

EUROPEAN ECONOMIC COMMUNITY

COMMISSION

Fourth

GENERAL REPORT

on the

activities of the Community

(16 May 1960 - 30 April 1961)

MAY 1961

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

Mr. President,

We have the honour to submit the Fourth General Report on the Activities of the Community, which the Commission is required to publish in pursuance of Article 156 of the Treaty establishing the European Economic Community.

In accordance with Article 122 of the Treaty the Commission also prepares a Report on the Social Situation in the Community, to be included in the General Report. This document will be submitted to you in August.

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

Brussels, 5 June 1961.

Walter HALLSTEIN
President

Sicco L. MANSHOLT
Vice-President

Robert MARJOLIN
Vice-President

Giuseppe CARON
Vice-President

Robert LEMAIGNEN

Jean REY

Hans VON DER GROEBEN

Lambert SCHAUS

Lionello LEVI SANDRI

Contents

	page
Introduction	9
Chapter I — The Establishment of the Common Market .	23
<i>Free movement of goods</i>	24
Abolition of taxes with equivalent effect to import duties — The common customs tariff — The first step towards alignment on the common tariff — List G products — Tariff quotas — The "Community" system for processing traffic — Quota disarmament and special procedures for the development trade — Measures with effect equivalent to quantitative restrictions — The adjustment of monopolies of a commercial character — Special procedures concerning trade in agricultural products — Other systems of exception to tariff and quota disarmament	
<i>The free movement of persons, services and capital</i>	52
The free movement of workers — The right of establishment and the free supply of services — Free movement of capital	
<i>Competition</i>	62
Rules applying to enterprises : the draft implementing regulation pursuant to Articles 85 and 86 — Dumping practices — State aids — Approximation of legislation — Fiscal provisions — Abolition of discrimination in transport rates and conditions	
<i>Merging of markets</i>	84
Reaction among business circles — Expansion of trade within the Community in 1960	
Chapter II — Towards a Common Policy	97
<i>Policy relating to economic trends</i>	97
Trends in 1960 — Prospective trends in the Community in 1961 — Policy relating to economic trends	
<i>Development policy</i>	118
Structural policy — Energy policy — Regional policy — The activities of the European Investment Bank	

	page
<i>The common agricultural policy</i>	126
The Commission's proposals on the common agricultural policy — Progress of the common agricultural policy — Progress in the elimination of differences in conditions of competition	
<i>The common transport policy</i>	
Foundations of the common transport policy — General lines of common transport policy — Implementation of the common transport policy	
<i>Social policy</i>	154
Employment policy — Harmonization	
 Chapter III — The Community and the Developing Countries	 165
<i>The Community and the associated overseas countries</i>	165
The consequences of the changes in the political situation of the associated countries — The policy of trade expansion — The European Development Fund — Co-operation with the associated countries in studies and training	
<i>General development activities</i>	179
The Community's own operations — Community participation in international activities bearing on development problems	
 Chapter IV — The Community and the Outside World	 193
<i>General aspects</i>	193
Progress in liberalization policy — Bilateral contractual agree- ments — The Geneva tariff conference — Problems of inter- European trade	
<i>The association of Greece with the Community</i>	204
<i>The Community's relations with non-member countries</i>	216
<i>Relations with international organizations</i>	219

	page
Chapter V — The Work of the Institutions	225
<i>The activities of the institutions and organs of the Community</i>	225
The Parliament — The Council — The Court of Justice of the European Communities — The Economic and Social Committee — The Committee on policy relating to economic trends — The Monetary Committee — The Committee of Control — The Consultative Committee on Transport	
<i>Co-operation between the European Executives</i>	256
The Joint Services — The Legal Service of the European Executives — The Statistical Office of the European Communities — Information	
<i>Changes in the membership of the European Commission</i>	267
<i>The internal administration of the European Commission</i>	268

INTRODUCTION

In presenting its Third General Report on 9 June 1960, the European Commission noted that during the period covered (March 1959 - May 1960) the Community had asserted its reality at home and abroad and had consolidated its institutions.

This assertion of the Community's reality had been reflected in a number of rather spectacular measures or decisions culminating in the speed-up decision taken on 12 May 1960 by the Representatives of the Governments assembled in the Council.

The period covered by the Fourth General Report has been mainly one of consolidation; expansion in intra-Community trade has continued and the first measures have been taken to give effect to decisions already adopted or intentions previously expressed: effective implementation of the speed-up of the Treaty, conclusion of the negotiations for an association agreement with Greece, the task of "re-negotiation" within GATT in connection with the common customs tariff.

In comparison with these achievements the progress made on the road to economic union may seem modest. However, the scope of the first decisions on the common agricultural policy, taken by the Council in its meeting of 20 December 1960, is not to be underrated. At that meeting the Council established the principles to be followed in the organization of the European markets for the principal agricultural products. Important decisions were also taken on social policy, and on the European Social Fund in particular.

The Commission continued its patient study and preparation of the common policies. It submitted a first draft regulation on agreements and dominant positions (Articles 85 and 86 of the

Treaty), a memorandum suggesting the general lines for the common transport policy and, in agreement with the High Authority and the Euratom Commission, proposals on the first measures to be taken with a view to establishing a common energy policy.

While the success of the Common Market was being confirmed, important political and economic developments, perhaps not uninfluenced by this success, were occurring in the Western world. Fifteen newly independent African states and Madagascar expressed their desire to remain associated with the Community. Relations between the Community, the other European countries and the United States may need to be rebuilt on new foundations. Steps have been taken in the direction of the political unity of Europe.

The present report will give a detailed description of the Community's activities. Here the European Commission would like to stress their main features; it will endeavour to bring out a few lessons drawn from experience it has gained, and will add some reflections on the outlook for the Community in the present conjuncture of political events.

The year 1960 was dominated by the preparation and the application of the speed-up decision. For industrial products, the first approximation towards the common customs tariff and an additional reduction of 10 % in customs duties within the Community took place on 1 January 1961. The speed-up measures to be applied to agriculture on the same date were also introduced without change after a check on the progress made in that sector had been made by the Council.

The political and economic importance of these decisions needs no further explaining. Their introduction bears witness to the Member States' determination to speed up economic integration despite any technical difficulties to which the application of these decisions might give rise. The first approximation towards the common customs tariff, which is both a condition and an instrument of the Community's common commercial policy, has without doubt offered the clearest evidence of this determination.

The measures taken on 1 January 1961 are no more than a first step. There must be no interruption of the speed-up in the implementation of the Treaty, and the Commission considers it necessary that there shall be, as required by the resolution of 12 May 1960, an early decision to make a further additional reduction in duties between the Member States for the end of 1961. This new reduction would bring them down to 50 % of their basic level. The measure is desirable for political and psychological reasons, and would also be particularly timely in view of the Community's present economic situation.

Throughout 1960 there has been a continuation of the dynamic momentum of the Community's economy which had greatly facilitated the first measures to implement the Treaty, and it is reasonable to expect that it will be maintained in 1961 as well. Industrial production increased in 1960 by 12 %, while intra-Community trade grew by 25 % over the preceding year. In the two years from 1958 to 1960 the increase in Community trade was 50 %. These figures, which indicate the extent of progress made along the road to the Common Market, bring out clearly the effects and the expected results of the process of integration along with the benefits from that general economic expansion which the Common Market itself is reinforcing. It is moreover significant that this progress on the Community market has not harmed trade with the outside world, since Community imports from non-member countries themselves increased by 20 % in 1960 over 1959.

The negotiations begun in 1959 between the delegation of the Commission acting on behalf of the Community and the Greek delegation led, on 30 March 1961, to the signature by the two delegations of a protocol marking their agreement on the association treaty. This has been submitted to the responsible authorities in the Community, the Member States and Greece. The difficulties to be overcome were considerable : there was no precedent for such an agreement, nor for the use of the Community negotiation procedure provided for in the Treaty. The special situation of the Greek economy and the problems peculiar to certain Member States had to be taken into account. The success of the negotiations, due

to the determination to reach an agreement manifested by the Community and the Greek Government, and also, it must be said, to the efforts of the Commission's delegation, confirm that the Community is ready and willing to give full play to the opportunities for association that the Treaty offers.

Satisfactory progress has also been made in the tariff negotiations under Article XXIV (6) of GATT. These conversations cannot be other than highly technical, but their results will be of general significance, for they will mark the recognition of the Community's customs tariff by the Contracting Parties to GATT.

