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**SECRETARIAT OF THE COMMISSION OF THE EUROPEAN ECONOMIC COMMUNITY**

#### EDITORIAL NOTE

The Bulletin of the European Economic Community is intended to provide in summary form a regular flow of exact and reliable material on the activities of the Community, on the decisions reached by its institutions and on the measures that have been planned.

The first number issued in 1959 is also the first to appear in English.

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I - "THE SOCIAL POLICY OF THE COMMISSION"

By Professor Giuseppe PETRILLI

Member of the Commission  
Chairman of the Social Affairs Group

In the Preamble to the Treaty of Rome, the six Heads of State, having decided to create a European Economic Community, lay down as the essential purpose of their efforts the constant improvement of the living and working conditions of their peoples. The ultimate social aim of the European Economic Community is thus written into the Treaty, which subsequently confirms, by use of such concepts as harmonious development, continuous and balanced expansion, stability and the raising of living standards, that the Community aspires to a future of solidarity in which a better distribution of wealth may be considered an accompanying factor of expansion, capable of eliminating distortions and disequilibria and obviating the neglect of certain productive factors.

Article 117 of the Treaty affirms that "Member States ... agree upon the necessity to promote improvement of the living and working conditions of labour so as to permit the equalization of such conditions in an upward direction". The general trend of a Community policy can be arrived at from the way this article is interpreted. The Commission has already declared that the article cannot mean alignment on a theoretical average living standard which would force those countries of more advanced economic and social development to retard their social evolution until their less fortunate neighbours had managed to catch up (1).

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(1) See in particular the second General Report on the countries of the Community.

Instead of accepting equalization of this kind, the Community must strive to encourage and help all its peoples to improve their present social situation, the equalization envisaged in the Treaty being sought by more rapid progress in those quarters where it seems more necessary.

The concept "equalization in an upward direction" constitutes neither a reason to hold up development in the countries at present most favoured nor a Utopian yearning after mechanical equalization of living and working conditions. For the Commission, this concept means an approach directed to offering individuals, social groups, geographical areas and economic sectors equal opportunities to play their part in social progress. Development consequent upon the adoption of such an approach may be more or less rapid, but it must go on without halt or set-back.

From this angle, "equalization in an upward direction" must be considered a fundamental condition of economic development since it tends, in various ways, towards the optimum valorization of the technical abilities of human beings - an essential prerequisite of any policy of expansion.

Article 117 of the Treaty mentions several means for bringing about such a development. According to the Treaty, it "will result not only from the functioning of the Common Market which will favour the harmonization of social systems, but also from the procedures provided for under this Treaty and from the approximation of legislative and administrative provisions". The signatories to the Treaty thus considered that although the functioning of the Common Market was a necessary condition of social progress, it could not be a sufficient condition for such progress. In fact the approximation, for social as much as for economic ends, of legislation in

economic, fiscal and financial matters, and the co-ordination of the social policies of the Member States in the framework of the procedures laid down by the Treaty, are two complementary factors which are essential to the proper functioning of the Common Market.

The chief responsibility for the preparation of such a policy falls upon the Commission.

When it set up its services the Commission, while giving due regard to the extent of its tasks, nevertheless endeavoured to avoid installing a super-bureaucracy. Since, in the social field, the main work of the Commission is to co-ordinate, harmonize and stimulate, a small staff of highly qualified officials seemed to be indicated. The methods of work of our services are determined by this choice and are largely based on studies undertaken in contact with other international bodies or planned in liaison with research institutes. Consultations with government or independent experts are frequent and close co-operation has been established with both sides of industry, in particular under the aegis of the Economic and Social Committee.

These methods of work correspond to the role of the European executive, which is to lay the problems before the governments of the member countries and the representatives of the various categories of social life and to make constant efforts to induce them to choose solutions in conformity with the general interest. In proceeding thus, the Commission has no wish to substitute its action for that of governments or of workers' and employers' organizations in the fields of responsibility proper to them.

During its first months of activity, the Commission has endeavoured to obtain an overall picture of the social structure of the Community. The first survey, which appeared in September 1958, will be brought up to date annually. When this Bulletin appears, the second survey of developments in the social field will have been published.

Of the work in progress, I should like first to mention that on labour conditions.

In this field, the Treaty provides in the first stage for equal remuneration for equal work, the maintenance of the existing equivalence of paid holiday schemes, and the harmonization of conditions of remuneration for overtime.

In carrying out the necessary preparatory work for the implementation of these provisions of the Treaty, the services of the Commission will include in their examination all working conditions capable of being harmonized. In reply to a wish expressed by the European Parliamentary Assembly, the services of the Commission are also carrying out a separate enquiry on the working conditions of agricultural manpower.

The services of the Commission are at present studying wages from the angle of "costs" of enterprises. Later they will examine the incidence of indirect wages burdens, such as social and sickness insurance contributions, family allowances, etc., on the total remuneration of workers. These studies are of economic interest, since they make it possible to pin-point distortions, which might prevent the normal operation of competition, resulting from different systems of financing social security, and also of social interest, in that they make it possible to evaluate and avoid the unfavourable consequences which the correction of these distortions might involve for workers in certain sectors.

The study of the economic and social consequences of new techniques and of the rationalization of work represent a further element which will help the Commission to discover, for the benefit of the Community, the possibilities of adapting working conditions to technological progress. Finally, and still in the field of working conditions, the Treaty establishing the European Economic Community requires the Commission to promote close collaboration between the Member States in matters relating to the law as to trade unions and collective bargaining between employers and workers. I hardly need say that the Commission has no intention of seeking means to impose its solutions on the different sides of industry; on the other hand, it will watch that the proper functioning of this essential instrument of a democratic society is ensured in the Community.

In addition to the approximation of legislation concerning working conditions, other factors of harmonization exist. Let me mention an outstanding one: the free movement of workers. It is not superfluous to recall that a chief aim of free movement is to help to bring about full employment of labour in the Community. The services of the Commission have practically finished the preparatory work which will enable the Commission to formulate proposals for the progressive elimination of obstacles to the free movement of workers and of the discrimination existing in Member States towards workers from other Member States. In order to ensure that free movement shall become a reality, it is important to create the mechanisms which will enable workers to reply to offers of employment coming from the different Member States. Movements of labour should be part of a general policy of adapting the demand for work to the nature of the offers, or even of stimulating offers by increasing the skill of those seeking work.

With this end in view, we are contemplating the establishment of a central European body to study trends of development in the labour market on the national and on the Community level. This body could also be responsible for co-ordinating the activities of the labour offices existing in the various countries in order to facilitate contact between those offering and those seeking work. The mutual exchange of experience which will take place in this connection might well prove invaluable for the establishment of priorities in the matter of occupational training. The services of the Commission are at present engaged on an analysis of the employment situation between 1954 and 1958; this will yield useful lessons which should have a bearing on the forecasts to be established concerning future technological and demographic trends.

The Treaty of Rome has endowed the Community with an instrument for safeguarding the level of employment and even contributing to its expansion. I refer to the European Social Fund, which was conceived as a sort of compensation fund, maintained by contributions from the Member States according to a special scale of allocations, with the purpose of jointly financing what might be called the social cost of the Common Market. According to the terms of Article 123 of the Treaty, the Social Fund was instituted to promote within the Community employment facilities and the geographic and occupational mobility of workers, and thus contribute to raising their standard of living. The Social Fund will cover half the expenses incurred by the Member States or by bodies under public law in order to re-train unemployed workers, to pay them resettlement allowances, or to guarantee to workers the same wage-level in the event of the conversion of the enterprises employing them. But it is certainly no overstatement if I affirm that the purpose of the Social Fund is also to

participate in that general extension of occupational training which is the prerequisite for the realization of full employment within the Community. The draft regulations for the Fund which the Commission is to submit to the Council will be based, to the full extent compatible with the letter and the spirit of the Treaty, on this general interpretation of the function of the European Social Fund in the setting of the Community.

In submitting these draft regulations to the Council, the Commission realizes how necessary it is to implement without delay that common policy in the field of occupational training which is their natural corollary. Indeed, it would be difficult to separate the operation of the European Fund and the establishment of this common policy on occupational training, the principles of which the Commission is required by the terms of the Treaty to propose to the Council. The fixing of a common policy presupposes the working out of forecasts concerning, among other things, technological and economic development during the next few years. At the present time we are, therefore, still at the stage of co-ordination of the policies being followed by the Member States.

The harmonization of the different national systems of social security constitutes another fundamental aspect of the general harmonization of life and work in the Community. The Commission has already been able to note one concrete achievement: the Regulation on the social security of migrant workers came into force on 1 January of this year. This Regulation establishes equality of rights between nationals and foreigners in the field of social security. Periods of insurance are added up and migrant workers and their dependents benefit for the first time from the total of all rights acquired in the matter of social security. For the first time, too,

migrant workers are freed from a situation of inferiority which was often burdensome to them. However, certain categories of migrant workers, such as seamen and workers in frontier areas, are still excluded from the advantages of the new system. Finally, this instrument, which results from the transformation into a Council Regulation of a Convention concluded between the Member States on the initiative of the High Authority of the ECSC, should constitute a factor encouraging free movement of workers.

