zealand, Canada, Brazil, Australia and Morocco should establish diplomatic missions to the Community.

On 15 April, the Community had thus established diplomatic relations with the following 17 non-member countries : United States of America, Greece, Israel, Denmark, Japan, Sweden, Switzerland, Great Britain, Norway, Ireland, Austria, Canada, Brazil, Portugal, New Zealand, Australia and Morocco.

12. The Commission was represented at meeting of the OEEC Council held in February and March. It was also represented at meetings of the Joint Trade and Intra-European Payments Committee, held on 19 and 22 February.

13. The Commission has put detailed proposals before the four personalities instructed by the Conference of 20 Member or associated States of OEEC and the Commission of the European Economic Community to draw up a report on the reorganization of OEEC.

The Community and countries in the course of development

14. Along with Belgium, Canada, France, the Federal German Republic, Italy, Portugal, the United Kingdom, the United States and Japan, the Commission took part in the first session, held from 9 to 14 March in Washington, of the Development Assistance Group, which had been instructed by the Conference of Twenty-One to study the problems of aid to underdeveloped areas.

The session was presided over by Ambassador Ortona, Head of the Italian delegation to the United Nations.

At the meetings on ministerial level, the Commission's delegation was led by M. Robert Lemaigen, a member of the Commission, and in those at senior official level by M. Franco Bobba, Director-General of Economic and Financial Affairs.

The head of the Commission's delegation outlined the main features of the association of the Overseas Countries and Territories with the European Community, with particular emphasis on the aims and achievements of the European Development Fund for the Overseas Countries and Territories.

All those taking part in this initial session emphasized the importance they attach to increased aid to the development areas and made known their intention to act accordingly within the limits of their material resources.

At this first session ways and means of improving bilateral aid were specially studied. During its next session the Group will examine more thoroughly the problems facing the underdeveloped countries. It will convene in Bonn, at the invitation of the government of the Federal German Republic, towards the end of June or at the beginning of July.

The chairman and the secretariat of the second session of the Development Assistance Group will be provided by the Federal German Republic.

ECONOMIC AND FINANCIAL AFFAIRS

Note on economic trends

15. Whereas, at the beginning of 1959, the action of the public authorities, in conjunction with the expansion of external demand, was the essential factor in the recovery of business, the various components of private demand have all been playing their part in the development of economic activity since the second half of 1959. External demand remains buoyant : In the last quarter of 1959, the rate of increase in exports from member countries was 18 % over the corresponding period of the previous year and more than 25 % in January 1960. Although sales from the Community to the United States are no longer increasing at the same exceptional rate as in the first half of 1959, the growth of Community exports to other non-

member countries is becoming more rapid; this applies especially to the development countries, which reacted only tardily to the beneficial effects of the upturn in world trends.

Internal demand is growing faster than in 1959. The expansion of fixed investment in the form of equipment or industrial building, stimulated by the prospects of wider markets, is being helped by the present high level of liquidities despite the rising trend in interest rates. In some member countries, such as the Federal German Republic and the Netherlands, manpower scarcities which the seasonal spurt of activity in the Spring may well render more acute, are a further factor making for higher investment. Even in countries like France, where the employment market is not tight for the time being, there is a danger that expansion will provoke tension in some sectors. In others, especially coal-mining, the number of persons occupied will doubtless tend to decline in the Community as a whole, but there are still many difficulties in the way of the occupational and geographical mobility of workers.

The increase in wage rates, which is appreciably greater than in 1959, and the more favourable trend of profits distributed and of the incomes earned by the self-employed are clearly improving the spending power of households. As a result, private consumption is growing more rapidly than during the two preceding years.

The very rapid expansion of industrial production registered at the end of 1959 continued in early 1960, and there has been no change in the trends noted in the various sectors. The situation continues to be discouraging in shipbuilding and coal-mining. The slight increase in freights and the recent firmer demand for certain special types of ships, in particular for the transport of cereals in the winter months, have not led to new orders being placed with shipyards but only to the re-commissioning of ships laid up. Measures with the effect of limiting the supply of coal-mining products, and the improved business climate, particularly in iron and steel, have made it possible to secure a better balance in the coal market: there has been a slight reduction in pithead stocks, and deliveries of coal to producers of electricity, whose stocks have also fallen over recent months, might well pick up appreciably during the second quarter of 1960. However, because of the present trend to change over from coal, petroleum products and gas will continue to be the chief gainers from the probable lively demand for primary energy.

On the other hand, the increase in production has been especially pronounced not only in those sectors — like the petroleum and chemical industries — which had continued to expand in 1958 under the beneficial effect of structural changes in final or intermediate consumption, but also in those which had then slowed down or actually declined: iron and steel, textiles and most branches of the metal-working industry. The latter has benefited in particular from the improvement which has taken place in mechanical and electrical engineering as a result both of the growth of external demand and the expansion and speedier execution of investment programmes. During the coming months production in the metal-working industries will continue to expand more rapidly than industrial production as a whole,

where the rate of increase, which has up to now been exceptionally high, would seem likely to slow down somewhat in the second quarter of 1960.

The progress of overall industrial production is moreover less marked than would appear from the index, as this includes neither the foodstuffs industries nor building, where expansion is less pronounced than in the other sectors. At the beginning of 1960 the expansion of building, which was stimulated in the first half of 1959 by the action of public authorities, is due to increased private demand, which in the main affects investments in industrial and commercial buildings; the increase in interest rates and restrictions on credit are acting as a brake on housing construction.