The Community does not limit its aims to the free movement of goods. It also intends to establish free movement of the factors of production, without which measures of customs or quota disarmament run the risk of being soon evaded or rendered inoperative. What has to be ensured is the free movement of workers, the free establishment of individuals or companies and the free movement of capital, and the essential problem is to define common policies on a European scale in order to maintain or even to establish the freedom of all these exchanges. It is for the European Institutions to establish these common policies and to draw up the European legislation which will give expression to them, whereas the Treaty, in these essential fields of economic activity, confines itself to establishing a general framework which is sometimes very vague. A special responsibility lies with the Commission, which has to put forward proposals on the means to be used and the measures to be undertaken.

The year 1960-61 has been for the European Commission the year of the common policies. The Commission has devoted a great part of its activity to the preparation or the finalizing of its proposals and to their discussion in the Council. On 30 June 1960, for instance, the Commission, after taking into consideration the opinions of the Economic and Social Committee and the discussions in the Parliament, submitted to the Council the final form of its proposals for the common agricultural policy. The Commission is aware that the implementation of this common agricultural policy

will be a touchstone for the success of the Community in the field of common policy. Only long and arduous labour will make it possible to lead the agriculture of six countries, closely sustained and supervised by the public authorities, towards a single market. The first decisions which have been taken on the principles of the common policy and on the use of the levy system—the latter is a basic element in a common market organization—are therefore all the more important.

The present organization of member countries' agricultural markets precluded the hope that intra-Community trade in agricultural products might expand at the same pace as trade in industrial products. Certain results have been obtained, but greater efforts are needed. The Commission therefore intends to remind the Governments of the obligation incumbent upon them to fulfil the requirements of the Treaty in the sphere of the common agricultural policy. Any faltering in this field would risk compromising achievements elsewhere, just as it might also jeopardize that balanced expansion of the Community economy which implementation of the Treaty is intended to bring about.

On account of the role played by the price of energy in economic development, the common energy market is a main pillar of the European edifice. With this in mind the Commission, in cooperation with the High Authority of the ECSC and the Commission of Euratom, has drawn up proposals for the first measures leading to a co-ordinated policy on energy. These proposals have been submitted to the Governments. For its own part, the Commission sets the greatest store by the Community having available an instrument which, while taking into account the structural conditions of production in the different Member States, will ensure energy for the economy at the lowest possible price compatible with an assured supply and will enable the Community to face the economic and human problems raised by the transformation of the energy market.

After thorough study, the Commission on 28 April 1961 addressed to the Council of Ministers a memorandum showing the lines on which the common transport policy should be based. This

memorandum should permit a wide exchange of views on the basis of which the Commission will formulate the proposals provided for in Articles 74 and 75 of the Treaty.

In 1960 the Council adopted a regulation aimed at eliminating certain cases of discrimination, and the Commission addressed a first series of recommendations on transport infrastructure to the Governments of the Member States. In this way a further form of common policy envisaged in the Treaty of Rome is being elaborated. It aims at the elimination of every kind of obstacle which hampers the establishment of the common market in the field of transport and the organization of this sector—taking due account of its special aspects—on Community lines and according to Community methods.

The creation of an economic union demands the elimination of governmental or private practices which engender differing conditions of competition in each country and which involve the risk that the walls dividing the national markets may be perpetuated in less obvious form and the consumer deprived of the advantages to be expected from the establishment of a large market. The Commission is also aware of the political and psychological import of the work to be done in the field of agreements and dominant positions as well as in that of aids granted by States. It means to establish a firm and complete set of European rules in this field, basing them on the relevant provisions of the Treaty. Its proposed regulation on agreements and dominant positions, which the Economic and Social Committee has just finished examining and which has been referred to the Parliament, is a first contribution to this set of rules.

In the field of social policy, several important decisions have been taken by the Council on proposals of the Commission. The Regulation governing its activities having now been approved, the European Social Fund is now at work and a large number of dossiers have already been referred to it. The Committee of the European Social Fund has also been set up. The Council should shortly adopt the first Regulation on the Free Movement of Workers, the Commission's draft of which has already been approved by the European Parliament and the Economic and Social Committee. The Community

will thus have available more efficient instruments for the development of its social policy.

In its last General Report the Commission emphasized the position of the Community on the international plane and the role it was called upon to play because of its size and vigour. The confirmation of the Community's success during the past year has again increased the scope of its action and its international responsibilities: special responsibilities in relation to the young African States and Madagascar associated with it, general responsibilities towards other States of the Western world and—jointly with the latter—towards the developing countries. The political future of the Community will be conditioned by these responsibilities and by the new prospects now opening before it.

The year 1960 saw most of the African countries associated with the Community and Madagascar achieved national sovereignty. In the few months that followed 15 African States and Madagascar showed their confidence in the association and their desire to maintain and develop the traditional links which their new international status has not broken. The Community immediately effected the first adjustments required by the new status of the associated African States and Madagascar. It must now seek a way of adapting the association to this new political situation and of making it the basis of intimate and lasting co-operation. The renewal, on 1 January 1963, of the first implementing convention attached to the Treaty will provide the opportunity for this adaptation.

Whatever may be the adjustments considered desirable by the African States and Madagascar or by the Member States, the Commission believes that, in dealing with independent countries which show their attachment for Europe, the Community should pursue and extend the generous policy initiated when these territories were still dependent. The bonds of mutual confidence established over the last three years and the obligations incumbent upon the great economic power that is the Community demand the continuation and expansion of the work begun on the basis of the provisions contained in the Treaty.

The industrialized countries, and particularly the six countries of the Community, will have to devote a growing share of their resources to the development of the less favoured states. The activities of the Community in Africa and Madagascar must be dovetailed into this overall programme, of which they constitute one of the most original aspects. The multilateral character of the Community's activities means better protection for the independence of Madagascar and the various African States concerned; it also means that these activities are free of the drawbacks sometimes attributed to bilateral aid. At the same time the Community character of the operations establishes a close liaison between the African States and a European Community which respects the personality of each of its Member States.

The association policy pursued by the Community combines financial and technical aid with forms of commercial and economic co-operation which will become closer as the African and Malagasy economies expand. It may also lead, on the institutional plane, to the development of bonds of personal confidence between governing circles in Africa, Madagascar and Europe, at both the parliamentary and ministerial or administrative levels. By the interest they have aroused and the success which has attended them, the steps taken in this sphere by the European Parliament have given an indication of the path to be followed in the future.

In the next few months the Commission, in close consultation with the African Governments, the Government of Madagascar, and the Governments of the Member States, plans to work out the bases of a new association conforming to the interests of Africa, of Madagascar and of Europe and acceptable to all concerned.

The restoration of Europe, thanks to generous American help and the rapid development of the European economies, and perhaps even more to the formation of this vast integrated whole which is the European Economic Community, led in 1960 to substantial changes in the facts of international economic co-operation. On 14 December 1960 the Convention establishing the Organisation for Economic Co-operation and Development was signed. The OECD,

in which the United States and Canada work alongside European countries, and in which the European Commission participates, is destined to become one of the linchpins of the economic organization of the free world. It will be the point at which the industrialized countries of Europe and America co-ordinate their economic and monetary policies and give each other any help required to avoid setbacks and ensure continuous expansion. The difficulties which the United States, with all its power, has experienced clearly reveal the need and the scope of such co-operation. The OECD will also provide a framework for a liberal commercial policy among its members and towards non-member countries—the very policy that the Community intends to apply. It will also lead to intensified and better co-ordinated action by the industrialized countries for the benefit of the developing countries.

The European Commission means to co-operate fully in the attainment of these objectives. It will endeavour to ensure that the European Community speaks with one voice in the OECD, so as to make all its influence felt.

Without excluding the possibility of longer-term solutions, the European Commission has always believed that the problem of intra-European trade could be studied on pragmatical lines with the help of the United States and of Canada. Although the measures to this end taken in the Committee on Trade Problems set up early in 1960 have not yet produced the results that might have been expected, it is comforting to note that intra-European trade has continued to expand as favourably as in the past, so that the problems no longer have the dramatic character which they had been apt to assume previously.

The next tariff conference in GATT, which will begin its work very shortly in conformity with the proposals made in 1959 by Mr. Dillon, should enable full advantage to be taken of the opportunities for the widest possible liberalization of international trade. This will further facilitate the development of intra-European trade without creating new difficulties for the American economy.

In addition, the European Commission has not ceased to call attention to the principle of the open door which is written into the Treaty of Rome. Any European State may take advantage of Article 273 of the Treaty and ask to become a member of the Community once it accepts the latter's economic and political objectives, which find expression in the provisions of the Treaty or the measures by which it is being implemented.

The European Commission is convinced that the facilities offered by the Treaty and the operations planned in OECD and GATT are such as to allow of a constructive solution to the problems of European trade.

The extension of the international role of the Community, like its internal consolidation, brings it nearer every day to the target that the signatories of the Treaty of Paris set themselves of establishing "the foundation of a broad and independent Community". In its work the European Commission has never forgotten that the Community is a constituent part of a wider political edifice and that economic unification is only one stage towards the political unification of our continent.