However, the regime established in favour of migrant workers is to be only one aspect of the general harmonization of national systems of social security, which, in the opinion of the Commission, must achieve a measure of uniform cover for certain primary risks and the approximation of the conditions giving entitlement to the relevant benefits. For economic reasons, it is also indispensable that the different systems of financing be approximated to some extent.

Furthermore, social security includes complementary activities, such as social service and the provision of worker's housing, which necessitate study and policy decisions on the part of the Commissions.

It is in the light of such concrete questions as I have just raised and the contribution made to their solution that the Commission would wish its social policy to be judged.

## II - STUDIES

### Study of the United States proposal for the convocation of a multilateral tariff conference

The European Economic Community has agreed to participate in a tariff conference within the framework of GATT on the lines proposed by the United States at the 13th session of GATT.

On May 5 last the Council authorized the Commission to enter into negotiations with the United States or with any other contracting party interested, with a view to tariff reductions on the basis of the common external tariff of the Community.

The following study sets out the possibilities and the limits of such negotiations, as well as the procedure to be followed.

At the opening meeting of the 13th session of GATT Mr. Dillon, Under-Secretary of State and Head of the United States Delegation, proposed that the Contracting Parties should call a new tariff conference in which the Member States of the European Economic Community and all the other Contracting Parties should be invited to take part. This proposal is based on the Trade Agreements (Extension) Act - concerning reciprocal trade agreements - passed by the United States Congress on 20 August 1958. This act confers on the President of the United States special powers to negotiate on a reciprocal basis during a period of four years, ending on 30 June 1962, for a progressive reduction of up to 20 % of the customs duties in effect on 1 July 1958. In the explanatory memorandum prefacing the Bill, the Government of the United States reminded Congress

that besides the fundamental reasons in favour of a prolongation of the President's powers in the field of trade agreements, the historic fact of the establishment of the EEC was an important additional motive.

As is generally known, the contracting parties have since 1947 organized several tariff conferences which enabled reciprocal concessions to be made in the form of the reduction and consolidation of duties. These conferences, which took place in Geneva in 1947, at Annecy in 1949, at Torquay in 1951, on the occasion of the accession of Japan to GATT in 1955, and in Geneva in 1956, made it possible to reduce very substantially the customs tariffs of the participating countries. The conference proposed by the United States - which could meet in 1960 - will be in line with its predecessors; it will occur at a time when customs duties have already been considerably reduced but when, following upon the headway made in the elimination of quantitative restrictions, tariff protection has become all the more important. This means that any further progress in the reduction of customs barriers will prove difficult, the more so because the negotiating procedure, despite greater flexibility, is still based essentially on the principle of reciprocal concessions, this method of tariff reductions will not allow a mitigation of the disparities between the tariff levels of the various countries, nor will it permit a solution of the problem of prohibitive or very high customs duties.

The above-mentioned United States Act defines the powers conferred on the President to reduce or increase customs duties and to make use of the escape clauses and the provisions concerning peril points. As the other contracting Parties to GATT who might take part in a new tariff conference are not

subject to legal restrictions about the concessions they can grant, a detailed analysis of the United States legal provisions, and in particular of the amendments introduced by the 1958 Act, might be useful. Since, in the event of a tariff conference, the United States' freedom of negotiation will be limited, the results to be expected from such a conference must needs remain within these confines.

Under the new United States Act the reduction of duties which the President is empowered to negotiate can take one of the three following forms:

- A reduction of up to 20 % of the duties in force on 1 July 1958, subject to no reduction being in excess of 10 % in any one year;
- An ad valorem reduction of two points - or the equivalent thereof - in the case of specific or mixed duties in force on 1 July 1958, subject to no reduction being in excess of one point in any year. In the case of duties of less than 10 %, this formula permits a reduction of more than 20 %. Under the act, the application of this method must not mean that any product subject to customs duties can be placed in the duty-free category.
- A 50 % ad valorem reduction - or its equivalent in the case of specific duties - of the duties in excess of this rate, subject to no annual reduction exceeding one third of the total reduction.

In no case can these reductions be spread over more than four stages and no stage may cover less than one year. In addition, the powers conferred on the President will expire on 30 June 1962. Agreement must therefore be reached before

that date.

Although the negotiating powers conferred on the President in the new Act are wider than those granted in 1955 at the time of the previous extension of the Trade Agreements Act, the new Act nevertheless contains certain restrictive amendments to the previous legislation. These amendments limit the possibilities of tariff reductions referred to above and facilitate recourse to the escape clause by widening its field of application.

The amendments to the 1955 legislation concern in the first place the "peril points" clause. This clause, introduced in 1951, obliges the United States Tariff Commission to carry out an enquiry before entering into any tariff negotiations in order to find out in respect of each tariff heading the point below which duties cannot be lowered without imperilling home industries, and the increase of minimum duties which may be required to prevent any major ill effects; if, in the course of the tariff negotiations, the President grants tariff reductions below the level proposed by the Commission or abstains from increasing a duty as suggested, he must make a report to Congress within 30 days. It is laid down in the new legislation that the Tariff Commission shall be authorized, if it considers this necessary, to apply the escape clause procedure immediately. This serves to ease and to speed up the settlement of cases and will probably lead to a more general recourse to the special provisions in customs legislation.

Other amendments extend the presidential powers to increase duties. The President is for instance now authorized under the escape clause to place a 50 % ad valorem duty on products exempt from duty under a trade agreement. The purpose of this amendment is to provide the Administration with a

defensive weapon - other than that of quantitative restrictions - to limit the importation of products admitted duty free and which, under the previous legislation, could not be made subject to customs duties. On the other hand, whilst in the cases coming under the escape clause the President could up till now reject a recommendation made by the Tariff Commission for the increase of a duty - and in fact the President has often made use of this power - an especially important amendment now allows Congress by a majority vote of two thirds in each House to set aside such a rejection by the Chief Executive.

Most of the above-mentioned provisions are facultative, not obliging the Administration and the President to raise duties if they do not think it necessary; no increase of duties is likely to be brought about by these provisions so long as the United States Administration continues to show moderation in the exercise of its functions. It must, however, be pointed out that the very existence of this possibility of increasing duties will result in greater pressure being brought to bear by protectionist interests to ensure that it is used.

From the above it can be concluded that it would be unrealistic to expect from possible tariff negotiations with the United States a lowering of 20 % in the average level of the present American tariff. But depending on the extent to which the "peril points" are brought into play in order to exclude from the negotiations those tariff headings which cover goods likely to be imported into the United States on a large scale, and to the extent and type of use made of the special procedures, the negotiations might lead to either a very minor or a major lowering of the level of tariff protection.

Yet, the success of a possible tariff conference does not depend entirely, or even mainly, on the United States. If any substantial progress is to be made towards the lowering of tariffs, all the principal trading nations must also take part in the negotiations. In fact, since by the operation of the most-favoured-nation clause any tariff concession granted to one of the contracting parties in the course of the negotiations is extended to all the contracting parties, the negotiating countries will of course refuse to offer concessions whenever these would give to non-participating countries substantial indirect advantages in return for which no counterpart could be obtained. It is clear, therefore, that limited participation in the tariff conference would result in restricting the scope of the negotiations.

If allowance is made for the difficulties and limitations described above, the American initiative is certainly of interest and fits well into the framework of one of the principal objectives of the General Agreement. No effort must be spared to reduce customs tariffs which sooner or later, as quota restrictions are eliminated, will be virtually the only remaining obstacle to international trade. It is in this light that the Community has warmly welcomed the American proposal. By a decision of the Council, taken at its 21st session on 5 May 1959, the Commission, which under Article 111 of the Treaty of Rome is charged with conducting the negotiations on the common external tariff, was authorized to signify at the beginning of the 14th session of GATT the Community's agreement with the proposal made by the Government of the United States.

The Community cannot engage in negotiations except on the basis of the common external tariff. The establishment

of this tariff raises numerous and complex questions despite the apparently simple rule of the arithmetical mean which applies to most of the tariff. The work of juxtaposing and then combining the four tariffs applied in the Community is going on and should be finished by the end of 1959. For the products contained in List G, which is annexed to the Treaty, duties are not fixed by the arithmetical mean but by negotiations between the Member States. In the knowledge that the Community must have ready the whole of the common tariff if multilateral negotiations are to be undertaken, the Council at its session of 5 May appealed to the Member States "to go forward with the negotiations for the fixing of customs duties on products figuring in List G annexed to the Treaty of Rome, so that as complete as possible a common customs tariff may be submitted to the contracting parties of GATT at the end of the year."