As a corollary to the vigorous expansion of internal demand, imports of finished goods, both equipment and commodities for consumption, are increasing rapidly. In addition, imports of raw materials and semi-products are appreciably higher than in 1959 because of the adjustment of stocks to the growth of industrial production. This trend in imports is felt in all the member countries, including France and Italy, where the general recovery only began to affect purchases abroad during the last months of 1959. Thus, although exports have remained at a high level and, in France and in B.L.E.U., even the seasonal falling-off usual at the beginning of the year has not occurred, the surplus on the trade balance of the Community fell more sharply during the first two months of 1960 than in the previous year.

Despite this increase in imports, the balance of resources and employment would nevertheless appear more difficult to ensure than in 1959, because of the diminished elasticity of production.

If harvests are normal, the tensions which made themselves felt in 1959 on agricultural markets will doubtless not reappear in 1960 and, as their effects cease to be felt, prices for some commodities should fall. But increased rents and higher all-round prices for services may well affect the cost-of-living index. It would indeed seem unlikely that these increases will be accompanied by equivalent reductions in the prices of industrial products; these did not occur in the second half of the previous year, although at that time the market looked less like a seller's market than it does today.

To prevent shortages of manpower becoming a bottleneck in certain sectors, the Commission has instructed a working party to study present and probable imbalances on the labour market in the member countries and to propose measures calculated to remedy them. In addition, the speedier implementation of the Treaty of Rome advocated by the Commission would make it possible to step up intra-Community exchanges of goods and services and thus to contribute to maintaining internal balance in the various countries of the Community.

Policy relating to economic trends

16. At its session of 1 and 2 February, the Council gave its agreement in principle to the Commission's proposal to set up a Committee on policy relating to economic

trends and instructed the Permanent Representatives to study the legal and organizational details involved.

At the session of 9 and 10 March, the Council reached the following decision :

Article 1

A Committee on policy relating to economic trends is hereby established within the Commission. This Committee shall assist in assuring the consultations between the Member States and the Commission provided for in Article 103 of the Treaty, and shall advise and assist the Commission in the exercise of the functions vested in it under that Article.

The Committee shall consist of three representatives of the Commission and of three representatives of each Member State.

The Chairman of the Monetary Committee shall take part *ex officio* in the meetings of the Commission.

The secretariat of the Committee shall be provided by the Commission.

The Committee shall have the power, by agreement with the Commission, to call on experts who are scientifically competent and of recognized experience to assist it in certain tasks.

It shall be entitled to hear personalities from the national administrations and the private sector.

The Committee shall elect its office holders and lay down its rules of procedure.

It shall address its reports to the Commission, which shall communicate them to the Council.

Article 2

The Governments of the Member States shall keep the Commission informed of the main lines of their projects likely to affect economic trends in the States of the Community, except when they invoke secrecy requirements which, in certain exceptional cases, may be necessary for the success of given measures.

They shall facilitate the convoking by the Commission of personalities able to assist in the analysis of economic trends.

Article 3

The Commission shall study with OEEC the relations which might be established, in the field of co-ordination of policies relating to economic trends, between the work of the Community and that of OEEC, and it shall submit to the Council the conclusions of this study.

17. The Committee on policy relating to economic trends held its inaugural meeting on 7 April 1960. It elected as chairman Professor Müller-Armack, Under-Secretary of State in the Federal German Ministry of Economics. After adopting a certain number of rules of procedure and laying down the programme of its work, the Committee examined the present economic trends and discussed the measures likely to be required in each Community country in view of recent developments in the economic situation.

Abolition of restrictions on the movement of capital (Article 67)

18. At its session of 9 and 10 March, the Council gave its agreement in principle to the Commission's proposed first directives for progressively abolishing restrictions on the movement of capital, in line with Article 67 of the Treaty. The Council instructed the Permanent Representatives to prepare a final text for the decision which it will then take by written procedure (1).

Structural problems and problems of long-term expansion

19. In the spring of 1958, the Commission set up a group of independent experts, under the chairmanship of M. Pierre Uri, with the task of drawing up a first overall report on the structure of the economies of the Member States and of the trends which will determine their future development. The "Report on the economic situation in the countries of the Community" established by the group was made public in the autumn of the same year. At regular intervals since that time the group of experts has made a thorough study of certain problems of structure and long-term expansion. The group held its seventh meeting at the seat of the Commission on Tuesday 22 March, under the chairmanship of M. Uri. This meeting was more specially devoted to an examination of forecasts of the external trade of the European Economic Community and to the problem of forecasting production in relation to consumption.

The group of experts intends to draw up for the Commission a report on the work undertaken and the results obtained.

Regional policy

20. National experts in the matter of regional policy held a third meeting at the seat of the Commission on 28 March. They continued their work on delimiting the major socio-economic regions of the European Economic Community.

The experts plan to establish a draft regional delimitation within about two months. This report will also contain information on the main economic problems arising

in the different regions. Studies will be included on the areas in which the large urban centres exert their influence.

THE INTERNAL MARKET

Common external tariff - List G

21. When the Treaty of Rome was signed it was decided that for several products which constituted special cases the level of customs duties to be applied would not be fixed at the arithmetical average but by means of negotiation between the Member States.

For certain of these products the duties in the common customs tariff were settled by agreement before the Treaty was signed. Those tariff headings for which a rate of duty was thus laid down were included in List F. The products for which it had not been possible to reach agreement on a rate of duty were placed in List G. Under Article 20 the Commission was to take all preparatory steps in order that the negotiations on the duties to be applied to the products on List G should be undertaken before the end of the second year after the entry into force of the Treaty and concluded before the end of the first stage. In December 1958, the Council decided to speed up work on the common external tariff so as to be in a position to start in good time on negotiations which were to take place under the Dillon proposals. The speed with which the work was pursued made it possible for the Member States, meeting at Rome on 2 March 1960, to sign an agreement covering all the products in List G except four groups of items concerned with petroleum products.

