

THE COMMON MARKET

The European Economic Community

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RISE IN TRADE FORECAST IN COMMON MARKET REPORT

WASHINGTON, April 3, 1959 - A 15 per cent increase in French trade, and a three to five per cent increase in the trade of Benelux countries, Germany, and Italy are expected to result from the first tariff cuts and quota enlargements in the Common Market countries made on January 1st, 1959, according to the second General Report of the European Economic Community, published in Brussels today. The major part of the first draft of the Community's common external tariff has already been prepared.

The report records substantial progress in many fields, including investment aid, dismantling of national trade barriers, agricultural policy, labor policy, and aid for overseas countries and territories. The report is expected to be debated by the 142-man European Parliament this June.

EUROPEAN ECONOMIC COMMUNITY'S SECOND GENERAL REPORT (SUMMARY)

Administration

The Commission, the Community's executive body, has almost completed the setting up of its own administration. At the end of February, the staff totalled 1,108. The Commission considers that a single personnel statute should be adopted as quickly as possible for the staff of all the Community's institutions, and it has submitted to the Council, together with the Euratom Commission, a first draft of proposals for a Community tax on salaries.

Collaboration between the three Executives, says the report, has been intensified, and since October, 1958, joint meetings on all levels have been held at monthly intervals. The Joint Legal Service and Joint Statistical Office, which have been working for some time, have been enlarged, and a Joint Press and Information Service is being set up.

External Relations

The report describes the Paris negotiations for a Free Trade Area, suspended on November 17, 1958, and the decision of the Community's Council of Ministers on December 3, 1958, to adopt provisional measures. It recalls that the first memorandum on the possibilities of a European Economic Association, which the Council then asked the Commission to prepare, was submitted to the Council last February 27 and published on March 17.

The Commission participated as an observer in the 13th Session of the Contracting Parties of GATT (General Agreement on Tariffs and Trade) held at Geneva from October 14 to November 22, 1958. Talks have been held on the subject of tea, coffee, cocoa, sugar, tobacco, and bananas, enabling the Commission to take account of the preoccupations expressed by the Community's partners. The Commission is also taking part in the work of the three GATT Committees which are examining the possibilities of a new series of tariff negotiations, as

well as the problems of agricultural protection and the expansion of international trade, particularly with regard to less developed countries. These three Committees will report to the 14th Session of the Contracting Parties in May 1959.

The Commission is at present engaged in preparatory work on the coordination of trade policy, particularly with regard to special areas and countries which are commercially linked with the Community. Emphasis will be placed on the problems of raw-material producers.

It maintains regular contacts with the Council of Europe and with United Nations organizations, particularly with the International Labor Organization, the Food and Agriculture Organization, the Economic Commission for Europe, The Economic Commission for Latin America, and the Economic Commission for Africa, whose first conference was held at Addis Ababa from December 29, 1958, to January 10, 1959.

Economic Problems

Since January, 1959, the Commission has published monthly notes on the Community's economic situation, and three monthly analyses in more detail. It is anxious to increase and improve the comparability of national statistics and believes that it is essential that national budgets should be presented in comparable terms. It has already taken up this task in collaboration with national experts.

Referring to the economic and financial measures taken by France at the end of 1958, the report declares that while these will no doubt temporarily restrain consumption they will nevertheless stimulate the economy by increased public investments. They furthermore represent an indispensable condition for greater expansion, without compromising price stability and the balance of payments, the report declares.

The Commission is studying the means of progressively abolishing restrictions on capital movements during the transition period to keep pace with the freeing of goods and services.

The Commission is closely watching the energy situation within the Community and in particular the coal crisis, notably in the Borinage area of Belgium. It reaffirms its determination to cooperate with all the means in its power to aid recovery and revival of the regions affected. In the same way it is studying the regional policy pursued by member governments with a view to putting forward a Community policy in this respect.

The Council of Governors of the European Investment Bank on December 4, 1958, published the first general directives of its credit policies. On March 18, 1959, the bank's administrative council decided on aid totalling \$24 million to four investment projects within the Community.

Toward the Common Market

The first tariff cuts and quota enlargements on the full Common Market were made on January 1, 1959.