At a time when fresh efforts are being made to advance this political unification, the European Commission owes it to itself to express a judgement on the institutional order in which it has participated. The experience it has acquired since 1958, confirming that of the European Coal and Steel Community, enables it to affirm that this institutional order is well balanced, that it ensures effective action and that it is contributing to the establishment of a European idea which is penetrating more and more deeply into the consciousness of the public.

It is useful to recall that this institutional order rests—and this is its first main feature—on permanent co-operation between the Council, in which the six Governments are represented, and the Commission, which is an independent Community organ. The important economic policy decisions lie with the Council, but as a rule it cannot act without a proposal from the Commission, that is to say without Community initiative.

More and more the decisions of the Council will be taken by majority vote, and this will increase its effectiveness. However, it will be able to take such decisions only on a proposal put forward by the Commission, so that its vote will not express a coalition of national interests, but the approval of the Community interest.

Despite the pre-eminent position of the Council, the Commission itself—and this is a second main feature of the system—is not subordinated to the Council. It is to the Parliament, representing the peoples of the Community, that it is responsible. It is the Parliament alone that can oblige it to resign. The exclusive control of the Parliament guarantees the independence of the Commission and also ensures that there shall be no arbitrary decisions or lack of impartiality on its part. The almost daily contact with the Parliament and its organs keeps the Commission in close and permanent touch with political and human realities.

Lastly, the Court of Justice ensures respect for the law in the interpretation and implementation of the Treaty.

The European Commission considers that it is not possible to serve Europe effectively without guaranteeing respect for this institutional order and its possibilities of development.

Various proposals have been put forward to achieve the *relance*, the political reactivation, of which so much is heard. The Commission is aware that elections to the European Parliament by universal suffrage would have an almost revolutionary impact. Such a decision, which is expressly provided for in the Treaties of Rome and Paris and would undoubtedly be accompanied by increased powers for the Parliament elected, would strengthen the foundations of the institutional order of the Communities, reinforcing their popular basis and, indeed, the entire European edifice.

A further measure which would increase the efficiency of day-to-day work would be the merging of the Executives of the three Communities, that is to say their replacement by a single Executive vested with all the responsibilities and powers flowing from the

Treaties of Rome and of Paris. In agreement with the other two Executives, the European Commission reiterates its express approval of such a reform, which has also been recommended by the Parliament.

The Commission took note of the communiqué published in Paris on 11 February 1961 by the six heads of State or Government. It welcomed the unanimous expression of the will to "seek the methods by which closer political co-operation could be organized." It noted that the new type of relations contemplated in Europe is to be "based on the development of a single market through the abolition of all customs protection and the harmonization of the economies and also on political co-operation in a spirit of friendship, confidence and equality". It is the Commissions' opinion that if the balance thus established between maintaining and developing Community integration and the establishment of political co-operation between the Governments is preserved, it will be possible to reckon on progress towards "a union which will develop progressively". In accordance with the wishes of the six heads of State or Government, such progress will enable the action of Europe to carry "more weight in the world, which will be to the advantage of all free countries and will, in particular, lead to closer co-operation with the United States".

In this fourth year of its term of office, the European Commission can state that since coming into force the Treaty has, broadly speaking, been correctly applied, that the Institutions have functioned normally and that the relationships established between them by the Treaty have been respected. Thanks to the work of the Institutions and the stability and continuity of their policies, appreciable, and sometimes even impressive, progress has been made towards the economic unification of Europe above and beyond the particular problems of each of the Member States. Though this progress does not yet guarantee that the wider objectives which the architects of this vast movement set themselves will be reached, it does provide a solid basis which is already a token of the determination of the six Member States to ensure the economic and political integration of Europe.

FOURTH GENERAL REPORT — 1961

The Commission does not underestimate the cases of resistance that have appeared as the effects of implementing the Treaty began to make themselves felt in the increasingly clear assertion of the international personality of the Community, the effective elimination of obstacles to trade in all fields or the rapid establishment of common policies. Since most of the decisions to be taken by the Council are still subject to the rule of unanimity, it has sometimes been more difficult or more time-consuming to overcome such resistance.

This is not surprising, since the problems involved in adapting national policies or administrative habits to the requirements of Europe are becoming more apparent. Such problems can only be solved in a Community spirit. The Commission would like at this point to make an appeal to the Member States that they should let themselves be governed by this spirit in their everyday work, so that each country shall be less concerned with its own difficulties than with a better understanding of the difficulties facing its partners, and that each shall seek common solutions to problems which, from now onwards, are common to us all.

The Commission knows such an attitude to be consonant with the cherished hopes of our peoples. It realizes that the European Institutions are strong and determined to remain loyal to the political and institutional principles they must uphold, and it therefore hopes firmly that, whatever the future may hold, the Communities will, in the words of Robert Schuman's declaration of 9 May 1950, be "the first concrete foundation of the European Federation which is indispensable to the preservation of peace."

CHAPTER I

THE ESTABLISHMENT OF THE COMMON MARKET

1. In the past twelve months, further progress has been made in the setting up of a large unified market covering the six countries of the Community. In its previous Report, the European Commission had already stressed the political and economic importance of the acceleration decision taken on 12 May 1960. This political will was confirmed by the decision of the Council of Ministers at their meeting of 20 December 1960 and found practical expression in the adoption, on 1 January 1961, of the first concrete measures for the speed-up.

This additional effort has so far been aimed mainly at the abolition of hindrances to the free movement of goods and at the establishment of the customs union. But the Institutions have at the same time carried out effective action for the more rapid achievement of the objectives of the Treaty in those other fields which, while not being bound by so exact a time table, are nevertheless vital to the harmonious achievement and proper working of the Common Market. Further steps have been taken and fresh proposals drawn up with a view to ensuring, parallel with the freeing of trade, the free movement of persons, services and capital. These measures have also aimed at eliminating, as rapidly as possible, obstacles to the free play of competition and at placing enterprises on an equal competitive footing. Moreover, the elaboration of the "common policies" has been vigorously prosecuted in fresh fields.

In spite of the difficulties which remain to be overcome, the economic links existing between Member States have been further strengthened during the past year. The efforts made by business circles to adapt themselves to the new situation and the marked development of trade are sufficient proof that the progressive merging of the markets of the Community is proceeding satisfactorily.

The free movement of goods

2. Customs disarmament between the member countries, whilst being carried out more rapidly, is now being supplemented by the first measures to establish, vis-à-vis the outside world, the common customs tariff to which the Community Institutions have devoted a considerable part of their work since 1958.

The abolition of quantitative restrictions is also proceeding ever more rapidly, but this is due more to the policy of lifting trade restrictions than to the widening of quotas. For while quotas have largely ceased to be justified as a means of protecting national economies, they remain of some importance for trade in agricultural produce and in sectors governed by state trading. However, the rapid abolition of traditional methods of protection gives rise to difficulties in a few sectors of the economy, and this explains the more frequent recourse to special measures such as minimum price systems for agricultural produce or the invoking in particular cases of the safeguard clause of Article 226.

TARIFF DISARMAMENT AND ESTABLISHMENT OF THE CUSTOMS UNION

Tariff disarmament between Member States

Second reduction of customs duties

3. As from 1 July 1960, Member States put into effect the second reduction of tariffs provided for by the Treaty. As recommended by the European Commission, this reduction was carried out across the board by bringing the rate for each product down to 80 % of the basic rate. The use of the across-the-board method automatically produced the 10 % reduction provided for in Article 17 (1) of the Treaty for duties of a fiscal nature.

Additional reduction of customs tariffs
on 1 January 1961

4. In compliance with the Council decision of 12 May 1960 the Member States have put into effect amongst themselves, as from 1 January 1961, customs duties reduced to 70 % of the basic duties on industrial goods and to 75 % of the basic duties on non-liberalized agricultural products. No reduction was made in the customs duties on liberalized agricultural produce, which have remained at 80 % of the basic duties

This reduction, which has been made in addition to those provided for in Article 14 of the Treaty, will be followed on 31 December 1961 by another additional 10 % reduction, provided the Council so decides before 30 June 1961 in the light of the economic situation.

French customs reductions
made in view of the economic situation

Over and above the reductions provided for in Article 14 of the Treaty and in the speed-up decision of 12 May 1960, the French Government on 1 April 1961 made an across-the-board reduction of customs duties on industrial products under the terms of Article 15 of the Treaty. This reduction amounts to 5 % of the basic duty for the majority of such products and to 10 % for some of them, especially in the automobile, mechanical and electrical engineering, textiles and chemical industries.