22. List G contains 70 headings. The products concerned represent 15.7 % of the Member States' imports from non-member countries in 1957, with a total value of \$ 2,671 million. Three-quarters of these products were raw materials. The rest consisted mainly of foodstuffs and a few manufactured goods. Among the products contained in List G we might note wood (which represents 20 % by value of all List G products imported from non-member countries), fats (11 %), paperpulp (11 %), aircraft and parts thereof (8 %), lead, zinc and their ores (5.5 %) and engines for motor vehicles and aircraft and parts thereof (5 %). It should be noted that certain items of which imports were negligible or nil raised difficult problems because of the possible social repercussions of fixing a rate of duty.

23. As early as the beginning of 1959, the representatives of Member States met at the suggestion of the Commission to decide on and establish the negotiating system. It was agreed that there should be a central Group supported by three working parties, each of which would be required to make an economic survey of a certain number of items.

A first round of meetings began in April and went on into July, the second round began in September and finished in November.

24. The absence of a common agricultural policy for certain of the List G products which occur also in Annex II to the Treaty (wine and ethyl alcohol in particular), as well as differences of view on the general policy to be followed in connection with certain branches of activity, had meant that it was not always possible for solutions to be found at expert level. This applied in particular to the following products : paperpulp, aluminium, parts of motor vehicles, aircraft.

The negotiations also brought out the difficulties facing certain industries which had grown up in a national market, where they enjoyed a high level of quota and tariff protection, and whose future was now threatened by the advent of the Common Market. The problem was the more serious since the position of these industries involves a social aspect arising from the fact that they are situated in areas which are already insufficiently developed within the Europe of the Six. The products concerned were sulphur (mines in Sicily), lead and zinc ores (mines in Sardinia), cork (Sardinia), silk, iodine (Italy), glass beads (a social problem in the Federal German Republic).

Finally, agricultural policy to the extent that it affects trade with the under-developed countries and the special policy towards the states associated with the Community complicated the negotiations on various items (fats, aluminium).

25. At a series of meetings in November the central Group, using the results obtained by the working parties, studied each of the products covered by List G and succeeded in reaching agreement on a certain number of them.

Solutions for the difficulties met varied from product to product. One solution was the acceptance of a system of " special purposes " which meant sub-headings with a preferential rate of duty where the product concerned was to be used for a particular purpose. Another solution, which applies to a few items, was to isolate the market in conjunction with a request for the application of Article 226 (escape clause).

Sometimes it was necessary to resort to the use of tariff quotas, a solution which was undesirable in itself but which provided the only means of reconciling the essential economic and social needs of one or other of the Member States.

For those agricultural products in Annex II which were to have the protection of a tariff quota, use of the provisions contained in Article 25 (3 and 4) together with a statement by the Commission of the criteria it will use for the granting of these quotas, proved acceptable to the Member States concerned.

26. When no more progress could be made in the central Group, two meetings were held by the Ministers concerned (1-2 December and 18-19 December). A further meeting was held on 12-13 February 1960 and the work was completed in Rome on 29 February and 1 and 2 March, when the Ministers signed agreements and protocols settling the duties on all products covered by List G with the exception of petroleum products.

27. That part of the common external tariff which is based on the arithmetical average was adopted by the Council when it met on 12 February, and with the conclusion of the negotiations on List G this work is now almost completed (1).

The customs tariff of the European Economic Community will be complete once the results of certain decisions on outstanding problems have been incorporated. The most important of these problems are the establishment of specific duties for certain products, certain duty adjustments based on Article 21(2) of the Treaty, and a determination of the extent to which the duties declared by Member States to be of a fiscal nature have also a protective aspect (Article 22 of the Treaty). The Commission will ensure that decisions of these matters are reached as quickly as possible.

Services and the right of establishment

28. In accordance with the provisions of Article 54(1) of the Treaty of Rome, the Commission has submitted to the Council proposals on the general programme for the abolition of restrictions existing within the Community on freedom of establishment. This Article requires the Council to consult the Economic and Social Committee and the European Parliament on these proposals and then to lay down a general programme before the expiry of the first stage.

The Commission's proposals were submitted to the Council some weeks later than the date laid down in the Treaty (31 December 1959). The extra time was used by the Commission

- a) to find a proper interpretation of certain legal points which were unclear in the Treaty, and
- b) to eliminate certain divergences of view between Member States by finding reasonable compromise solutions.

29. During the preparatory stages, experts from the Member States had been closely associated with the Commission's staff, especially in defining the field within which the general programme should apply (who would benefit and who would be excluded), the nature of the obstacles to be overcome (their origin and extent), the possible links between abolition of the restrictions and co-ordination of certain national regulations, which often vary widely, and the order in which the right to take up and carry on non-wage-earning activities should be established (priorities).

30. In the proposals for a general programme and in the accompanying commentary explaining its reasons, the Commission had endeavoured to bring out :

- The exact origin of the restrictions to be abolished
- The range of personal rights which will be necessary for freedom to carry on an activity

(1) See Bulletin 2-60, Chapter III, Sec. 28.

- The link to be established between abolition of restrictions and co-ordination of regulations
- The inclusion of the Overseas Countries and Territories in the sphere covered by the programme
- The extent of competence in connection with transport

In the weeks which preceded the submission of these proposals to the Council, the Commission was also able to dispose of certain divergences of view between the Member States and to find reasonable compromise solutions in connection with

- The conditions under which the companies referred to in Article 58 may establish and run agencies, branches or subsidiaries
- The adjustment of the administrative regulations governing entry and residence on the territory of Member States
- The means of liberalizing industrial activity and the handicrafts without endangering the latter
- The settling of a timetable for the liberalization of agricultural activities, of the foodstuffs industries, and of retail trading
- The link between the measures suggested for agriculture and transport and the common policies to be established in these spheres
- The link between the measures proposed for the production of certain minerals (in particular petroleum) and the common policy on energy.