When the common tariff has been worked out and has been approved by the Council, it will be discussed in GATT in accordance with Article XXIV paragraph 6 of the General Agreement. It is there laid down that if a Member State proposes to increase a consolidated rate of duty in applying the Treaty of Rome, the increase must be negotiated with the contracting parties principally interested. If, therefore, the American proposal were put into effect, the Community would have to undertake two series of tariff negotiations, which would have to be completed before 30 June 1962, the date when the special powers conferred on the President of the United States expire. If the negotiations pursuant to Article XXIV paragraph 6 were to extend over a very long period, this might prevent the multilateral tariff negotiations from being successfully concluded within the time-limit set by American legislation. In

agreeing to the proposal of the United States Government, the Commission therefore insisted that a time-limit be set for the negotiations pursuant to Article XXIV paragraph 6.

The Community will do all in its power in order that the Conference proposed by the United States shall produce substantial results. Article 18 of the Treaty of Rome refers to the spirit in which such results will be sought by the Commission and the Member States:

"Member States hereby declare their willingness to contribute to the development of international commerce and the reduction of barriers to trade by entering into reciprocal and mutually advantageous arrangements directed to the reduction of customs duties below the general level which they could claim as a result of the establishment of a customs union between themselves."

The Community has on several occasions given proof of its liberal spirit and of the positive way in which it proposes to participate in all GATT negotiations aimed at tariff reductions. It is aware of the great interest which the vast new market of 160 million inhabitants being established must have for the non-member states, and it intends to bring the weight of this great market to bear in such a manner that considerable mutual concessions will be made in world trade.

### III.-THE ACTIVITIES OF THE COMMUNITY

#### EXTERNAL RELATIONS

##### The European Economic Association

1. On 27 February 1959 the Commission submitted to the Council a report in the shape of a "First Memorandum" concerning the problems raised by the establishment of a European Economic Association.

This First Memorandum is the result of studies undertaken by the Commission on instructions received from the Council on 3 December 1958 (see Bulletin 1/59, page 15). The Memorandum has been published and its leading features have also been included in the second General Report on the Activities of the Community. The main conclusion of the Commission is that the conditions which must be fulfilled if a European Economic Association is to be realized can be established only by means of negotiations which, in all probability, will still take a considerable time. The Commission therefore recommends that temporary steps be taken covering a period of three or four years, during which an attempt would be made to reach a final solution. The Commission also lays particular stress on the need for keeping in mind the relations between the Community and non-European states and for dealing with problems connected with these states at the same time as with problems inside Europe.

2. As its 20th session on 15 March 1959 the Council discussed the First Memorandum of the Commission. The Council

instructed a Special Committee, consisting of Members of the Commission and of representatives of the Member States, to study this First Memorandum and any comments or suggestions submitted by the six Governments to the Commission before 15 April 1959.

The chairmanship of the Committee was entrusted to the Commission.

The Special Committee met for the first time on 30 April 1959 in Brussels. The proceedings were opened by the President, Professor Hallstein, and they then continued under the chairmanship of M. Rey, a member of the Commission. On behalf of the Commission M. Marjolin, a Vice-President, M. von der Groeben and M. Petrilli, members of the Commission, were also present at this first meeting. The heads of the various delegations were :

- Belgium : Baron Snoy et d'Oppuers, Secretary-General of the  
Ministry of Economic Affairs;
- France : M. Wormser, Director-General of Economic Affairs  
at the Ministry of Foreign Affairs;
- The Federal Republic of Germany : Professor Müller-Armack,  
State Secretary of the Federal Ministry of Economic  
Affairs;
- Italy : M. Cattani, Ambassador, permanent representative ac-  
credited to the European Communities;
- Luxembourg : M. Borschette, permanent representative accredi-  
ted to the European Communities;
- Netherlands : M. Van der Beugel, Ambassador Extraordinary,  
special adviser to the Minister for Foreign Affairs.

The Special Committee had before it the comments of the French, German and Italian governments and of the Benelux states on the Commission's memorandum, and also the suggestions made by these states. The Committee met again on 20 May 1959.

3. In accordance with the decisions taken by the Council at its meeting on 3 December 1958, bilateral negotiations were initiated between various Member States and certain other members of OEEC. These negotiations have led to the signature of agreements between Great Britain and France, between Great Britain and Benelux and between France and Switzerland. Other negotiations are in train or planned.

#### The Community and GATT

4. At the 13th session of GATT the Contracting Parties appointed a Committee N° 1 to examine the proposals, made by the United States Government, under which a new multilateral tariff conference might be called in 1961. In the light of work done by this Committee in February the Commission made a thorough study of all the problems which this step raises for the Community. The attitude on this point which the Community is to adopt at the 14th session of the Contracting Parties has been settled by the Council on a proposal of the Commission.

On 6 May the Commission published the following communiqué :

"The Commission of the European Economic Community notes with pleasure that the Council of Ministers of the Community, at a meeting in Brussels on 5 May 1959, unanimously approved

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(1) See also Chapter II : Studies on the American proposal for the calling of a multilateral tariff conference.

"the recommendation to accept the proposal put forward by  
"Mr. Dillon, United States Under-Secretary of State, for the  
"holding in Geneva, during 1960 and 1961, of a multilateral  
"tariff conference within the framework of GATT.

"The Community will as a consequence be able to take part ac-  
"tively in the conference. In accordance with the Treaty the  
"negotiations will be conducted on behalf of the Community by  
"the Commission with the assistance of a special committee  
"appointed by the Council.

"The Commission and the Council have reached agreement on ta-  
"king the steps that will be necessary in order to have set-  
"tled the common tariff as completely as possible by 31 De-  
"cember 1959.

"The Council has also approved the recommendations put forward  
"by the Commission and which make it possible to follow up the  
"consultations which have been begun with non-member countries  
"in the framework of GATT on the results produced by the appli-  
"cation of the Treaty of Rome".

5. The Community has taken part in the deliberations of  
Committee N° II on agriculture, of Committee N° III on support  
for the less developed countries, and of working parties on the  
accession of Yugoslavia to the General Agreement, on subsidies  
and state trading, and on anti-dumping and countervailing du-  
ties.

#### The Six and the countries in course of development

6. The Community attaches the greatest importance to  
the search for means of stabilizing the prices of basic pro-  
ducts, as excessive fluctuations in this field hinder conside-  
rably the development of those countries which produce raw ma-  
terials.

In its pursuit of this aim, the Commission has found it necessary to be represented by observers at the Conference of the Commission for International Commodity Trade held in New York during March under the auspices of the United Nations Economic and Social Council (1).

Relations with non-member States and international organizations

7. At the invitation of Mr. Herter, Secretary of State, the Presidents of the Executives of the European Communities will pay a joint official visit to the United States between 9 and 11 June this year.

8. During the second half of April M. Rey, a Member of the Commission, attended the 17th Congress of the International Chamber of Commerce in Washington.

While in Washington M. Rey met senior officials from the Office of the Secretary-General at the Headquarters of the United Nations. He was also received by Mr. Dillon, United States Under-Secretary of State. These contacts made it possible for M. Rey to study the question of developing contacts between the Community and the United Nations institutions and also of preparing the next session of the Contracting Parties of GATT. He was also able to appreciate the extent of interest aroused by the Common Market in political and economic circles in the United States.

9. The Commission of the European Economic Community was represented as an observer at the 14th session of the Economic Commission for Europe in accordance with the agreements for practical co-operation drawn up between the Commis-

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(1) See also paragraphs 50 and 51 of this Chapter.

sion and the United Nations.

There has been an exchange of letters between the Commission of the European Economic Community and the UN Economic Commission for Asia and the Far East fixing the particulars of liaison and collaboration. This collaboration agreement covers, among other things, the regular exchange of reference material, mutual consultation on problems of common interest and the possibility that the Commission should send a representative to certain meetings which it would be invited to attend.

The Commission of the European Economic Community has also been invited to send a representative to the 8th session of the United Nations Economic Commission for Latin America, which will open in Panama City on 14 May 1959, and to the 2nd session of the Trade Committee of ECLA, which opens in the same city on 11 May.

An exchange of letters took place earlier between the Commission and ECLA to fix particulars of practical liaison and collaboration similar to that established with the other regional Commissions of the United Nations Economic and Social Council.

Negotiations have taken place between the Commission and the Food and Agriculture Organization (FAO) with a view to defining the type of official relations most suited to the mutual interests of the two organizations.

Meanwhile, the European Commission participated as an observer in the 2nd session of the Panel of Experts on agricultural Stabilization and Support Policies at the headquarters of FAO in Rome, from 9 to 30 April 1959.

The European Commission participated as an observer in the session of the Governing Body of the ILO in Geneva from 10 to 30 March 1959.

10. The European Communities took part in the New York World Trade Fair from 8 to 15 May 1959. For the first time the Member States grouped their exhibits under the aegis of the "European Communities".