Tariff preference
resulting from customs measures

These reductions have not failed to create a marked tariff preference for the Member States compared with the non-member countries. This preference was in some cases reinforced and in others weakened by the first approximation of the national tariffs towards

the common external tariff on 1 January 1961, the effect of which was to increase some external duties and to lower others. The Benelux countries, moreover, extended the second reduction and the additional reduction to the customs duties on goods from non-member countries where they could be operated without bringing the duties below those of the common tariff. In the Federal Republic of Germany the reduction already made in August 1957 in view of the economic situation was equal for most industrial products to the second reduction and to part of the additional reduction.

Between one product and another, and between one Member State and another, there are therefore considerable variations in the margin of customs preference which result from all the measures adopted for the benefit of intra-Community trade since the entry into force of the Treaty. Be that as it may, a more or less marked preference at present exists on 88 to 91 % of the customs duties applied by the Member States.

Abolition of taxes with effect equivalent to import duties

5. Information collected by the European Commission shows that taxes having an effect equivalent to import duties apply almost exclusively to agricultural products covered by Annex II of the Treaty. Some of the products concerned are sold through a national marketing organization. The Commission is carrying out an examination case by case of these measures in the light of the provisions of the Treaty and of the elaboration of the common agricultural policy.

Among the taxes which are not levied solely on agricultural products, a few are in the nature of dues charged as a remuneration for services rendered by the customs authorities. After examining all aspects of these taxes, the Commission was unable to establish that they were not charges made for services rendered by the customs administrations, and limited to the approximate cost of these services. Taking the view that the elimination of all obstacles to trade is one of the fundamental objectives of the Treaty, it recommended to the

Governments of two countries concerned that they abolish these charges, as soon as they are in a position to do so.

Infringements of the provisions of the treaty relating to tariff disarmament

6. The Commission has carried on the supervisory work incumbent upon it in the field of tariff disarmament, i.e. the supervision of the standstill under Article 12 of the Treaty, of the establishment of basic rates for the application of the successive reductions and of the execution of these reductions.

This supervision brought to light very few cases of infringement of the provisions of the Treaty. Disregarding a few arithmetical errors which were admitted and corrected by the Member States concerned, the Commission has discovered six cases of infringement for which the procedure laid down by Article 169 of the Treaty was initiated.

In four cases, a customs import duty or a tax of equivalent effect had been levied or increased since the entry into force of the Treaty on 1 January 1958. These measures constituted infringements of the standstill obligation, and the Commission applied the procedure provided for by Article 169. Three reasoned opinions have already been given, and the fourth will be given shortly. One Member State has already complied with two of these opinions.

In two other cases, the provisions of Article 14 had not been respected, and again the procedure laid down in Article 169 was set in motion.

In one of these cases the situation has been regularized. In the second, which concerns customs duties charged by the Italian Government on certain radio-electric equipment, the Commission lodged a complaint with the Court of Justice of the European Communities on 12 April 1961, and the Court is now considering the matter.

Establishment of new internal taxes and increase
of existing taxes in connection
with the lowering of tariffs

7. The provisions of the Treaty do not forbid the retention nor even the increase of internal taxes and, consequently, of countervailing charges, provided that no additional protection is introduced by such measures. The Commission has studied the situation carefully so as to ascertain whether this condition was respected in measures taken, after the Treaty had come into force, by certain Member States. These had increased their countervailing charges (in particular the turnover tax on imports), substituted internal taxes for customs duties of a fiscal nature, or revised their internal drawbacks on exports. Details of these measures and the findings of the examination made of them are described below with the rules of competition.

It is however appropriate to indicate here and now the effect of such measures on tariff disarmament. Even if these measures have a legal justification or are taken for valid reasons (budgetary requirements), they tend to detract from the effect of tariff reductions and thus to deprive the consumer of the advantages which he is entitled to expect as a result of the establishment of the Common Market. The Commission has therefore more than once drawn the attention of Member States to this aspect of the problem, which concerns not only tariff disarmament but may also entail harmful consequences in other fields covered by the Treaty and might even, through the creation of an unfavourable psychological climate, constitute a handicap to the progressive establishment of a genuine Common Market ⁽¹⁾.

⁽¹⁾ See this Chapter, sec. 62 and sec. 63.

The common customs tariff

The completion of the common customs tariff

8. The common customs tariff, as it resulted from the decision of the Council of 13 February 1960 and from the agreement reached by the representatives of Member States in Rome on 2 March of the same year on duties for most of the List G products, was not complete. The following problems had to be solved before the tariff could be finalized :

- i) Customs duties of a fiscal nature;
- ii) Specific and mixed duties (ad valorem duties combined with a specific minimum levy);
- iii) The fixing or adjustment of certain rates in relation to other duties (harmonization);
- iv) The special problem of newsprint.

Solutions were found to these various problems in 1960 ⁽¹⁾. However, the common customs tariff does not yet include rates for manufactured tobacco and petroleum products. With regard to the former (cigarettes, cigars, pipe tobacco, etc.), the fixing of rates encounters special difficulties resulting from the existence of different internal fiscal systems and state monopolies. The Commission is continuing its studies on the problem, with the assistance of experts from Member States. With regard to petroleum products mentioned in List G, it rests with the Member States themselves to come to a decision on them in conformity with Article 20 of the Treaty.

⁽¹⁾ The Official Gazette of the European Communities of 20 December 1960 (No. 80, A, B, C) published the decisions of the Council of 13 February and 20 July 1960, together with the agreement reached by Member States on 2 March 1960. The decision of 19 December 1960 relating to newsprint appeared in the Official Gazette of the European Communities dated 31 December 1960 (No. 84).

9. In accordance with Article 17(2) of the Treaty the Member States had in proper time submitted to the Commission the list of products they considered to be affected by a duty of a fiscal nature. The proposals the Commission had to make concerning products which it had removed from these lists (which included coffee, tea, certain spices, vermouth and so on) were of a delicate nature. Without losing sight of the fiscal aspect, it was desirable to take into account the duties already fixed in Lists F or G for primary products (raw coffee and wines, for instance) or again, production in the associated overseas countries or territories (spices and tea).

The Council approved the proposed rates on 20 July 1960.

10. Specific rates (according to weight, volume, etc.), and in particular minimum specific rates supplementing an ad valorem duty, were already applied to certain products by the customs tariffs of Member States. When the common customs tariff was being drawn up, certain national delegations had asked that such a system of rates should be included in the tariff in respect of certain fruits and vegetables and for some products of the ceramics and glass industries.

After an initial discussion within the Council on 13 February 1960, the Commission proposed to the Council that the ad valorem duties already fixed for the products in question should be combined with a minimum specific levy. The Council approved the Commission's proposals on 20 July 1960.

The Council further decided, at its session in September 1960, to levy a double specific rate on unmanufactured tobacco. The 30 % ad valorem duty on these products provided for in List F annexed to the Treaty is thus combined with a minimum levy of 29 units of account and a maximum levy of 42 units of account per 100 kg. The latter tax limits the duty levied on better quality tobaccos and ensures that the Community is kept supplied, at reasonable prices, with these types of tobacco.

11. The Commission's proposals for the adjustment of certain duties with a view to the internal harmony of the tariff (harmoni-

zation) were also approved by the Council on 20 July 1960. The products concerned include certain types of sugar, vinegars, phosphorous sulphides, building panels or sheeting in artificial or reconstituted wood and semi-finished products made of certain common metals.

12. Finally, the approval by the Council, at its session of 19 and 20 December 1960, of the Commission's proposals on newsprint, provided a solution to one of the remaining difficulties in the establishment of a common customs tariff. It should be pointed out in this connection that in all Community countries newsprint enjoyed ⁽¹⁾ a preferential import regime but different technical criteria were applied in each of the four customs areas to determine the grades of paper admitted at reduced rates. The application pure and simple of the provisions contained in Article 19 would therefore have resulted in the introduction into the common customs tariff of a large number of tariff lines and definitions.

The Commission and government experts together worked out a definition of newsprint acceptable in the six countries. This definition was agreed to by the Council on 19 December 1960 and introduced into the national tariffs as from 1 January 1961. The Council, on a proposal of the Commission, fixed at 7 % the rate of duty applicable. This rate is acceptable in view of the different criteria by which the arithmetical mean is calculated in the various countries for similar types of paper. Moreover, it also takes into account the need to allow the press to obtain at a reasonable price the paper used for the printing of newspapers, while retaining sufficient protection for the paper industry in the Community. The existence in the tariff of one Member State of a preferential rate for papers used in printing periodicals was also taken into consideration. An agreement was reached on the definition of this type of paper. On 19 December 1960, the Council approved this definition, at the same time as that relating to newsprint, and made a duty of 16 % applicable to papers used for periodicals, thus defined.

⁽¹⁾ The rate for paper in general is fixed at 18 % in the common customs tariff.