31. In this way it was possible for the Commission to place a complete and exact programme before the Council. The Commission reckons that between them the two documents provide a suitable framework for drawing up the implementing directives on freedom of establishment. Since in working out these proposals, every endeavour was made to bring them into line with the observations made by the experts from the various countries, the Commission feels that it will be possible for the Council to adopt them without major amendments.

32. The timetable for the application of the liberalization measures proposed is very flexible. It fixes the latest date by which — and not the date after which — freedom of establishment must be made effective within each activity or group of activities.

The Council will thus be able, whenever an opportunity arises, to take action well in advance of the latest date laid down.

An important proposal of the Commission is for the effective introduction of freedom of establishment before the end of the second year of the second stage (1963)

throughout most of industry and commerce. For the foodstuffs industry and retailing, however, the corresponding date would be the end of the second stage.

Action on freedom of establishment in agriculture would in the main be taken before the end of the second stage.

For most other groups of activity action would be spread over the third stage.

Finally it should be noted that in connection with certain activities (in particular the liberal professions and insurance), it is already evident that it will be necessary to obtain a greater or lesser degree of co-ordination between the regulations in different countries and that this will make it difficult to attain complete liberalization for some years to come.

33. The Commission looks on the right of establishment as a cornerstone in the edifice of the Common Market. The European Economic Community is in fact not merely a customs union but seeks to integrate the economies of the Member States. This last concept implies freedom of circulation for goods, capital, persons and services. The right of establishment is intended to produce freedom of action for the individual within the Common Market.

COMPETITION

Dumping practices

34. On 11 March 1960, the Commission passed a regulation on the implementation of Article 91 (2) of the Treaty, which deals with dumping practices.

Article 91 (2) places in the hands of business undertakings in the Community an anti-dumping weapon, often called the "Boomerang", by which any product may be returned, free of all customs duties, quantitative restrictions or measures with equivalent effect, to the Member State which dumped it.

The purpose of Article 91 (2) is then essentially defensive. In view of the possibility that dumped products may re-enter the home market and seriously undermine domestic price levels, business circles in the Community may well hesitate before resorting to this practice. The rules laid down by the Commission are based on the idea that any business house should be able to use this anti-dumping weapon swiftly and on its own initiative, with a minimum of formality and without awaiting the prior authorization of any authority, and to do so quite apart from any action which it might call on the Commission to take under the anti-dumping procedure laid down in Article 91 (1).

This regulation No. 8 of the Commission, which is mandatory in all its parts and directly applicable in all Member States, will come into force on 15 April 1960 (1).

(1) The text has been published in the *official gazette of the European Communities*, No. 21, dated 25 March 1960.

Rules applicable to enterprises

35. In February 1960 the Commission convened a working party of governmental experts from the six Member States in order to make a thorough examination of the documentation which would be required in connection with Article 85. This problem had already been raised at several conferences concerned with understandings.

In this connection, consideration has been given to the study of certain economic sectors. The proposals agreed on at this meeting will be examined at the conference on understandings.

State aids

36. The Commission has continued the action it has been taking to implement the procedure for examining aids given by states or out of public funds.

The Commission found it necessary to explain more fully to the governments of certain states the conclusions it had adopted after discussing with the representatives of Member States the scope of the procedure laid down in Article 93 (3) on plans which might institute new forms of aid or modify existing ones and the particulars of how this procedure should be applied. It has become evident that certain changes are from time to time necessary in order to apply the lessons of experience; these changes are intended to make it possible to combine respect for the obligations imposed by the Treaty with the fullest attention to any legitimate worries felt by Member States.

37. At the same time a systematic study of existing aids is in train. The first replies from Member States on aids of a fiscal character have reached the Commission; they round off the information already gathered on aids of a financial character. Work on this new material has been put in hand.

The information already received on aids of a financial character has been circulated to Member States. It forms the basis of the steps to be taken during the year. A meeting with representatives of the Member Countries has been planned in order to examine particular aspects of working methods for dealing with certain general systems. Consideration has been given to an action programme on the specific aid given to the production of certain items. Under this programme the procedure would be set in motion for the examination, as laid down in Article 93 (1), of a certain number of systems reported by Member States. On the basis of the method recently agreed with representatives from the various countries, the action taken will include any necessary bilateral contacts between staff of the Commission and the competent national authorities, any multilateral discussions, with all Member States represented, which may prove necessary, or a combination of both methods. This will make it possible to bring out to the fullest extent the repercussions of these aids on the conditions affecting trade between Member States. At the same time it will

enable the Commission, should need arise, to put before the Member States concerned proposals for any steps required by the progressive advance or the functioning of the Common Market.

Application of rules of competition in particular sectors

38. The Commission has continued its studies of the conditions in which the rules of competition are to be applied to transport and agriculture.

In particular, it has been examining the conditions in which it will be possible to undertake a study of aids effecting agricultural production and transport. In connection with aids for agricultural production the Commission will submit proposals to the Council under the terms of Article 42.

The problem of how far the ruling on understandings, dominant positions and dumping apply to the production of and trade in agricultural products is also engaging the attention of the Commission.