## ECONOMIC AND FINANCIAL AFFAIRS

### Brief note on market trends

11. The industrial production of the Community rose slightly at the beginning of 1959 as a result of the continued recovery of economic activity in Italy and the Netherlands. Until February, production in the Federal Republic of Germany, the Belgo-Luxembourg Economic Union (B.L.E.U.), and France remained at the level reached by the end of 1958. Nevertheless, the seasonal rise of industrial production has made itself felt earlier than in previous years, principally as a result of the exceptionally favourable weather conditions. Activity in the construction sector, where an increase in employment was noted, and the considerable growth of orders in the iron and steel industry, even if they are partially accounted for by exceptional factors such as the danger of strikes in USA, are nevertheless having the effect of bolstering the market. Concurrently with this seasonal improvement in activity, a fall in the number of workers, largely attributable to the end of winter unemployment, has been noted in all six countries. In two countries only were the March figures for fully unemployed higher than those of the correspond-

ing month in 1958: in France, where the slowing-down of business has had repercussions on the level of employment, and in Belgium, as a result of the stagnation of economic activity. On the other hand in the Federal Republic of Germany, and especially in the Netherlands, where recovery is continuing, the level of unemployment is below that of March 1958.

12. Consumer prices hardly changed in March, thus confirming the stability noted in most of the countries at the end of 1958. Because of the repercussions of the alteration in December of the rate of exchange and the removal of subsidies, consumer prices in France, which had so far been an exception to the general trend towards stabilization, ceased to increase. In most member countries of the Community, the level of consumer prices for the first quarter of 1959 is practically identical with that of the corresponding period of the previous year; in the Netherlands, the cost of living is even lower as a result of the fall in prices of food-stuffs and textiles.

13. Thanks to the fall in export prices and the leveling off of the decline in prices of raw materials, a certain reversal of the trend of the terms of trade of the Community and of the Member States has become perceptible since the end of 1958. During the first quarter of 1959, raw material prices even increased slightly under the influence of rising prices for copper, skins and wool and thus affected the terms of trade, which had reached their most favourable point during the second quarter of last year. None the less the terms of trade in several countries, particularly the Federal Republic of Germany and the Netherlands, are still more favourable than at the beginning of 1958. The greater buoyancy of raw material prices is doubtless due to the fact that the destocking period

in the Community is apparently at an end and that imports are adapting themselves progressively to current requirements. However, this process will not be reflected entirely in the total of Community imports - which moreover remained at a relatively low level at the beginning of the year - for the quantities of hard coal imported in 1959 will be considerably reduced in relation to 1958.

14. Despite the reduction of export prices by an average of 2 %, the value of exports at the beginning of 1959 is still above the level of the corresponding period of the preceding year. Thanks to the high level of exports, the commercial balance of the Community is characterized by particularly large surpluses. At the beginning of 1958, the situation deteriorated in several countries, particularly France and B.L.E.U., with a consequent shrinkage of these surpluses, but the falling off was less marked than is generally the case at the beginning of the year.

15. For the Community as a whole, the constant improvement in the commercial balances of the member countries results in an increase in gold and currency reserves. This has been going on throughout the first months of the present year. Total reserves in the different countries have nevertheless also been influenced by certain movements of capital. In France, during the early part of 1959, the currency re-organization measures decided on at the end of 1958 resulted in a reversal of the conditions of settlement and some repatriation of capital. In Belgium, on the contrary, reserves have fallen slightly in the course of the first months of the year. Despite the continuing surpluses in the commercial balance of the Federal Republic, gold and currency reserves of that country have also dropped as a result of the development of

capital export, repayments of large sums in respect of foreign debts, and other exceptional disbursements abroad.

16. At a meeting of the Parliamentary Committee on Long-term Economic Policy, Financial Questions and Investments, the chairman of the Economic and Financial Affairs group defined in the following terms the opinion of the EEC Commission on the general market situation and its future trend:

- " Despite an improvement in the general economic situation in the Netherlands, and, more recently, in the Federal Republic, industrial production, where it is not stationary, is still increasing only slowly in the European Economic Community as a whole. Coalmining and textiles are in a state of depression, and Belgium continues to be in a difficult position.
- " It must not, on the other hand, be forgotten that there exists within the Community a growing potential of economic development represented by unused capacity of plant and labour.
- " It is the opinion of the Commission of the European Economic Community that these reserves should be progressively utilized so as to ensure expansion of production as rapidly and steadily as possible. The volume of the currency reserves built up during recent years, which are being constantly increased by balance-of-payments surpluses, gives the Member States a freedom of movement which they had not enjoyed for a long time.
- " It must be emphasized, however, that France will still have to exercise extreme prudence for some time yet. The success of the economic, financial and currency measures introduced at the end of last year becomes more

- evident from day to day, but the memories of a long period of inflation are still too recent and reserves too weak for the new start of the French economy to run ahead of that of other countries without danger.
- " The Commission of the European Economic Community is in full agreement with Herr ERHARD, Minister of Economic Affairs of the Federal Republic of Germany, when he states that 'the moment has come to launch a new expansion which should be without setbacks' and that 'Europe is now at the beginning of a new period of expansion which, we hope, will this time not be inflationary'.
- " There is a real possibility that the new expansion may result from consumer demand and the spontaneous action of industrialists. But if this should not be the case, the governments of the Community countries should not hesitate to use all the means at their disposal to ensure satisfactory economic development.
- " The Commission is of the opinion that a policy co-ordinated between the Member States would be the best means of speeding up the economic expansion of the Community.
- " This co-ordinated policy should have the special aim of helping forward the action of those countries which are in the most difficult position. Thus the Commission is ready to examine with the Belgian Government, on the basis of the latter's emergency programme, possibilities of common action to speed up the recovery of the Belgian economy.
- " The Commission has recently had contacts with the administrations in the different countries as a result of which it is in a position to affirm that a concerted

" policy relating to economic trends is a practical possibility. The Commission will act in close collaboration with the Governments of the Member States to give concrete reality to this possibility during the coming weeks.

17. The Committee of Experts on Economic Trends met on 5 May at the offices of the Commission to examine the draft Report on the Economic Situation of the Community in 1958 and the Outlook for 1959 prepared by the services of the Commission and to be submitted shortly to the European Parliamentary Assembly.

#### THE INTERNAL MARKET

##### Elimination of quantitative restrictions

18. The examination of the quota framework drawn up by the Member States in implementation of Article 33 of the Treaty is continuing in the services of the Commission, which have already discussed with the authorities of each Member State their most important comments. The Commission will give an opinion and, if necessary, formulate recommendations as soon as the final checking has been completed by its services.

It is noteworthy that, because of the application of the rule referring to 3 % of the national output, the increase of the total volume of global quotas is already everywhere well above the minimum of the 20 % provided for in the Treaty.

The introduction of the new system of global quotas and the application of the quota disarmament measures during the course of the year nevertheless give rise to some questions of principle or to practical difficulties. These are

the subject of joint study at meetings periodically arranged with experts from the Member States; where necessary, the Commission will make its views known on these issues.

The Commission has also organized a series of multi-lateral or bilateral consultations with the Member States and has endeavoured to draw up a list of the principal problems to which the various monopolies in the internal market of the Community give rise. Differences have arisen on each of the monopoly products in the course of talks with the delegations of the various countries. It has thus become clear that each monopoly will have to be handled separately. Priority has been accorded to a study of the tobacco monopolies in France and Italy.

#### Abolition of customs duties

19. The Member States have informed the Commission of their legal provisions relating to the entry into effect of the first reduction on 1 January. The Commission has not yet been able to study these measures in detail. A preliminary examination has however shown that all the Member States have respected their obligations under the Treaty.

They have not only introduced amongst themselves the reductions stipulated by the Treaty, but they have also, in conformity with the decisions of the Council of 3 December 1958, extended to non-member countries the advantages of these reductions for a large range of products defined in the above-mentioned decisions. The preferences enjoyed by imports from Member States nevertheless remain considerable, though limited.

Some measures adopted for a very restricted number of products by certain Member States in the reduction of tariffs under the terms of the Treaty appear to run counter to

the effects of the general reduction which has taken place; these measures are at present receiving the close attention of the Commission.

The Commission is now dealing with the second round of reductions and work is being done to prepare the meetings of representatives of the Member States who will study the problems raised by the calculation of the total customs receipts.

In several meetings with experts of the various countries the Commission was able to settle a number of difficulties arising from the application of the customs circulation certificate, especially in connection with bonded goods. The Commission has also caused a study to be made of the approximation of the customs systems to be applied to processing traffic of interest to the processing industries of the Community.

#### Drafting the common external tariff

20. The first 84 of the 99 chapters of the tariff have already been dovetailed. These 84 chapters comprise 927 headings subdivided into 8,437 items.

To achieve this, 16,176 specifications existing on 1 January 1957 in the various tariffs of the countries concerned, and of which only one had at that time been re-cast in line with the Brussels Nomenclature, had to be considered. The Member States have already received Chapters 1 to 72; the following (73 to 84) will be distributed during May.