*Introduction of the common tariff**The first step towards alignment on the common tariff*

13. It was on 31 December 1960 that the Member States took the first step towards the alignment of their national tariffs on the common customs tariff, thus entering upon the initial stage in the progressive establishment of the latter.

Under the Treaty, this step was not to have been taken until 31 December 1961. The speed-up decision of 12 May 1960 resulted inter alia in the first stage in the alignment of the national tariffs on the common customs tariff being brought forward by one year.

Moreover, this decision modified the basis of calculation by requiring the alignment to be carried out towards the rates shown in the common customs tariff, reduced by 20 %. Nevertheless, the downward alignment of national rates on the common tariff, as calculated on this basis, was subject to the proviso that the resultant rate must not be less than that shown in the common tariff before the 20 % reduction ⁽¹⁾.

However, although the same procedure was applied to List G products, the Commission could decide, at the request of the Member State concerned, that for specially sensitive List C products the alignment would be based on the duties fixed by common agreement in Rome and not on the basis of these duties less 20 %.

Agricultural products were not included in these speed-up measures.

Finally, the decision of 12 May 1960 introduced, in respect of the Federal Republic of Germany, a special rule stipulating that the alignment of 31 December 1960 need include the restoration of no more than 50 % of certain reductions made to meet economic developments.

⁽¹⁾ See Third General Report, page 31.

Subject to these departures from the Treaty provisions on the first alignment, the provisions of Article 23 remained applicable i.e.

i) The duties to be aligned were those in force on 1 January 1957;

ii) Where these duties did not differ by more than 15 % from those of the common tariff, there was immediate alignment;

iii) In the remaining cases, the difference, whether in an upward or downward direction, between the national tariffs and the common tariff was reduced by 30 %.

As carried out on this basis, the alignment of tariffs inevitably raised certain technical problems, particularly in cases where the common tariff and national tariffs contained duties of a different nature for the same product (for instance, ad valorem duties on the one hand, and specific or mixed duties on the other). The Commission has been at pains to see that the general provisions decided on by the Council should be applied in a uniform manner by Member States. Under the auspices of the Commission experts from the national administrations have studied the methods to be used to bring about the alignment, and an agreement was reached to the effect that the tariffs should be set out in identical form from the date of the first approximation.

List G Products

14. Invoking the provisions referred to above, France and Italy requested the Commission to decide, in the case of a number of products on List G, that the approximation towards the common customs tariff should be effected on the basis of the duties as fixed on 2 March 1960, without reducing these by 20 %. The various tariff items in respect of which France and Italy requested the Commission to take this decision covered from 4 to 5 % of the total imports from non-member countries for the year 1957. The European Commission believed that, in the event of its taking a favourable decision, the approximation would be carried out for all Member

States, including countries not making the request, on the basis of the rates as fixed, without a 20 % reduction.

15. The Commission granted the requests made in respect of the following items : cocoa in bulk and in powder form (unsweetened), tropical woods (these products concerning more especially the associated overseas countries and territories); bromine and bromides, paper pulp, ferro-alloys, aluminium, magnesium, unwrought lead, zinc spelter, lead and zinc waste. In the case of most of these products the Protocols annexed to the Agreement on List G provide for the establishment of tariff quotas with nil or negligible duties, in favour of non-applicant Member States. In all, these decisions cover from 3 to 4 % of the volume of Community imports in 1957.

The Commission decided not to give a favourable decision on the requests made in respect of cocoa-butter (owing to the considerable dependence of processing industries in the Community on imports from non-member countries), common salt (which was not shown to be a sensitive product), borates and perborates (production of which is short in the Community), and machine-tools, together with their spare parts (the very considerable expansion of Community production being proof of its ability to compete).

Tariff quotas

16. In expectation of the requests for the granting of tariff quotas which Member States might make to the Commission in connection with the first alignment of national tariffs on the common customs tariff, officials of the Commission approached the national administrations concerned as long ago as June 1960, and called a meeting of experts at the beginning of October 1960, in order to stress the need to send in requests in good time, and to agree with the experts on the procedure to be followed in examining these requests.

By 31 October 1960, 32 requests had been lodged; by 30 April 1961, the Commission had received 117.

These fall into the following groups :

38 requests under Article 25 (1) of the Treaty;

44 requests under Article 25 (2) of the Treaty;

35 requests based on the Protocols annexed to the List G Agreement of 2 March 1960.

These requests relate only to industrial products, agricultural products covered by Article 25(3) of the Treaty, not being included in the measures for the establishment of the common tariff.

An approximate assessment of the potential number of these requests for quotas in relation to the total import figures will only become possible in the course of the year, on the basis of the quotas granted and of accurate statistical data.

It should not be forgotten that, from the point of view of the Community, tariff quotas involve a certain number of risks, such as impairment of the unity of the tariff and the failure to achieve a complete customs union.

The best solution would no doubt be to avoid recourse to tariff quotas and to adapt customs duties to suit the real economic needs of the Community.

17. The examination by the European Commission's staff of requests for the granting of tariff quotas was accompanied by many difficulties, owing to the fact that these requests must find their place within the legal framework of the Treaty provisions invoked. Notwithstanding these requirements and certain omissions noted in the submissions of requests, the Commission did all in its power to examine as rapidly as possible those which received. As a result, it had, by 1 January 1961, given a decision on the substance of 34 requests. On 30 April, this figure had reached 70.

With regard to the size of the quotas to be granted, the decisions made had to take into account the fact that, as laid down in Article 25(1 and 2), as well as in most of the Protocols annexed

to the Rome Agreement of 3 March 1960, "quotas may not exceed the limits beyond which the transfer of activities to the detriment of other Member States is to be feared".

For the products on List E and certain products on List G, the decisions must also take into account the danger of harmful consequences for the Community's processing industries which a change in the sources of supply would inflict on the Member State concerned.

The quotas so far proposed or fixed by the Commission, and established on the basis of average imports over the past three years, must be considered as tentative. The quantities authorized will be adjustable in the course of the year, on the basis of actual needs, at the request of the governments concerned and in the light of information provided by them.

At its session of 20 and 21 March the Council, acting on a proposal from the European Commission, granted a certain number of tariff quotas to B.L.E.U. and the Netherlands (in particular tall oil, rosin, turpentine), to Italy (vanadium pentoxide, etc.), to France (newsprint), and to Germany (rosin, newsprint and crude deperentene).

Customs rules governing trade between Member States

18. Article 10 (2) of the Treaty makes the Commission responsible for deciding on arrangements necessary for the free movement of goods within the Common Market.

The advantages of customs and quota disarmament provided for by the Treaty of Rome for goods exchanged between Member States are confined, under Article 9 (2) of the Treaty, to goods originating in a Member State or in free circulation within the EEC. A distinction must therefore be made at frontiers of Member States between goods falling under the customs regime of the EEC and those originating in non-member states.

The system of free circulation certificates

19. The decision taken by the Commission on 4 December 1958 set up a system based on the circulation certificate for goods (known as DD1). This is a document issued by the customs authorities of the exporting Member State and intended to be presented at the customs office of the importing Member State in which the benefit of the "Community" system is requested. The certificate thus created a co-operative link between national customs administrations, and offered the most satisfactory safeguards for proving the "EEC" origin of the goods. Two years' experience have shown the effectiveness of this system, but have also made apparent the need to codify and to complete the rules governing trade within the EEC, in view of the considerable increase in preferences as from 1 January 1961.

On 30 April the situation had not undergone any appreciable change as regards quotas asked for and granted. For this reason it did not seem necessary to bring the figures up to date for the sake of a few units.

On 5 December 1960, a further decision was taken by the European Commission, stating the rules for the utilization of certificate DD1 and altering its content in order to strengthen the safeguards this system is intended to provide. In addition, the Commission decided to create a new document, certificate DD3, based on the same principles as certificate DD1, but designed more especially to enable the "Community" system to be extended to goods which are not exchanged directly between Member States; for the existence of a certain traffic in EEC goods through non-member countries necessitates more definite control measures in order that goods which have escaped the customs control of Member States may be re-identified.

The "Community" system for processing traffic

20. A considerable part of the trade between Member States involves goods manufactured in the EEC under a system of

“processing traffic”. This term is applied to a customs regime having an economic aim which enables products to be admitted under a system of suspended payment of duty for the purpose of being processed or incorporated in goods intended for export.