SOCIAL AFFAIRS

Manpower problems

39. The working party for the study of trends in employment, set up by the Commission in agreement with the Council, held its first meeting in Brussels on 25 February. This working party consists of representatives of the economic and labour administrations of the Member States. Its task is to determine within two months the number of vacancies at present not filled in each Community country, by branch of activity and occupational category, and the manpower resources available to fill them in the immediate future. In this connection the working party will also study the methods best calculated to encourage the occupational and geographical mobility of workers.

The Chairman of the Commission's Social Affairs Group has emphasized the importance of the task allotted to the working party and its essentially practical character. It must meet the manpower problems caused by the present economic situation pending the establishment of the machinery which, under the provisions of the Treaty, will enable the Community's institutions to define and implement a common manpower policy. The present situation, which has led the Commission to establish this working party, has shown that increases in productive capacity are closely linked with the problem of manpower: each is conditioned by the other.

Social security of migrant workers

40. In conformity with Article 40 (1) of Regulation No. 3 of the Council of the European Economic Community on the Social Security of Migrant Workers, wage-

earners working in the territory of a Member State are entitled to family allowances calculated according to the legislation of that Member State in respect of children residing or being educated in another Member State.

In certain cases the legislation of the various Member States provides for the grant of family allowances beyond the normal age limit. This applies particularly in cases of study beyond the minimum age limit, apprenticeship and incapacity for work, and to unmarried daughters not going out to work.

The Administrative Committee of the European Economic Community, for the Social Security of Migrant Workers has instructed a working party of experts on family allowances to examine the problem of the supporting documents to be produced in the above cases and to work out the draft forms needed to implement the provision of Regulation No. 3 referred to above.

This working party, which at a previous meeting had drafted forms for the granting of family allowances in cases of continuation of studies and apprenticeship, met on 9 February 1960 and settled the following forms :

- Declaration to be made by applicants for family allowances in respect of young persons unable to work;
- Medical certificate required for the grant of family allowances in respect of young persons unable to work;
- Certificate in support of a claim for the grant of family allowances in respect of daughters remaining at home.

After approval by the Administrative Committee, these specimen forms will be published in the official gazette of the European Communities in the four official languages.

41. The Administrative Committee of the European Economic Community for the Social Security of Migrant Workers held its 13th session on 18 and 19 February 1960.

At this session, the Committee finally adopted Decision No. 17 concerning the provision of sickness insurance benefits in cash by the institution of the place of residence of an employed person on behalf of the competent institution to which he is affiliated in another country. This decision also fixes the details of how reimbursement for the services shall be effected by the institution responsible and specifies the intervals at which such settlements shall be made and the rules covering conversion into the currency of the other country.

The French version has been finalized for the specimen forms E 38 to E 43, which were drawn up by the group of experts for use by persons seeking the extension, where allowed under current statutory provisions, of family allowances in respect of children above the normal age (continuation of studies, apprentices, the infirm,

etc.) When the versions in the three other languages have been completed, these forms will, like the previous series, be published in the official gazette of the European Communities.

The Administrative Committee was asked for an opinion on the line to be followed with regard to military invalidity pensions paid by a Member State of the European Economic Community which duplicate a social security invalidity pension in another Member State. The Committee ruled that military invalidity pensions constitute income within the meaning of Article 11 (2) of Regulation No. 3 and that, in cases where the legislation of a country does not treat as part of income any military pensions paid under its own law, the relevant provisions shall not apply to any military pensions paid by another country.

42. The Administrative Committee has also ruled on the question of how often the situation of persons receiving benefits should be re-examined to see whether grounds exist for the reduction or suspension of benefits, and also on the details for the implementation of Article 19 of Regulation No. 3, which deals with the provision of sickness insurance benefits in kind in the case of a temporary stay in a Member State other than the one in which the competent institution is situated.

Occupational diseases

43. In February the services of the Commission called together a group of experts on occupational dermatosis; lead poisoning; occupational cancer; rheumatism; arthritic conditions, their direct consequences and their cardio-circulatory complications; the group consisted of four doctors specializing in these diseases and of independent national experts required to give information on the legislative and administrative handling of the diseases in their several countries, with the task of describing the legislative and administrative aspects of the above-mentioned diseases in their respective countries.

These experts settled a uniform plan to be used for reports on each illness.

In addition, a group of independent national experts, consisting of doctors and technicians, has been called together to draw up an analytical list by countries of occupational diseases and of the harmful agents causing them.

The experts have worked out the draft of a detailed list of harmful biological, physical and chemical agents. As far as these last are concerned, the compounds and the homologues are very numerous and vary from one Community country to another. With a view to approximating legislation on occupational diseases, plans have been made for a synoptic report and a single analytical list for the EEC countries.

Social services

44. A meeting of experts from the Institutes entrusted with the inquiry into the housing conditions of migrant workers was held in Brussels at the beginning of February.

This meeting, the object of which was to establish the detailed programme of the inquiry, was attended by experts from the following Institutes :

- Institut de sociologie de l'Université de Liège
- Institut für Siedlungs- und Wohnungswesen der Westfälischen Wilhelms-Universität, Münster (Westphalia)
- Institut National d'Etudes démographiques, Paris.

On 22 and 23 February 1960, the services of the Commission organized in Brussels a first meeting of experts to deal with family questions.

The meeting was attended by representatives from the Ministries dealing with family questions or concerned with these, by leaders of the principal family movements in the six countries, by representatives from the IUFO (International Union of Family Organizations), from the European secretariats of the international organizations of workers and employers (ICFTU, IFCTU), the Union of Industries of the European Community (UIEC), the Committee of agricultural organizations (COPA) — and by officials of ECSC, Euratom, and of the Statistical Office of the European Communities.