On the basis of this dovetailing the Commission has worked out an initial draft of the common external tariff for the first 83 chapters. The simplification introduced in accordance with customs and economic requirements has produced a

concise and manageable tariff structure, resting on 2,441 sub-headings.

The comments of the Member States are studied by the services of the Commission and subsequently by a mixed committee of economic and customs experts set up by the Member States and endowed with certain powers of decision. Of 516 comments submitted by the various Governments, 278 - relating to chapters 1 to 15 - have already been examined and virtually all the difficulties settled.

21. The Commission must further take all necessary action to ensure that the talks concerning List G are taken up before the end of the second year from the entry into effect of the Treaty.

Accordingly, the Commission called a meeting of the experts of the Member States and submitted to them a proposal on procedure.

On the basis of this proposal the experts set up a Central or Plenary Group for negotiations, assisted by three panels of specialists who have been instructed to frame proposals on certain items for the Plenary Group. In an overall discussion the latter will decide finally on the duty to be applied to each product.

Representatives of the Commission have been called on by the Member States to take the chair at the Plenary Group for negotiations.

It has been decided that the panels should each have two chairmen, each responsible for a particular group of products. These chairmanships have been divided as follows :

Group I	: Italy, Netherlands
Group II	: France, Luxembourg

Group III : Belgium, Germany.

Each of the three specialist panels has held a meeting since the beginning of April; the following products were submitted to scrutiny :

- Panel I : Wood, cork, paper pulp and used sacks;
- Panel II : Petroleum products, chemical products, especially borates;
- Panel III : Ferro-alloys, certain non-ferrous metals, machine tools, and motor-car engines.

#### The right of establishment and services

22. Under the provisions of the Treaty of Rome the Commission must present, before the end of 1959, a programme for the abolition of restrictions on the freedom of establishment and the free supply of services. The Commission has convened a general Working Party which undertook a study of the factors likely to play a part in the programme. This Working Party decided to set up ten specialist working parties whose conclusions will be submitted to it for approval. The spheres of these ten working parties are the following :

- 1) General problems of occupational activity, form of enterprise (agency, branch, subsidiary, company);
- 2) Special regulations for various commercial, industrial and artisan activities (possible subdivision between artisans and small traders), commercial assistants;
- 3) Agriculture, fishing, forestry;
- 4) Exploitation of the sub-soil, mines, petroleum;

- 5) a. Banking,  
b. Insurance;
- 6) Transport;
- 7) Medical and paramedical professions, veterinary surgeons, pharmacists;
- 8) Liberal professions and non-wage-earning activities other than those specified above;
- 9) Civil engineering;
- 10) Cinema, tourism.

The chairman for each of the ten groups is provided by the Commission.

## COMPETITION

### Rules applicable to enterprises

23. Since the legal content of Articles 85 and 86 of the Treaty of Rome can be regarded as sufficiently clarified, it seems advisable to begin with a thorough analysis of the Commission's powers and obligations under Article 89 of the Treaty of Rome. The results of this analysis were carefully studied by the third conference of government experts on understandings from the Member States, which was called by the Commission. It was generally recognized that the Commission was not only entitled, but in fact under an obligation, to ensure that the principles laid down in Articles 85 and 86 are applied.

24. A more detailed analysis of the substance of Articles 85 and 86 has also been taken in hand. The concept of the "Common Market" which repeatedly occurs in these provisions was thoroughly gone into. The conclusions, presented as a working document, found the approval of the government experts.

The government experts were unanimously of the opinion that the expression "incompatible with the Common Market" at the beginning of Articles 85 and 86 is merely a justification of the prohibition which follows, and therefore does not constitute a condition governing the prohibition. The expression does not therefore call for any interpretation. On the other hand the expression "within the Common Market" in Articles 85 and 86 does require to be interpreted. The government experts were unanimously of the opinion that this expression refers to the Common Market as a geographical unit. In carrying out the programme it will naturally be necessary to take into account the various stages of development of the Common Market.

The conference of government experts also dealt with certain particular cases of understandings and in this connection considered certain aspects of the substantive law content of Article 85.

The examination of particular cases will be continued by a special working party and will then be taken up again at the next conference.

25. On the question of international understandings the Commission attaches very particular importance to the most concerted action possible by the competent authorities of the various countries. The experts on understandings agree on this point. In view of the absence of any pertinent legislation in Belgium, Italy, and Luxembourg, the application of Article 88 is becoming an increasingly disturbing factor. In bilateral talks the Commission has gathered information on the progress of work in Belgium and Italy and has stressed the urgency of the matter. It will continue to press for the earliest possible promulgation of the necessary provisions.

26. The fixing of a common programme of work has been further studied.

The study of a number of cases of understandings which were submitted by the Commission under the terms of Article 89 has begun. Should it appear that the principles laid down in Articles 85 and 86 are being violated in these cases, the Commission will get in touch with the competent authorities of the countries concerned or will ask them to give their attention to this matter in conformity with Article 88.

#### Dumping practices

27. The preparations for a conference of government experts on dumping have advanced sufficiently for such a conference to be convened and the necessary working documents to be distributed in the near future.

#### Approximation of laws

28. The Commission has pin-pointed the most important problems and has placed them in an order of urgency. It has compared its decisions with professional opinion, especially by hearing representatives of the Federation of Industries of the European Economic Community and of the International League against Unfair Competition. Wide agreement was achieved on the importance to be attached to the removal of difficulties flowing from differences in legislation concerning industrial patent rights, deals for works and supplies, and certain sectors of industrial law (provisions relative to the quality or the origin of goods or to problems connected with public health or safety). The Commission is already dealing with the first two of these matters, which are of fundamental importance to the proper functioning of the Common Market.

In recent months the attention of the Commission has also been drawn to the problem of administrative obstacles to trade. It is possible that administrative protection, stemming from rules on the qualitative or technical properties of goods, might take the place of customs duties or reduced quota restrictions as these are progressively abolished.

In order to avoid such difficulties, the Commission is at present drawing up a plan for the approximation of laws on the basis of Articles 100 to 102 of the Treaty.

#### State aids

29. In the light of the discussions which took place with government experts during the conference of 26 January 1959, the Commission has now invited the Governments of the Member States to submit within three months, that is to say by the middle of June this year, all information relating to state aids of a financial nature at present in force. It was decided not for the time being to include in this preliminary inventory either subsidies to products listed in Annex II of the Treaty (list of agricultural products subject to the provisions of Articles 39 to 46 inclusive), or aids of a fiscal nature.

In conformity with the schedule of work which it had drawn up the Commission, at a further meeting with government experts held in Brussels on 17 April 1959, initiated a study of the problems raised by the exclusion from the inventory of the aids referred to above. At that meeting the conditions under which the procedure for the notification of plans to institute or to modify aids (cf. Article 93 § 3 of the Treaty) could be put into practice was also studied.

On the subject of information relating to aids accorded to products listed in Annex II of the Treaty, the various delegations declared themselves ready, without prejudice to the establishment of a general inventory intended to ease the Commission's task in working out a common agricultural production; these systems should be considered when forming an opinion on the measures of aid to any production requiring the agricultural products under review.

The government experts also agreed that certain fiscal provisions were in fact tantamount to aid within the meaning of Articles 92 et seq. In the light of their comments the Commission will endeavour to establish which of these measures consequently should be included in the inventory of aids in force.

30. The discussions on the procedure mentioned in Article 93 § 3 of the Treaty have revealed the readiness of the Governments of the Member States to provide the maximum amount of information for the Commission. The various delegations, agreeing that it was for the Commission itself to decide to what extent an aid plan was or was not compatible with the Common Market, declared their willingness to inform the Commission of all plans, even though there might be a doubt concerning the applicability of Articles 92 et seq. In their desire to allow the Commission sufficient time to study these plans before deciding whether or not to initiate the procedure which will lead to the total suspension of the provisions by the Government concerned, the government experts declared themselves ready to keep the Commission informed of their intentions without waiting for them to be put into final form.

In the light of these discussions the Commission will endeavour to find a form of procedure reconciling the interest

shown by the Governments of the Member States with the need to work out, on the basis of careful study of the plans, methods of applying in proper manner the procedure indicated in Article 93 § 3.

## SOCIAL AFFAIRS (1)

### Social security of migrant workers

31. The Administrative Committee for the Social Security of Migrant Workers met in Brussels on 12 and 13 February, 12 and 13 March, and 22 and 23 April 1959. It drew up in the four languages of the Community the final version of the forms for obtaining the long-term benefits which Council Regulation N° 4 envisages. It settled several questions connected with the application of regulations concerning family allowances. Finally, the Administrative Committee examined a number of technical problems mainly concerned with the health insurance situation of former Belgian and French workers in frontier areas, and laid down the rules to be applied in settling or revising pensions where the insurance matures before the entry into force of Regulations 3 and 4.