The presence of elements from non-member countries not constituting processing traffic within the meaning of Article 9 (2) of the Treaty raised a delicate problem in connection with the free movement between Member States of goods manufactured under these conditions. Article 10 (2), second sub-paragraph, makes the Commission responsible for determining the necessary provisions. For this purpose, the Commission considered that the goods in question should be allowed to benefit by the customs and quota privileges provided for in the Treaty, without thereby imposing free circulation of elements originating from non-member countries, as such an arrangement would result, during the transition period, in a double customs levy likely to be extremely prejudicial to firms manufacturing for export. However, in order to offset the waiving of import duties, without at the same time applying to elements from non-member countries the same regime as that applied to EEC products, the Commission decided, on 28 June 1960, to introduce a levy system. ⁽¹⁾

This levy is applied in the member country where processing takes place and enables a circulation certificate covering the whole of the goods exported to be obtained. It consists of a percentage of the common customs tariff duty applicable to products from non-member countries imported for the purpose of processing.

The percentage rate of this levy is increased proportionally with the tariff reductions between Member States, in order progressively to bring it into line with the rate of the corresponding common customs duty to be applied at the end of the transition period. The system of levies came into force on 1 January 1961, the rate being fixed at 25 % until such time as a further reduction of internal duties

(1) See the Official Gazette of the Communities, No. 44 of 14 July 1961.

occurs. The levy does not apply to products imported from associated countries overseas for processing within the EEC.

Goods manufactured under the conditions indicated above and provided with a certificate of circulation can thus move freely between Member States, in the same manner as these originating in a Member State or admitted to free circulation within the EEC.

The system introduced by the decision of 28 June 1960 thus provides a solution to a very complex problem which has faced, or is still facing, other customs associations. With regard to processing traffic in products falling within the province of the ECSC, the Commission took a complementary decision on 5 December 1960, applying the same system of levies to these products if, after processing, they come within a category of goods covered by the provisions of the Treaty of Rome. ⁽¹⁾

QUOTA DISARMAMENT AND SPECIAL PROCEDURES FOR THE DEVELOPMENT OF TRADE

Quota disarmament

21. During the past 12 months there has been progress in the elimination of quantitative restrictions on trade within the Community, thanks to individual liberalization measures introduced by Member States, the raising of the aggregate quotas provided for by the Treaty and the speed-up decision of 12 May 1960.

Liberalization of trade

22. The abolition of import quotas forms part of the trade liberalization policy being followed within OEEC and GATT.

In France, further "tranches" of liberalization covering industrial products were introduced in April, June, September and

⁽¹⁾ See the Official Gazette of the Communities No. 4, 20 January 1961.

December 1960. As a result of the measures taken on 31 March 1961 imports are now almost completely liberalized in the industrial sector. In July and December 1960, the Federal Republic of Germany liberalized certain agricultural products; some industrial products were liberalized in November 1960 by Italy, and, from 1 January 1961, by the Benelux countries; the Netherlands and Belgium also abolished import quotas for a number of agricultural products.

It should be said that in the case of some agricultural products, Member States have suspended the liberalization of trade, while at the same time introducing either a minimum price system or quotas, or suspending imports.

The European Commission has invoked the procedure of Article 169 because the Italian Government has suspended imports of pigmeat, of which some products appear on the bound list.

The case was brought before the Court of Justice of the European Communities on 20 March 1961 and proceedings are continuing.

Increase of global quotas

23. As a result of the liberalization measures introduced over the past year, the field of application of Article 33 of the Treaty, providing for the automatic enlargement of global quotas, has been appreciably narrowed. The chief non-liberalized products to which these rules still apply are in the main agricultural products and foodstuffs, insofar as they are not covered by a national marketing organization or a system of minimum prices.

Following the enlargement of global quotas in 1960, a second increase took place on 1 January 1961. Quotas were increased by at least 10 % over the previous year, while those fixed at a rate of 4 % of the national production were raised to 5 %. The decision on the speedier implementation of the Treaty, taken on 12 May 1960,

provides that by the end of the year all quantitative restrictions in the industrial sector must be abolished. In the case of agricultural products listed in Annex II of the Treaty, however, global quotas were either increased by 20 % or fixed at 5.2 % of the national production, as required by the decision on the speed-up in the implementation of the Treaty.

The European Commission is at present checking the manner in which these provisions are being brought into force. At the request of a Member State, the Commission has proposed to the Council that for two global quotas greater than 20 % of the national production the percentage increase should be reduced.

It should be noted that in the four cases of infringement reported in 1960, and for which the Commission initiated the Article 169 procedure, the Governments concerned acted on the comments sent to them. Certain other measures, in apparent conflict with the requirements of Article 33, are at present being examined and it is not impossible that the Commission may have recourse to the Article 169 procedure.

It is probable that the quota system will have to be abolished in the case of a certain number of products when, as provided for by Article 33 (4), the Commission has found that the actual imports during two consecutive years have been below the level of the quotas granted. The information in respect of the years 1959 and 1960 supplied by the Member States with this end in view is at present being studied.

At the present stage, it is not yet possible to estimate to what extent the global quotas were actually taken up in 1959 and 1960.

Although progress was achieved and individual complaints were few, the Commission considered it opportune to outline a certain number of rules of a general nature designed to ensure the full utilization of quotas, insofar as a demand exists on the importing market.

Quantitative restrictions on exports

24. Restrictions of this nature must be totally abolished by the end of the first stage. The staff of the European Commission is at present studying the economic problems which the application of Article 34 involves and which will probably bring about a harmonization of the export systems applied to non-member countries so far as certain sensitive products in various sectors are concerned.

Measures with effect equivalent to quantitative restrictions

25 The progressive abolition of import quotas makes ever more apparent the restrictive effect of certain administrative and technical regulations or controls frequently applied to imports. Though it may be necessary to check whether imported products conform to regulations in force on the national market and to ensure that prohibitions and restrictions justified under Article 36 of the Treaty are respected, it is nevertheless true that the disparities between the regulations at present in force, as well as too strict an interpretation or application of these regulations, hinder the free movement of goods and may form disguised restrictions on trade among Member States.

These obstacles will very largely disappear through the harmonization of legislative and administrative provisions, the disparity of which directly affects the establishment and operation of the Common Market. In the context of the work undertaken to this end, the European Commission will see to it that unjustified regulations having an effect equivalent to quantitative restrictions are abolished. It has already recommended to the Member States that they simplify their procedure for the issuing of import licences, keep their administrative formalities to an absolute minimum, apply control measures or demand additional visas only in the cases indicated in Article 36 and for purposes justified by that Article, and abolish import licences for all liberalized products.

The adjustment of monopolies of a commercial character

26. During the period covered by this report, the Commission continued its efforts for the adjustment of national monopolies.

The practical results of measures taken by states operating monopolies to fulfil the obligation imposed upon them by Article 37 (1) of the Treaty show once again that in all cases where there exists a complete state monopoly (that is, where the state itself not only fixes a ceiling for imports, but is also itself the sole importer) the granting of quotas does not suffice to increase trade. It follows therefore that the adjustment of these monopolies must be aimed at their function as importers if the objective in view, i.e. the exclusion, by the end of the transition period, of all discrimination between the nationals of Member States in regard to the conditions of supply or marketing of goods, is to be achieved.

Manufactured tobacco

27. The main effort has so far been made in the manufactured tobacco sector, which poses numerous problems. In this field, the development of trade is hindered not only by the existence of state monopolies in France and Italy, but also by the very high level of customs duties in the Federal Republic of Germany and by the fiscal systems of those countries where tobacco is not the subject of a monopoly. In view of the complexity of these problems, the staff of the Commission has attempted to create, through a system of mutual tariff concessions, equivalent competitive conditions in the six member countries. It has proved possible to reach an arrangement.

In 1961 the Federal Republic of Germany opened tariff quotas to the EEC countries, on the basis of national production, at a tariff similar to those applied by other EEC countries. The Benelux countries are also opening to their partners a tariff quota for cigarettes, equal to 4 % of national production, with a 25 % duty.

As early as 1 July 1960, the French monopoly began to apply the proposed adjustments it had submitted to the Commission

and it concluded definite purchase agreements with manufacturers in the Federal Republic of Germany and the Benelux countries. Their products are sold in France at prices based on those of comparable French products, with a difference (or protective margin) of 26 %. Following tariff concessions made by the Federal Republic of Germany and Benelux, France has indicated her willingness to extend import facilities (purchases on consignment) and to introduce additional foreign brands. These arrangements do not include Italy, the contract between the French and Italian monopolies remaining in force.

In Italy, as a result of the adjustment measures introduced in 1959, a gradual increase in sales of tobacco manufactured in the EEC is to be noted, as regards both volume and the variety of brands marketed. On 1 January 1961, the Italian Government reduced by 20 % the customs duties on manufactured tobacco produced within the EEC. With regard to cigarettes, however, fiscal charges were simultaneously increased, so that the sales price of imported cigarettes either remained unchanged or rose. Cigarettes produced by the Italian monopoly escaped the consequences of these measures through a reduction of the ex-factory price, a reduction so marked that, in most cases, it was even possible to reduce the retail price. These various measures are at present being studied by the Commission's staff.