The Commission estimates that these measures will result in an increase of trade of some 15 per cent for France and between three to five per cent for other parts of the Community. The report points out that certain countries have established new internal taxes to counter the loss of customs revenues involved in the tariff cuts. Although these are non-discriminatory and not therefore protective in effect, the Commission draws attention to their possible effect on public opinion and to the danger that they may deprive the consumer of some of the benefits he has a right to expect from the reduction of customs duties.

The Commission declares its intention of keeping a close watch on these and similar moves. Among the products affected by the internal taxes substituted for fiscal customs duties are the following:

Benelux:	Tea, mate, wines, and other fermented drinks, and certain spices.
Italy:	Coffee, tea, mate, finished tobacco, matches, ferrocium, cigarette paper, and certain spices.
Germany:	Coffee, tea, cocoa, alcohol, raw and finished tobacco, matches, mineral oil and their derivatives, and certain spices.
France:	None.

Toward the External Tariff

The major part of the first draft of the Community's Common External Tariff is now prepared, and preparations are being made for the negotiation of the tariff on products in list G, i.e., those whose tariff is to be settled between the member states.

Competition Rules

The Commission is at present compiling an inventory of state aids and other potential barriers to free and fair competition. It is the opinion that articles 85 and 86 of the Treaty regarding competition already have legal force. This opinion is shared by the member states, who have now to settle rules of procedure and sanctions for their application. Legislation to this effect already exists in France, Germany, and the Netherlands, but is still lacking in Belgium, Italy and Luxembourg. The Commission has asked these countries to establish the necessary measures.

The Commission has also begun to examine various concrete cases where the harmonization of legislation may be necessary, and certain requests regarding the practice of dumping.

Agriculture

First steps toward the full Common Market have also been taken in the field of agriculture, despite the greater difficulty here of the quota problem. A first long-term contract has already been concluded for greater imports of French cereals into Germany.

The Community's agricultural production, the report says, is increasing more rapidly than the consumption of food products. The production of eggs, potatoes, sugar, vegetables, meat, cheese, and butter already covers the total consumption. Wheat production covers 87.3 per cent and fruit production 90 per cent of present needs. Only in oils and fats (excluding butter) does Community production cover only 50 per cent of requirements. This situation, the report says, is in danger of putting pressure on agricultural prices, but the possibility of supporting them by regulating imports is somewhat limited.

Labor Policy

The immediate action of the Commission in this field has been concentrated on three main tasks:

- 1- The adoption, as an immediately effective regulation, of the European social security convention signed in Rome on December 7, 1957, insuring that migrant workers do not lose social security rights by crossing the Community's internal frontiers.
- 2- The preparation of the draft regulations of the social fund for re-employment and resettlement of Community workers.
- 3- The preparation of draft proposals for the free circulation of labor and a European labor exchange system.

The Commission is also studying paid holidays, hours of work, overtime and conditions of work throughout the Community, as well as collective bargaining, industrial diseases, and problems relating to pay scales.

Transport

The Commission has already communicated to the Consultative Transport Committee, set up at the beginning of 1959, a preliminary study of the problem of discrimination in the transport field. Regulations for suppression of discrimination by the end of the second four-year stage of the transition period are to be published before the end of 1959.

The Commission is also collecting detailed data on transport regulations in the six countries as well as on plans for transport modernization, with a view to working out a common transport policy to be applied in the Community as a whole.

It is further studying the problem of air transport and transport by pipeline.

Overseas Countries and Territories

The increase of trade with overseas countries and territories resulting from the first tariff cut and quota enlargements within the Common Market is likely to be limited for the present, particularly by the state of the world market, the report says. The Commission has decided to make an active study of the market for raw materials with a view to helping solve the problem of price and market stabilization.

91 investment projects had been submitted to the Commission by January 31, with a view to financing by the development fund. The Commission has approved aid to four social projects in the Belgian Congo and a fifth in Ruanda-Urundi, for a total of \$2,534,000. It has decided to submit three economic investment projects, all in Ruanda-Urundi, for the approval of the Council of Ministers.

Two-way visits between the Community and the overseas countries and territories have already begun, and the Commission has undertaken various fundamental studies to aid it in its task of assisting development projects and abolishing discrimination particularly in the right of establishment.

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