### European Social Fund

32. A first draft of the rules for the European Social Fund prepared by the services of the Commission is under examination by the experts of the Ministries of Labour and the Member States, whose views the Commission hopes to have before submitting draft rules to the Council for approval.

The Commission was also anxious to receive the comments of representatives of the Trade Unions and Employers'

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(1) cf. also Introduction to this Bulletin

Associations in the Member States on the principles governing the rules of the Social Fund. The exchanges of views on this subject took place at the seat of the Commission on 7 and 8 April under the chaimanship of the Chairman of the Social Affairs Group.

Contact between the ILO and the European Economic Community

33. On 24 April President Hallstein and M. Petrilli received in Brussels the Deputy Director-General of the International Labour Office and the representative of the ILO in Brussels. Co-operation between the services of the Community and of the ILO was the subject of their conversation.

AGRICULTURE

34. In the agricultural sector the services of the Commission are devoting their attention to the remaining problems concerning the expansion of exchanges between Member States provided for in the Treaty, and to preparatory work for the common agricultural policy.

Where the measures for the expansion of exchanges are concerned, the conclusion between France and the Federal Republic of Germany of a first long-term agreement under Article 45 of the Treaty is noteworthy.

This agreement, concluded for a period of four years, provides for increasing deliveries of French cereals to the Federal Republic at sales prices gradually approaching the prices paid to German producers, the gap being annually reduced by one twelfth of the difference between the two prices.

Italy, on the other hand, has availed itself on the opportunity offered by Article 44 of the Treaty and has fixed, with effect from 1 April 1959, minimum import prices for fresh

or frozen beef and veal.

35. At a meeting on 19 March, the six Ministers of Agriculture and the Chairman of the Agriculture Group had an exchange of views on certain general points concerning the application of Article 45 and on the provisions for the abolition of quota restrictions in the wine, fruit and vegetable sectors.

On 20 April the six Ministers and the Chairman of the Agriculture Group discussed general problems raised by the future common organization of cereal markets.

36. Taking up the suggestion made at the Stresa Conference for a lasting and close co-operation with the trade organizations, the Commission has discussed with the Committee of Agricultural Trade Organizations of the six countries the problems relating to cereals in the Common Market. It was not for this meeting to take decisions concerning the organization of the cereals market or the level of prices. None the less general agreement was found to insist on the necessity for a study of the cereals problem in relation to marketing forecasts for processed goods.

Also, information conferences have been organized for the organizations established at Community level representing not only producers but also trade and the agricultural and food-stuffs industries.

These organizations have made known their views on a common market organization for cereals, meat, milk, dairy produce, sugar beet and sugar.

Finally, senior members of the organizations affiliated to the Working Party of the Agricultural Workers Union of the six countries (International Confederation of Free Trade

Unions) were convened by the Commission for an informatory session.

In March, the Inspectors-General of the Forestry Administrations in the Member States met under the auspices of the Commission in order to prepare a conference of forestry experts planned for June.

37. The studies which are required for the preparation of the common policy deal in the first place with the regional agricultural structure of the Community, trends in the output of and demand for agricultural products, and the likely repercussions of a common agricultural policy on the agriculture and the economy of the six Member States. In September, the Commission will submit to the Economic and Social Committee its draft proposals for the common agricultural policy.

Several studies on marketing problems have already been laid before the Economic and Social Committee. During May conversations took place between representatives of the Commission and representatives of the specialized section for agriculture of the Economic and Social Committee on problems related to the elaboration of the common agricultural policy. A further discussion on structural and other questions of a special nature is to take place at the end of June or the beginning of July.

38. Representatives of the Member States and of the Commission attended several meetings on agricultural subjects organized by GATT or the United Nations.

It should be noted that the United Nations Wheat Conference led to a new International Wheat Agreement which will replace the agreement due to expire on 31 August 1959.

The new agreement contains major modifications of the previous one. For instance importing countries which are signatories to the International Wheat Agreement must from now on meet a fixed percentage of their annual requirements from the exporting countries which are signatories to the Wheat Agreement. This percentage is fixed by the new agreement. The former Wheat Agreement did not oblige importing countries which were signatories to it to meet their import requirements from exporting countries which were signatories, except when prices had dropped below a certain minimum fixed by the Agreement. The new agreement also obliges the importing countries to state their probable import requirements at the beginning of each year.

The representatives of the Member States and those of the Commission adopted closely co-ordinated positions at all these international conferences and meetings.

#### TRANSPORT

39. The Commission has continued preparatory work on the draft, for submission to the Council, of regulations intended to effect the removal of discriminations in traffic within the Community not later than at the end of the second stage. The Treaty of Rome requires the Council to establish these regulations before 31 December 1959, on the basis of a proposal of the Commission and after consulting the Economic and Social Committee. The Commission has obtained the opinions of the Members of the Consultative Committee on Transport, to which it had referred a preliminary study of the special problems which the Commission must take into account when framing the draft rules.

40. The services of the Commission have undertaken the study of the problems raised by the application to transport of Articles 52 et seq. of the Treaty (right of establishment) and by the implementation of Articles 92 et seq., 77 and 80 (aids).

41. The Commission has considered it desirable to make available rapidly a general view of the present situation of the various means of transport and of the projects under study or in course of execution. With this end in view, questionnaires have been sent to the governments of the Member States simultaneously with the launching of a general study concerning the infrastructure of the railways, roads and waterways as well as vehicle parks and fleets. This study has already provided an adequate general idea of the present situation and of the probable future trends.

42. The High Authority has asked for the Commission's opinion on the matter of the harmonization of inland waterways freights, which is at present under consideration in Luxembourg. The Commission expressed its agreement with the action undertaken by the High Authority and has requested to be associated with the latter's work.

#### THE ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

43. Immediately after the cataclysm which has befallen Madagascar, the President of the Commission informed the President of the French Republic and President of the Community of the Commission's intention to help in the restoration of the island's economy. At the same time, the Commission informed the Council of its intention to submit shortly concrete proposals for assistance by the Development Fund in the reconstruction of Madagascar.

If the Madagascan Government so wishes, it will be possible to use for reconstruction certain credits which had been earmarked for the first investment projects in Madagascar. In addition, the Commission will request from the Council authorization to commit without delay further Development Fund credits from the 1959 financial year and thus to associate itself with the carrying out of the overall reconstruction plan for Madagascar. Finally, the Commission has called on Community enterprises through industrial associations in the Member States to participate with their technical resources in the realization of the reconstruction plan to be established by the Madagascan Government. General de Gaulle expressed to President Hallstein his gratitude for the proof of solidarity given by the President of the Commission to the President of the French Republic, President of the Community.

#### The Development Fund

44. The proposals for the financing of three economic investment projects in Ruanda-Urundi, submitted to the Council by the Commission, were considered as approved from 31 March 1959. These projects of economic interest are in addition to five of social interest previously adopted. Three conventions for the financing of the eight investment projects which concern the Belgian Congo and Ruanda-Urundi were signed on 7 April by the chairman of the Overseas Countries and Territories Group of the Commission of the European Economic Community and the Minister for the Belgian Congo and Ruanda-Urundi.

45. The cost of the five projects of social interest is estimated at 4,754,000 (EMA) units of account (about 230,700,000 Congo francs) as a provisional commitment, of

which 2,040,000 units of account (102,000,000 Congo francs) represent the first tranche. Of these five projects four are for the Belgian Congo :

- The construction of a medical and surgical centre at Doruma in the eastern province. This establishment will contain 210 beds and the cost is reckoned at 400,000 units of account (or 20,000,000 Congo francs). It is one of a series of medical centres, dispensaries and maternity hospitals which are intended to improve the health and demographic conditions of a whole region which is poor in natural resources.
- The carrying out of anti-erosion schemes in the non-tribal centres of Luluabourg. The construction of numerous houses and installations on a plateau with sandy soil intersected by many streams and ravines has diminished the area of the porous surface and rapidly increased the flow of water on the slopes and the consequent erosion. Large-scale work proved necessary in order to ensure drainage and water catchment; the cost of this work is estimated at 654,000 units of account (or 32,700,000 Congo francs) of which 400,000 units of account (or 20 million Congo francs) represent the first tranche.
- Establishment of the infrastructure, which is essential before any dwellings can be built, for new quarters in the extra-tribal centres of Ruashi, on the outskirts of Elisabethville, and of Stanleyville. These schemes will make possible the conversion of old quarters composed of huts and buildings of non-durable materials. The cost is estimated at 400,000 units of account (or 20 million Congo francs) for Elisabethville, and 600,000 units of account (or 30 million) for Stanleyville.

46. The fifth project of social interest is situated in Ruanda-Urundi, in the region of Mayaga-Bugasera, situated partly in Ruanda and partly in Urundi. The project concerns a vast area of about 50,000 hectares which, because of sleeping sickness and lack of water, remains practically uninhabited in the neighbourhood of regions which are becoming overpopulated. The cost of opening up this area is estimated at 2,700,000 units of account (or 135 million Congo francs). In the first phase, a preliminary survey of the region will be carried out and a detailed study of the different aspects of the necessary pioneering work undertaken. The cost of this will be 240,000 units of account (or 12 million francs).