At its session on 19 and 20 December 1960, the Council noted the fact that Member States had undertaken to adopt, on a trial basis for the year 1961, measures ensuring a more effective increase in trade, and invited them to hold further discussions with a view to ensuring fresh progress later.

Other products subject to monopolies

28. In the alcohol sector, brandy and spirits received attention. In view of the close link existing between ethyl alcohol of agricultural and non-agricultural origin, the problems arising in relation to them will be dealt with as a whole, despite the fact that the special

provisions concerning agriculture are applicable to ethyl alcohol of agricultural origin.

Bilateral consultations are being held with the French Government with regard to the monopolies applying in France to powder and explosives, petroleum and petroleum products, newsprint and potassium.

In the case of matches, all Member States have agreed to undertake experimental trading on a basis of strict reciprocity, without awaiting a settlement of the legal question of possible dispensation for the Federal Republic of Germany from the requirement to adjust its monopoly, in view of the agreement to maintain it concluded with a group of Swedish interests [Article 37 (5)].

The Italian Government, with a view to adjusting its national monopolies on quinine, lighters, salt and cigarette paper, has prepared draft bills and decrees, copies of which have been sent to the Commission, which has approved them in principle. These drafts provide *inter alia* for the abolition of the quinine and lighter monopolies, excluding flint lighters.

In the case of flint lighters, the monopoly is to be abolished at the end of 1965, on expiration of the contract between the Government and a consortium of private firms (Conorzio Industrie Fiammiferi) to which the monopoly is granted. The Commission has urged that imports should be allowed from now onwards.

In the case of table, cooking, and other salt, as well as of cigarette paper, proposals have been made for the granting of import quotas corresponding to 5 % of the national production in 1961. Products would attract the same rate of taxation as comparable home articles and would be handled by the monopoly's sales organization on the basis of the prices fixed for the sale of products subject to the monopoly.

The banana monopoly constitutes one of the measures taken by the Italian Government to ensure the economic and social stability of Somaliland, which was placed under its trusteeship by the United

Nations. The trusteeship Treaty having expired on 30 June 1960, Italy concluded fresh agreements with the Government of Somalia for the marketing of that country's banana production.

Special procedures concerning trade in agricultural products

29. In principle tariff and quota disarmament applies to agricultural products. However, with a view to the development of trade in this field, the Treaty lays down special provisions for products covered by a market organization and also gives the States the possibility of establishing minimum import prices.

Products covered by a marketing organization

Under Article 45, Member States are required to conclude long-term contracts or agreements in respect of products for which there exist in certain Member States provisions designed to guarantee to national producers a sale of their production, and a need of imports.

The conclusion of these long-term agreements and contracts must take place before the end of 1961; they will remain in force until the common agricultural policy is put into effect. The field of application of such agreements and contracts includes products in respect of which the conditions indicated in Article 45 are fulfilled, i.e. products covered by a national marketing organization and for which there exists a need of imports. The Commission has found it necessary to decide for each particular case which products are subjects to such an organization.

With regard to product for which no long-term agreement has yet been concluded, the Treaty does not provide for measures designed to promote the expansion of trade outside the context of the common agricultural policy. This gap was filled by the speed-up decision of 12 May 1960, requiring Member States to allow imports in 1961 up to a volume corresponding to the average imports for

the three years preceding the coming into effect of the Treaty, increased by 30 %. In two cases, the Commission considered that Article 45 had been wrongly invoked and that Article 33 is applicable. It initiated the procedure under Article 169. A reasoned opinion has already been issued.

In April 1960, the Commission invited Member States to press forward with the conclusion of long-term agreements and indicated to them its opinion with regard to wider import facilities. With the exception of the Franco-German wheat agreement, no definite convention has so far been concluded. Negotiations have, however, taken place between the Federal Republic of Germany on the one hand and the Netherlands and Belgium on the other; between the Netherlands and Belgium; and between France and the Netherlands. These negotiations were mainly concerned with barley for brewing and cattle feed, meat and butter, and sugar and wheat.

Minimum prices

30. During 1960, minimum price arrangements remained in force or were introduced for a certain number of agricultural products: by B.L.E.U. for the majority of fruits and fresh vegetables originating in the EEC; by Italy for butter and beef; by France for various categories of meat, fats, vegetables and fruit.

The Federal Republic of Germany continues to apply the minimum price arrangements existing in the fresh fruit and vegetable trade with Italy and the Netherlands before the Treaty came into effect. Such measures therefore do not fall within the procedure provided for in Article 44 of the Treaty.

These arrangements generally entail the closing of the frontier when, during a given period, prices on the home market are lower than the minimum price levels. Only the Netherlands would continue to export to B.L.E.U. and to Germany should the export price reach a level equal to or higher than the minimum prices fixed.

Article 44 (1) distinguishes two systems of minimum prices between which Member States may choose. The first case provides for a system of minimum prices below which imports may be temporarily suspended or reduced (minimum import price system); or according to the second system, imports are to be conditional on their price being above the minimum fixed for the product concerned (system applied to exports). In the second case, the minimum price does not include customs duties.

The European Commission believes that the second system is most likely to achieve regular expansion of trade while at the same time respecting the aims of Article 39.

31. With regard to minimum price levels to be fixed, the Commission has been led to distinguish between products for which a guaranteed price is applied at national level and those for which no such guarantee exists. From the examination of measures at present in force under national price support policies it has emerged that the fundamental element was the determination of price levels at which Member States intervened. The Commission has proposed that the minimum price level, provided for in Article 44, should not exceed the actual level of intervention prices.

In the case of products for which no price guarantee exists, and in order to take into account the requirements of Article 44 (2) and (3), the Commission proposed that the minimum price level to be fixed for such products should not exceed 90 % of the average price, expressed in constant values, noted during a period of three years for the same product on the market of the importing country. The Commission takes the view that such a minimum price enables an importing country to protect itself from price falls caused by cheap imports which would jeopardize the aims of Article 39. In addition, the experience acquired by certain member countries shows that it is possible to ensure an adequate income for national producers with such a minimum price system.

32. Under Article 44 (3) the European Commission was also required to propose a procedure for the revision of the criteria.

Before expressing an opinion on the methods to be used for the progressive abolition of minimum price systems, it suggested that Member States should provide it with the information necessary to enable it to submit a report to the Council on the trade situation within the Community in respect of products covered by minimum price systems.

In compliance with the wish of the European Parliament the Commission has arranged for the report to be transmitted to that assembly as well.

Finally, the European Commission proposed that the procedure of prior communication should be made compulsory. This procedure has so far yielded good results.

33. The proposal of the Commission relating to objective criteria for fixing minimum prices has been under study by the Council of ministers since the session of 14 and 15 November 1960.

On 20 January 1961, the European Parliament adopted a resolution approving the Commission's choice between the two possibilities offered by the Treaty and suggesting certain amendments to the proposals. At its sessions of 30 January and 20 March 1961, the Council took note of the Parliament's resolution and of the new version of the Commission's draft. This takes into account most of the Parliament's proposals and reproduces several of them purely and simply. The work is being continued in the Working Party of Council, which is to report to the latter on 2 May next.

Other systems of exception to tariff and quota disarmament

34. The Treaty provides for protection and safeguard measures whenever the setting-up of the Common Market gives rise to serious difficulties because of the considerable degree of adaptation required to the new conditions. The minimum price systems, described above, in fact provide adequate protection for agriculture. Other provisions,

such as those in Articles 115 and 226 of the Treaty, have already been invoked by Member States.

The safeguard clause of Article 115.

35. Since the EEC is based on a customs union, the Community system of trade applies both to products originating in member countries and to those imported from non-member countries, and in free circulation in Member States. This assimilation inevitably raised difficulties owing to the disparities in the commercial policies or the levels of customs duties applied to non-member countries. The European Commission therefore conceded a number of exceptions on the basis of Article 115 thus excluding from the benefit of the Community system certain products from non-member countries. These safeguard measures are described in the Chapter on the common commercial policy.

The safeguard clause of Article 226

36. The first requests for the application of the safeguard clauses of Article 226 were submitted to the European Commission during 1960.

It appeared to the Commission that when examining the application of safeguard measures, two aspects should be taken into account : on the one hand, the economic aspect justifying the introduction of the measures requested, and on the other, the legal aspect, i.e. an appropriate choice of the measures in the light of the Treaty provisions as a whole.

37. A number of requests for the application of Article 226 had been submitted by the Governments of member countries of the Community by 1 February 1961.

The Italian Government asked for the isolation of its market for a certain period in respect of the following products : sulphur and derived products, silk and derived products.