After a review of the present situation of the various measures of economic, fiscal or social nature under which families benefited in the six member countries, there was a discussion of the Community's general objectives and economic policy (industrial and agricultural), which for the experts present were of interest particularly from the angle of protecting the consumer.

In a further discussion, dealing with social policy, those attending the meeting raised questions which were worrying families, in particular, freedom of movement for workers, occupational guidance and training, social security, the Social Fund, housing, working mothers, social service and so on.

They expressed the wish that the exchange of information thus begun should be continued and that means should be sought for co-operation with the staff of the Commission on points in the European Economic Community's policy which have a direct effect on family interests.

AGRICULTURE

The common agricultural policy

45. On the occasion of the " *Concours Général Agricole* " in Paris (1) the Ministers of Agriculture of the Member States again met M. Mansholt, Chairman of the Agricultural Group of the Commission, and M. Lambert Schaus, a Member of the Commission, on 7 and 8 March 1960.

The Ministers continued their exchange of views on several key points in the Commission's first proposals for a common agricultural policy. In particular they studied questions in connection with the form of the joint organization planned for the different markets, the systems of levies on imports and Community aid for the improvement of agricultural structures.

46. The Agricultural Section of the Economic and Social Committee and the Agricultural Committee of the European Parliament have both given further study to the Commission's proposals for a common agricultural policy.

At the session which began on 26 March 1960, the European Parliament held a three-day debate on the common agricultural policy. The basis of the discussion was provided by the Commission's draft proposals and by reports received from the Agricultural Committee of the Parliament.

Early in May the Economic and Social Committee will hold a full meeting, scheduled to last several days, for the purpose of adopting the report and the opinion on common agricultural policy called for by the Commission under Article 43 of the Treaty.

47. The Commission has continued its contacts with the professional organizations of the agriculture and food sector and has invited several of these organizations to informatory meetings.

Measures implementing the Treaty

48. The Commission has examined in detail the measures in the agricultural sector which Member States have taken to implement those provisions of the Treaty dealing with the Community's internal trade.

49. Following a complaint by the Italian Government concerning exports of French wines to Germany at abnormally low prices, the Commission has intervened with the French and Italian Governments in order to find an agreed solution to this problem.

50. The difficulties which have arisen in the egg and poultry markets in France have been discussed in meetings between French, Belgian and Dutch representatives.

51. With a view to working out the detailed application of Article 44 of the Treaty (minimum prices), the Commission has convened a meeting of representatives of the six Governments.

52. In the matter of agricultural structures, a report on the delimitation of the main agricultural regions of the six Community countries, undertaken by independent experts at the request of the Commission, has been completed. It may later be published.

53. As part of its co-operation with the Food and Agriculture Organization of the United Nations (FAO), the Commission has studied the possibilities of the Community participating in the " World campaign against hunger ".

TRANSPORT

54. On the initiative of the Commission of the European Economic Community two meetings, one concerning highway and the other railway infrastructure, have been held in the Directorate-General for Transport. They were attended by national experts from the six countries.

The purpose of these meetings was to compare the national programmes of the six countries for each of these two methods of transport and to study the technical and financial aspects of the execution, under these programmes, of projects affecting Europe at large.

As far as concerns roads, the discussion dealt mainly with certain links joining the national networks in the light of possible structural harmonization and synchronization of the various projects.

As regards railways, comparison of the national programmes made it possible to pinpoint a certain number of projects which concern both the electrification of lines to provide better links between the different countries and other means of improving the capacity of certain lines.

The part which might be played by a system of Community financing applicable to a limited number of international items in these programmes was also carefully studied. Later meetings will examine in detail the various aspects of the problems raised.

A meeting on the structure of inland waterways will be held shortly to round off this first series of discussions on the main European links by the three methods of inland transport.

55. In liaison with the Statistical Office of the European Communities, the services of the Commission have concluded a basic study on the availability of transport statistics.

The aim is that existing statistical returns shall be improved and made uniform by stages, so that the results shall be comparable and complete for the combined Member States.

One of the first problems calling for solution is that of unifying the nomenclature of the goods, whether in transport statistics or amongst the various forms of transport.

A meeting of experts to examine this problem is planned for the coming months.

ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

The Development Fund

56. In February the Council, on a proposal of the Commission, approved the financing by the European Development Fund of the following economic project in the Republic of Upper Volta :

— The construction of 3 earthen dams in East Volta with a provisional commitment and payment authorization of 300,000 units of account, all from the 1958 budget.

The completed installations will be the property of the Republic of Upper Volta.

The density of population is comparatively high in East Volta, and the natural conditions (soil and rainfall) do not help progress in agriculture, with the result that there is at times a severe shortage of food. This in turn has disturbing socio-economic consequences, which include under-nourishment and emigration of people of working age.

The project to be financed by the Fund is part of an agricultural improvement programme for East Volta. The three earthen dams, at Bazega, Tensobentenga and Zabéré, are of interest to a population of some 14,000 people scattered amongst 20 villages. The inhabitants will have at their disposal a permanent supply of water and be able to develop the adjoining countryside, largely for rice, market gardening and trees.

57. Two new finance conventions were signed during February. These were :

— A convention with the Republic of Dahomey covering three social projects with a provisional commitment amounting to 396,000 units of account (1)

— A convention with the Republic of Madagascar covering economic projects with a provisional commitment amounting to 3,929,000 units of account (2).

(1) See Bulletin 3-59, Chapter III, Sec. 62.

(2) See Bulletin 5-59, Chapter II, Sec. 39.