47. The three investment projects of an economic nature in Ruanda-Urundi concern two road connections and the introduction of tea-growing by natives.

The Bugarama-Muramvya road, which forms a stretch of the great artery linking Kitega, Muramvya, Bugarama and Usumbura, constitutes a bottleneck in traffic between Kitega and Usumbura, and its bad state of repair is a threat to the trade of 600,000 inhabitants. It is estimated that the necessary improvements will cost 440,000 EPU units of account (22 million Congo francs) of which 260,000 units of account (13 million francs) represent the first tranche.

The opening of a track from Rivesere to Kinyanya, providing a link between the existing road networks in the territory of Kitega and in Mosso, will reduce by 70 kms the length of the journey to Kinyanya, the chief centre of Mosso, and will facilitate the movement of goods and persons between this region, which is relatively rich and sparsely populated, and the rest of the country. The cost is 120,000 units of account, or 6 million Congo francs.

The introduction and the development of tea-growing by Africans in the territory of Biumba. Up to now coffee, which accounts for 7/8 of incomes in the region, has been the principal product grown, with all the drawbacks associated with such specialization. The development of tea-growing, which has been welcomed by the Africans, after the results obtained by some European settlers, will contribute to the diversification of local consumer needs under better conditions. The cost of the project is estimated at 366,000 units of account or 18,300,000 Congo francs.

48. With the three conventions, covering eight projects, the European Economic Community is placing at the disposal of the Belgian Congo and Ruanda-Urundi a first tranche of credits of 2,786,000 units of account or 139,300,000 Congo francs in respect of the financial year 1958.

The ownership of the equipment constructed will be vested in juridical persons under public law selected by the local authorities.

The sums allocated by the Development Fund take the form of subsidies for which no repayment is demanded.

It is worthy of note that more than one hundred projects have been submitted by the Franco-African and Madagascan Community to the services of the EEC for approval.

### Studies

49. In the course of its January 1959 session, the European Parliamentary Assembly recommended that a report be drawn up on the social situation of the overseas countries associated with the Community. Knowledge of the special conditions governing the social development of these countries is

essential in order to determine the uses to which the Development Fund should be put, since the Treaty of Rome clearly states that the aim of this Fund is to promote social as well as economic overseas.

Experts from the Member States and the services of the Commission have drawn up a general outline to serve as a framework for the study being undertaken.

### Contacts

50. In March, African and Madagascan personalities belonging to both the public and the private sectors made a study and information visit to the Community countries at the invitation of the Commission.

During their stay in Brussels these personalities were given an explanation of such matters as the institutional set-up of the Community. In the course of their journey through the Member States, they had the opportunity to meet politicians and leaders of industry and of the trade union movement.

### The development of trade

51. The measures for the reduction of quantitative restrictions taken in the overseas countries and territories in application of the Treaty, and of recommendations by the Commission, have been given an initial examination by the services of the Commission. This study has already shown that the measures for the reduction of quantitative restrictions - which concerned only those countries and territories where there were import quotas, that is to say all the territories with which France has special relations - have brought about

a rate of increase in the open quotas which is much higher than the 20 % laid down in the Treaty. The final rate of increase cannot, however, be known before the Commission has been able to fix the quotas which must be opened for products for which so far no quotas have existed (nil quotas).

Generally speaking, products subject to quota restrictions are those for which there is a large import requirement or a strong demand. It can be concluded that the quotas will be entirely, or at least very widely, taken up.

So far as the reduction of customs duties is concerned, all the countries and territories with discriminatory preferential duties for the Member States have reduced their customs duties by 10 %. These countries include : Senegal, the Sudanese Republic, the Islamic Republic of Mauritius, the Republic of the Ivory Coast, the Republic of Dahomey, the Republic of the Volta, the Republic of the Niger, French Polynesia, New Caledonia and dependencies, and St. Pierre and Miquelon.

None of the countries and territories which on 1 January 1959 reduced their customs duties in favour of the Member States and the other associated countries and territories has stated any intention of availing itself of the provisions of Article 133 paragraph 3, allowing them to "levy" customs duties which correspond to the needs of their development and to the requirements of their industrialization.

Therefore, the 10 % reduction has been fully applied and no new duty has been created.

In conformity with Article 133 paragraph 3, no reduction of customs duties has taken place in those associated countries and territories which, as a result of particular international obligations to which they are subject, operate

a non-discriminatory customs tariff.

Those countries and territories which, though they are not subject to any particular international obligations, operate a non-discriminatory customs tariff, namely Madagascar and dependencies, the Comoro Archipelago, and Netherlands New Guinea have not reduced their tariff. This would seem to be justified by the non-discriminatory nature of these revenue duties, which apply throughout to imports from the Member State with which these countries and territories have special relations and to imports from any other Member State.

52. The services of the Commission have closely followed the development of general economic trends, which are increasingly threatening the economy of the less developed countries. During the year 1959, the tendency for their terms of trade to worsen continued in disquieting fashion. The disequilibrium of the coffee market, the uncertainty weighing on the cocoa and cotton markets and the abundant supply of oil-yielding plants exclude any hope that 1959 will bring sufficient improvement to compensate for the rising prices of products imported into the less developed countries.

53. In particular, the growing imbalance of the coffee market faces the Community with a difficult problem of common commercial policy. Independent of the studies on individual commodities, the services of the Commission are carrying out a methodical examination of the various procedures for the stabilization of agricultural prices with the aim of finding methods of intervention which will make it possible to correct the disequilibrium affecting the economies of the underdeveloped countries, without infringing on commercial freedom or hindering the access of the industrial countries to world raw material markets.

ADMINISTRATIVE AFFAIRS

54. In its April session the European Parliamentary Assembly studied the 1959 draft budget drawn up by the Council and made several amendments to it. The Assembly proposed that the Council should include in the draft budget of the European Economic Community a credit of 500 million Belgian francs "to cover aids to be granted by the European Social Fund, any portion of these credits remaining unused at the end of the financial year to be carried forward to the financial year 1960". The Assembly proposed that the working credit for the Development Fund be increased from 7 to 10 million Belgian francs, and requested that in the draft budgets of the European Economic Community and Euratom the credit for official journeys, travel expenses and experts' fees should be increased by 2 million Belgian francs for relations between the Councils and the Assembly. The Assembly decided to propose an amendment providing for a symbolical reduction of one Belgian franc in the credits shown in the provisional estimates of the Councils under heading 11, "Personnel". Also, being of the opinion that the six Governments have failed in their duty by not fixing the seat of the institutions of the three Communities, the Assembly agreed to reduce by one Belgian franc the credits shown in the provisional estimates of the Councils in heading 20 under the item 201 "Rents for building".

Finally, the Assembly requested that the credits for the functioning of the Economic and Social Committee should be included in the provisional estimates of the Commissions and not in those of the Councils, i.e. 12,500,000 Belgian francs for each of the Commissions - European Economic Community and Euratom.

55. On 5 May, after deliberations with the Commission,

the Council finally adopted the budget. In order to meet the concern shown by the Assembly, the Council has incorporated in section 60 of that part of the budget which deals with the Commission's expenditure an overall appropriation of 500 million Belgian francs under item 613 - assistance to be furnished by the Social Fund. Consultations between the Council and the Commission on the question of administrative expenditure and the supervision of the Development Fund for the overseas countries and territories have shown that it will probably not be necessary to increase the amount set aside for this purpose under item 501. Should this amount prove insufficient, the Commission could have recourse to the provisions which will be made in accordance with Articles 205 and 209 of the Treaty. With regard to the appropriations for the work of the Economic and Social Committee, the Council agreed to enter a "pro memoria" credit under item 401 of heading 40 of that part of the budget which deals with the Commission's expenditure. The Council completed and expanded its comments on the use to be made of appropriations under item 243 in order to stress that these credits have been assessed to cover all the expenses of the members of the Councils, including those occasioned by their participation in the work of the Assembly. The Council did not consider the amendment to item 201 proposed by the Assembly; this deals with rent for the accomodation of the Councils. The Council is of opinion that the Assembly's comment is not of a budgetary nature. Finally, the Council did not uphold the proposed amendment concerning the appropriations in respect of the staff of the Councils. It believes that these appropriations do no more than correspond to the expenses required to allow the Councils to do justice to the duties and responsibilities conferred upon them by the Treaties.

#### IV. - INSTITUTIONS AND ORGANS

##### A. THE EUROPEAN PARLIAMENTARY ASSEMBLY

56. The Assembly resumed its session in Strasbourg on 9 April. The President of the High Authority of the European Coal and Steel Community, the President of the Commission of Euratom, and M. MALVESTITI, Vice-President of the Commission of the European Economic Community, presented in turn the General Reports which their institutions had submitted to the European Parliamentary Assembly between the middle of February and the beginning of April.

M. LEMAIGNEN, Chairman of the Overseas Countries and Territories Group, announced the intention of the Commission to come to the aid of the Madagascan Republic, which had recently been stricken by disaster. The Assembly expressed its satisfaction at the measures which the Commission proposed to take in order to help the Madagascan people. The Assembly requested the Council to distribute immediately, under the provisions of Article 4 of the Implementing Convention relating to the Association with the Community of the Overseas Countries and Territories, the amounts set aside for the 1959 financial year, so that both the 1958 and the 1959 contributions to Madagascar may be made available.

The Assembly called into being a temporary special Committee, known as the "Delegation of the European Parliamentary Assembly for a Study Visit to the Overseas Countries and Territories"; this committee will travel to Africa in the near future. It will be headed by M. SCHEEL, as Chairman of the

Parliamentary Committee on the Association of Overseas Countries and Territories.

At the end of the debate on Chapter 4 (Agricultural Problems) of the first General Report on the Activities of the European Community, the Assembly

- " - Approving the report presented by M. TROISI on behalf of the Agricultural Committee and noting the declarations made in the course of the debate by the Commission of the European Economic Community,
- Attaching fundamental importance to the speedy working out of a common agricultural policy, which is indispensable to the proper functioning of the Common Market,
  - Considers it advisable to comment simultaneously on the three reports presented by MM TROISI, LUECKER and VREDELING,
  - Decides, therefore, to present its overall conclusions at the end of a debate on the subject to be held in June."

After a discussion of the 1959 draft budgets of the European Economic Community and the European Atomic Energy Community, the Assembly adopted a resolution amending these draft budgets (1).

Finally, the Assembly reminded the Governments of the Member States of the task entrusted to them by the ECSC, EEC, and Euratom Treaties, namely to decide on the final seat of these Communities and their Institutions.

The Assembly adjourned its session on 17 April and resumed work on 12 May.

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(1) See also paragraph 54

B. THE COUNCIL

57. On 16 March the Council met for its 20th session. At this meeting the Council discussed the Memorandum on the problems of the European Economic Association, which the Commission submitted on 27 February 1959 (1).

The Council requested the Commission to provide the Secretariat of the Administrative Commission envisaged in its Regulation No. 3. Finally, at the same session, the Councils, acting in accordance with the provisions of Article 206 of the Treaty establishing the European Economic Community and Article 180 of the Euratom Treaty, set up a single committee of control for the two Communities; this committee is composed of six members.

On Tuesday, 5 May 1959, the Council held its 21st session. On that occasion it finally passed the 1959 budget of the European Economic Community.

After consulting the Commissions, the Council made the following appointments to the Economic and Social Committee:

- Professor Nestore NARDUZZI, lecturer in Economics and Finance in the University of Perugia (Italy), to replace M. CORDINO, who has resigned;
- M. Camille MOURGUES, member of the "bureau confédéral" of the CGT-FO (France), to replace M. PEETERS, who has resigned;
- Dr. D. F. van DER MEI, Secretary of the "Christelijk Nationaal Vakverbond in Nederland" (Netherlands), to replace M. TJEERDSMA, who has resigned.

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(1) See also paragraph 2 of Chapter III  
"The Activities of the Community"

The Council discussed the first report of the activities of the Monetary Committee, and heard a statement by M. van LENNEP, the chairman of that Committee, before studying a number of problems connected with the 14th session of the Contracting Parties to the GATT. The Council authorized the Commission to signify the agreement of the Community with the proposal made by the Government of the United States that a new multilateral tariff conference be called (1).

The Council also discussed the consultations which the Six have agreed to have with certain contracting parties on the subject of Article XXII of the GATT. On the Commission's recommendation the Council laid down the directives to be followed by the representatives of the Community during the 14th session of the Contracting Parties. In connection with the disaster which has recently befallen the Madagascan Republic, the Council heard a statement from the Commission on the subject of the terms under which the Development Fund for the Overseas Countries and Territories will operate.

#### C. THE ECONOMIC AND SOCIAL COMMITTEE

58. The Committee met on 26 and 27 February 1959.

It had been asked to comment on two issues:

- First, on the question of the Secretariat of the Administrative Committee envisaged in Articles 43 and 44 of the Council's Regulation No. 3 on the social security of migrant workers. The Council had submitted its mandatory request for an opinion. The Committee expressed the opinion that the Commission should be instructed to provide the Secretariat

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(1) See also Chapter II "Study of the American proposal for the calling of a multilateral tariff conference"

of the Administrative Committee.

- Second, on the draft directives prepared by the Commission with a view to the progressive introduction of the right of establishment in the overseas countries and territories. Though no such consultation is laid down in the Treaty, the Commission had asked for the Council's views. Before making its opinion known, the Committee asked for an extension of the time at its disposal. With the agreement of the Commission the Committee submitted its views at the end of April.

At its February session the Commission laid before the Committee the main lines of its social policy.

59. The Committee held its 6th session on 28 and 29 April.

On the basis of the preliminary report of its section specializing on economic questions it discussed with M. REY, one of the members of the Commission, the Community's commercial policy. This preliminary report had been drawn up after the Commission had asked the Committee's opinion in the matter of the commercial policy of the Community. Without waiting to be in a position to provide the opinion asked for, the Committee unanimously passed a recommendation expressing the wish that "until the harmonization of policies provided for in the Treaty has been achieved, Member States negotiating within international organizations of economic character in respect of any products and particularly those in connection with which there are serious difficulties, shall obtain the agreement of the other Member States within the Community before they subject the conditions and status of their trade with countries where wages are abnormally low, with countries operating several rates of exchange or with state trading countries, to changes which will widen existing divergences or create new ones."

Subject to the observations listed below the Committee unanimously approved the draft directives laying down the terms for the progressive application of the right of establishment in the overseas countries and territories and in the French overseas Départements.

1. Since it is the main objective of the draft directives to promote the economic and social development of the overseas countries and territories, they must above all make it possible to promote the interests and the prosperity of the inhabitants of these areas.

2. Though the question of entry, residence or expulsion of natural persons has been reserved, the Committee nevertheless hopes that the Commission will give its attention to these matters as soon as possible, since they are closely connected with the smooth and full application of the right of establishment.

3. The draft directives deal with only some of the cases of discrimination within the meaning of Article 8 of the Implementing Convention. The Committee is of the opinion that in accordance with the provisions of Article 8 of the Convention, a procedure should be immediately provided by which the Institutions of the Community could study all remaining forms of discrimination, so that none of them should continue after the end of the transition period.

4. The Implementing Convention was intended to extend the right of establishment in the overseas countries and territories to nationals and companies of all the Member States. It does not expressly state the same in respect of nationals and companies of the overseas countries and territories themselves. Nevertheless the Convention is an integral part of the Treaty

and must, therefore, give proof of the same spirit as regards the principle of non-discrimination and reciprocity which makes the Treaty what it is. The Committee feels that reciprocity should be accorded to natural persons and companies of the overseas countries and territories concurrently with the granting of the right of establishment to all Member States.

5. In the same anxiety to ensure respect for the spirit of the Treaty, the removal of discriminations must never have the effect of jeopardizing the normal development of the overseas countries and territories associated with the Community within the framework of their various national constitutions.

6. In conformity with the provisions of Article 54 paragraph 3 (a) of the Treaty, the right of establishment shall in the first place be accorded to companies likely to promote the economic and social development of the overseas countries and territories.

7. With regard to the co-ordination of national legislation which will have to be carried out amongst the Member States for the application of the provisions of the Treaty, the Committee suggests that an ad hoc committee be set up to study and to define the equivalence of the degrees and certificates to be required of the members of certain professions, such as architects or surveyors. The composition of this committee will be determined by the Council on proposals submitted by the Commission.

The Committee will meet again in plenary session on 30 June and 1 July.

D. THE MONETARY COMMITTEE

The Commission has received the first report of the Activities of the Monetary Committee; it was addressed to the Council and to the Commission. The report contains a survey of the tasks and the activities of the Committee and comments on the financial and monetary situation in the Member States of the Community and on the consequences flowing from the convertibility of European currencies.

In the course of these regular studies of the financial and monetary situation in the countries of the Community the Committee, at its meeting of 28 February, examined the situation in Italy, and on 10 April it dealt with the position in the Netherlands and in the Federal Republic of Germany. At the end of its deliberations it submitted to the Council and to the Commission reports on the situation in each of these countries.

E. THE CONSULTATIVE TRANSPORT COMMITTEE (Article 83 of the Treaty)

61. Since its inauguration on 27 January 1959 the Transport Committee has held several meetings devoted to the study of the special problems which the Commission must bear in mind when working out draft rules in conformity with Article 79 of the Treaty. Before the end of May the Transport Committee must submit its report, so that the Commission may at an early date draw up its proposals for submission to the Council.