58. TABLE SHOWING THE OPERATIONS OF THE EUROPEAN DEVELOPMENT FUND FOR OVERSEAS COUNTRIES AND TERRITORIES

Financing approved - situation on 29 February 1960

(figures rounded off to nearest thousand units of account)

Countries and Territories	Projects submitted	Total Amount (1)	Payment authorizations 1958
Belgian Congo	4	2,054	1,800
Ruanda-Urundi	6	1,756	986
Total	10	3,810	2,786
Cameroon	4	3,896	1,951
Comores	1	81	81
Congo	1	457	457
Ivory Coast	4	3,486	2,931
French Somali Coast	1	742	400
Dahomey	3	396	357
Gaboon	2	612	612
Upper Volta	4	1,925	1,925
Madagascar	12	11,504	5,640
Mauritania	2	1,793	1,793
Niger	2	7,290	2,986
New Caledonia	4	273	273
Polynesia	1	295	295
Sudanese Republic	4	321	321
Chad	2	1,300	1,300
Togoland	5	660	660
Total	52	35,031	21,982
Somaliland (Italian)	1	1,950	500
Netherlands New Guinea	1	2,026	379
Grand Total	64	42,817	25,647

Expansion of trade

59. In the first two months of 1960, the attention of the Commission's staff has been very much engaged by the problem of selling in the Member States of the European Community the goods produced in the associated Overseas Countries and Territories. In conjunction with governmental experts, the staff of the Commission has been endeavouring to find solutions which could ensure for the associated Overseas Countries and Territories effective preferential treatment in selling their products on Community markets. In this connection, the problem of selling coffee in certain Member States has been the subject of special study.

Work has also been proceeding on studies covering the market for meat, hides and skins, bananas, cocoa and oilseed. In connection with oilseed there has been an examination of the problem of selling the groundnuts produced by the associated Overseas Countries and Territories; this raises an important question in connection with support, for which it seems that a European answer must be found.

60. More generally, the problems raised by the endeavour to harmonize the national markets in tropical products and the corresponding international markets have led to a thorough examination of the question in conjunction with experts from the six governments.

In this field there were two main products which called for special attention. On the *coffee market* continued instability has made it necessary to establish an international study group in Washington to work out a long-term agreement. The Commission's staff has prepared an analysis of conditions on the market and has sought to provide a solution of the problem which would be acceptable to the six Governments. On the *cocoa market* the trend is most disquieting and seems to justify advancing the date on which the FAO's special study group shall meet.

61. The studies which are made in connection with external relations include examination of the aid which might be given to the underdeveloped countries by expanding the consumption of primary commodities in the Community.

A series of papers has been prepared covering cotton, bananas, coffee, cocoa and tea; they examine possible repercussions on these commodities of quota disarmament and of reductions in customs duties and internal taxes.

Studies

62. Two studies have just been completed which concern the associated overseas countries.

The first bears the title "The Social Situation in the Overseas Countries associated with the EEC". It was prepared at the request of the European Parliament, to which it has just been submitted.

This study, in the preparation of which experts from the Member States have collaborated, contains five chapters: Population, Manpower and Employment, Education, Health and Hygiene, Housing. It shows the importance of the efforts so far made to help the social advances of the Overseas Countries associated with the European Economic Community, as well as the vastness of the needs that are still unsatisfied despite the fact that today social expenditure already accounts for 30 % on average of the current budget expenditures in these countries.

The second study deals with the methods, sources and current situation of the investments made since the last war in the overseas countries now associated with the European Economic Community. The study deals at length with public investment of capital from abroad, but also goes into public investment based on domestic capital as well as the investment of private capital, the scale of which is often underestimated.

The two studies provide firm information on economic and social development at a time when the European Economic Community is endeavouring to formulate its general policy for aid to underdeveloped states.

ADMINISTRATIVE MATTERS

63. In accordance with the provisions of the Treaty, the Commission has put before the Council a draft regulation on the taxing of salaries, wages and other emoluments. The European tax system, which will cover the members of the Commissions, the judges, the advocates general, the clerk and assistant clerks of the courts and the officials of the Community institutions, is closely bound up with the statute of service and the system of remuneration.

64. At this session of 9 and 10 March, the Councils of the EEC and Euratom took the following decisions:

- a) The experts will complete before 1 April 1960 their work on the system of remuneration and taxes and also on the question of the currency to be used in fixing remuneration and taxes.
- b) For the statute as a whole the ECSC statute will be used as a basis. Governments and Commissions will inform the Secretary General's office before 1 April of any changes they want made.
- c) The Chairman of the Committee of Permanent Representatives will work out, on the basis of the ECSC statute and any amendments proposed by Governments or Commissions, a composite proposal for submission to the Permanent Representatives not later than 1 May.
- d) The complete statute including the system of remuneration will be submitted to the Council during June, so that it can come into force before the new budget proposals are made, and in any case not later than 31 July 1960.

e) Consultations on the statute could begin as soon as possible with the Parliament and the Court of Justice, using as basis the complete proposals prepared by the Chairman of the Committee of Permanent Representatives, at latest when these proposals are submitted to the Councils.

f) The system of remuneration referred to in the Council's decision of 23-24 November 1959 is to be provisionally put into force not later than 31 July 1960.

IV. Institutions and organs

A. THE EUROPEAN PARLIAMENT

65. The Assembly met in plenary session at the Maison de l'Europe in Strasbourg from 26 March to 2 April 1960.

As the term of office of President Robert Schuman had expired, the Assembly elected M. Furler (Christian Democrat, Germany) as its President, and MM. Fohrmann, Janssens, Hazenbosch, Battaglia, Vanrullen, Rubinacci, Kalbitzer and Vendroux as vice-presidents.

M. Furler, M. Eugène Schaus, President in office of the Councils of the European Economic Community and of the European Atomic Energy Community, and M. Hallstein, President of the Commission, emphasized the important contribution which the retiring President of the Assembly, M. Robert Schuman, had made to the building of Europe.

Speaking on behalf of the Councils, M. Eugène Schaus communicated to the Assembly the Councils' reply to its requests for improved collaboration between the two Institutions. The Assembly noted this reply with pleasure, particularly the Councils' declaration that they would consult the Assembly on all problems of political moment.

M. Hallstein, President of the Commission of the European Economic Community, opened the general policy debate with a statement on the speedier implementation of the European Economic Community Treaty and on the Commissions' recommendations on this matter (1).

At the end of the debate which followed this statement, the Assembly passed a resolution "noting with satisfaction that the economy of the European Economic Community is developing at such a rate that it is possible to envisage in all sectors an acceleration of the rhythm laid down by the Treaty and welcoming the action of the European Economic Community in this regard".

The Assembly requested, however, that the Commission, the Council and the governments should accelerate the implementation of the common policies in the spheres of agriculture, financial and economic affairs and transport concurrently with the speedier introduction of the customs union. The Assembly was also anxious that the Commission should complete its recommendations in the social field. Finally, the resolution "urges that customs disarmament vis-à-vis non-member countries be planned on the basis of fair reciprocity and that the accelera-

(1) See this Bulletin, Chapter II, Sec. 1.

tion procedure take account of the special economic circumstances of the development countries associated with the European Economic Community", and "requests the Commission to submit as soon as possible to the Assembly 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".

After hearing the rapporteurs of its Agricultural Committee, the Assembly held an important debate on the joint agricultural policy. The rapporteurs were: M. Luecker for the basic principles of the future agricultural policy, M. De Vita for agricultural structures, M. Legendre for the problems of cereals and sugar, M. Richarts for the meat and egg market, M. Van Dijk for dairy produce, M. Troisi for fruit and vegetables and M. Carcassonne for wine.

M. Mansholt, a vice-president of the Commission, spoke at the conclusion of the debate and expressed the Commission's confidence that the present pattern and volume of trade will be maintained and that the common agricultural policy will not injure non-member countries. Protection of European agriculture, even on a moderate scale, could only be justified if it led to increased productivity and the rationalization of agricultural enterprises. M. Mansholt further stated that acceleration in the agricultural sphere is both possible and desirable.

The Assembly heard a statement by M. Ramizason on the feelings of Africans towards recent happenings in the Union of South Africa, and showed by its applause that it held to the principle of non-discrimination between races.

The Assembly passed several resolutions concerning the organization of a conference at governmental level on problems of common concern to Africa and Europe, at which the Governments of the associated overseas countries would be represented; the establishment of a special temporary committee to study conditions and gather information in the overseas countries and territories; and the organization of a parliamentary conference which would include the representatives of the parliamentary bodies of the associated overseas countries and those of the European Parliament. It also passed a resolution amending its own standing orders.

B. THE COUNCIL

66. On 9 and 10 March 1960, the Council held its 31st session under the chairmanship of M. Eugène Schaus, Minister of Foreign Affairs of the Grand Duchy of Luxembourg. 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 and organizational procedure for 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, for which the Commission provides

the secretariat, consists of three representatives of the Commission (MM. Marjolin, von der Groeben and Bobba) and of three representatives of each Member State. It held its first meeting on 7 April and elected as chairman M. Müller-Armack, Under-Secretary of State in the Federal German Ministry of Economics Affairs. The Committee will address its reports to the Commission, which will communicate them to the Council.

Subject to a few amendments to be made later by the Permanent Representatives of the Member States, the Council adopted the main lines of a first draft directive on the progressive abolition of restrictions on the movement of capital (Article 67 of the Treaty) submitted to it by the Commission in conformity with Article 69. This first directive provides for the unconditional freeing of certain capital movements (direct investment, investment in real estate, dealings in securities quoted on stock exchanges, and so on). The different degrees of liberalization for capital movements as a whole are set out in four lists A, B, C, D.

After a final exchange of views with the Commission, the Council defined the powers of the Commission in the negotiations with Greece and gave instructions that these should be opened as soon as possible.

The Council also had an initial discussion on the Commission's recommendations for the speeding up of the Treaty, which were given a favourable reception.

In the matter of the association of Cameroon with the Community, the Council acknowledged a communication from the French and Cameroon Governments on the manner in which Cameroon is to be associated with the Community after becoming independent.

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

As regards the statute of service of the personnel of the Communities, the Council decided to make every effort to ensure that the statute should come into force on 1 July 1960.

C. CONFERENCE OF THE REPRESENTATIVES OF THE GOVERNMENTS OF MEMBER STATES

67. On 2 March, 1960 the Representatives of the Member States meeting in Rome signed the agreement by which they fix the duties applicable to the products covered by List G. This List contains 70 tariff headings (1).

(1) See this Bulletin, Chapter III, Secs. 21 and 22.

D. THE MONETARY COMMITTEE

68. The Monetary Committee has completed the second report on its activities. The report, which contains a number of comments on the monetary and financial situation of Member States in 1959, was presented to the Commission on 8 February and to the Council on 9 March by the Chairman, M. Van Lennep, who opened the debate which followed. This report will be published in the official gazette of the Communities and an off-print will be made for use by the Commission.

The Monetary Committee met on 12 and 13 April 1960. At this meeting it examined the monetary and financial situation of the German Federal Republic, dealing particularly with the internal stresses which, in the labour market and elsewhere, are features of the German economy, and analysing the outlook for the balance of payments. The Committee also examined the monetary and financial situation of France, devoting particular attention to developments in public finance and the methods of financing the net burden being borne by the Treasury. The Committee will meet again towards the middle of May.