The difficulties justifying the application of Article 226 to these groups of products are due to the special conditions under which the corresponding primary products are produced in Italy (sulphur, lead, zinc, iodine and silk), which result in prices being higher than in exporting countries and in certain member countries. This situation had already been noted at the time of the negotiations on List G, which includes these products, and the representatives of the Member States had indicated that they were not unfavourable to the isolation of the Italian market.

In this context the European Commission has taken a certain number of decisions granting the Italian requests in most cases : in any event the Italian Government is to submit to the Commission a programme for putting on a sound footing the industries turning out the products in question, and is to undertake the execution of this programme within a reasonable period. After one year the Commission will make a decision on the granting of further safeguard measures in the light of the first action taken.

In addition, the Italian Government requested a temporary derogation from the reduction of customs duties and from the enlargement of quotas in the case of citric acid and calcium citrate. The cost price of these products, which in Italy are manufactured mainly from bergamots, is higher than similar products manufactured from molasses in other member countries. In view of the fact the production of bergamots is an agricultural activity centred in Calabria—an underdeveloped region—the economic problem involved is accompanied by a regional social problem. The Commission decided that the quotas should remain frozen at their present level until 31 December 1961, thus enabling Italy to make arrangements to pay subsidies during the period necessary to redress the situation.

The Italian Government requested the European Commission for authorization not to apply Article 33 (2) to the import of

wine. Because of the difficulties of over-production which have beset the Italian wine economy for several years, the Commission considered this request admissible on the basis of Article 226.

However, in order to take into account the present possibilities of exporting Italian wines to the Benelux countries and Germany, the Commission provided that Italy would open a quota of 10,500 hectolitres in favour of wine from these countries. With due regard to the state of progress in the examination of that part of its proposals on the common viticultural policy which deals with trade procedures, the Commission considered that the validity of the safeguard measure granted the Italian Government should be limited to 1 October 1961.

38. The German Government requested that import levies be introduced on certain articles manufactured from agricultural products but which do not appear in Annex II because of the difficulties caused by disparities in conditions of competition. The Commission authorized the Federal Republic of Germany to levy a charge on bread imported from the Netherlands, and on cocoa paste from Belgium and the Netherlands, except where this charge is levied by the exporting country itself. This arrangement, decided upon in July 1960 and now valid until 30 June 1961, is of a provisional nature and is to remain in force only until the implementation of general measures designed to correct distortions to conditions of competition affecting certain processed products considered to be "sensitive".

The free movement of persons, services and capital

THE FREE MOVEMENT OF WORKERS

39. In July 1960 the European Commission transmitted to the Council its proposed regulation and directives on the free movement of workers in the Community. As required by the Treaty, the

Council submitted the Commission's proposal for study to the Economic and Social Committee, which gave its opinion on 30 November 1960.

The Commission also suggested to the Council that it consult the European Parliament, although the Treaty does not expressly provide for this. The Parliament was accordingly consulted and formulated its opinion on 15 October 1960. On the whole, the remarks or suggestions made in the two opinions aim at strengthening the powers of the Commission, speeding up the liberalization process and according an important position to both sides of industry in the bodies which are to define and implement the free movement policy. The Commission amended its proposal to the Council to take account of the opinions received as a result of these two consultations.

The Commission's proposal defines the right of workers from a Community country when they enter, reside in, or are employed in another member country, sets up clearing machinery for employment offers and applications, gives priority to the Community labour market, ensures the necessary co-operation of the national administrations with each other and with the Commission and, finally, takes a first step towards the elimination of the administrative procedures and practices which hinder the free movement of manpower.

The first three points fall under the draft regulation, while the elimination of administrative procedures and practices is the subject of the draft directive. The basic principle of progressive action written into the Treaty is reflected in all these texts, which are valid for an initial stage ending on 31 December 1962.

40. The proposal covers three points :

Rights of the workers and their families

The provisions of the regulation respect the principle of the priority of the domestic labour market but at the same time lay down how it shall be applied. Thus, the draft provides that the

national administrations shall have a time-limit of three weeks within which to fill an offer of employment from the domestic labour market, after which the job shall be open to a worker from another Community country. Exceptions to the principle of the priority of the domestic labour market are provided for when an offer of employment is made to a given worker by name.

The draft regulation also governs the procedures for the extension of work permits. In particular it stipulates that after one year of regular employment the worker coming from another member country shall be entitled to have his work permit renewed in the same occupation, and after three years in any other for which he is qualified. After four years the worker must be assimilated to workers who are nationals of the country concerned.

The Commission completed the provisions concerning workers by measures relating to their families. It therefore included in the draft regulation provisions ensuring the right of a worker to be accompanied by his spouse and children under age, as well as other provisions inviting the Member States to give every help to enable families to live together. In addition, rights of access to employment have been provided for members of the worker's family and rights to schooling for his children.

*Offers of and applications for employment;
co-operation with the national administrations*

The provisions on clearing offers of and applications for employment are based on close co-operation by the national administrations with each other and with the Commission. To encourage this twofold collaboration the proposed regulation provides for the establishment of specialized sections within each central labour administration. Parallel with these sections it is planned to establish, at Community level, and within the Commission's services, a European clearing office for vacancies and applications for employment, which will help the national administrations should they encounter special difficulties in this field.

Association of the two sides of industry

The Commission also considered that it was necessary to associate both sides of industry closely with the working out and the operation of the general policy of free movement and to this end has provided for a Consultative Committee with equal representation of employers' and workers' organizations and of the administrations. It has also provided for a Technical Committee in which the purely technical collaboration between the administrations will be carried out.

The proposed regulation does not prejudice the provisions of Article 69 of the ECSC Treaty and of Article 96 of the Euratom Treaty nor the arrangements made by these two institutions under these Articles. Provisions concerning seasonal and frontier workers will shortly be drawn up by the Commission and submitted to the Council.

The proposed directives aim at simplifying administrative procedures and practices on the introduction, employment and stay of workers from a Member State, and of their families, in the other Member States of the Community. They deal specially with passports, visas and residence and labour permits.

The various Governments have reached agreement on much of the proposed regulation on the free movement of workers. The complete draft will be submitted to the Council on 3 May 1961.

41. Regulations No. 3 and No. 4 have been in force since 1 January 1959 and concern more than a million persons. Their application is beset by numerous problems arising chiefly from the difficulty of co-ordinating six sets of social security legislation which are often very different from each other and which, in each case, cover several distinct systems.

The EEC's Administrative Committee for the Social Security of Migrant Workers, which is responsible for the implementation

of the regulations, has devoted the greater part of its second year of activity to solving these problems ⁽¹⁾.

It has also drawn up a series of forms, brochures and administrative texts.

The details of a closer association of the representatives of employers' and workers' organizations in the execution of these regulations are now being examined.

In implementation of Regulation No. 4, an Auditing Committee for the Administrative Committee was officially installed in office on 16 December 1960.

Further, when Regulation No. 3 was adopted, supplementary regulations were planned to solve the special problems of frontier and seasonal workers. The preliminary draft regulations concerning each of these categories have been prepared with the technical assistance of the ILO and submitted for an opinion to the Administrative Committee and to the representatives of both sides of industry.

THE RIGHT OF ESTABLISHMENT AND THE FREE SUPPLY OF SERVICES

42. The Commission submitted to the Council in March and July 1960 the two general programmes for the abolition of restrictions on the freedom of establishment and the free supply of services ⁽²⁾. These documents, to which explanatory notes were attached, review the different conceptions of establishment and of services, list the restrictions to their liberalization and provide for a time-table for the attainment of the latter.

⁽¹⁾ See the Annual Report of the Administrative Committee of the European Economic Community for the Social Security of Migrant Workers (not available in English).

⁽²⁾ See Third General Report, p. 121 et seq.

The general programme concerning the right of establishment deals with the conditions under which the nationals of one Member State may settle permanently in another Member State without discrimination on grounds of nationality to carry out a non-wage-earning activity. As for the concept of the supply of a service, it has a "residual" character in the Treaty, for it covers all the activities which do not fall under other chapters of the Treaty on the movement of goods, capital and persons (in addition, Article 61 excludes transport from the chapter on services).

The distinction between the concept of establishment and that of the supply of services raises no difficulties save in the borderline case in which the person supplying the service travels to the country of the person receiving the service, resides there for some time or carries out several operations there. The Commission has outlined a few guiding ideas on this subject which will be given detailed form in concrete cases should such arise. The restrictions are practically the same both for establishment and for services: in each case they consist of differential treatment of the nationals of other Member States in comparison with the treatment accorded to a Member State's own nationals. Nevertheless, there are several specific restrictions on services, particularly the one concerning transfers of remuneration, the movements of the object of the service supplied or of the instrument used for its execution.

The time-table drawn up in the light of similar considerations for the two programmes, i.e., essentially the priority liberalization of activities which are particularly beneficial to the development of production and trade, is practically the same for establishment and for services, though the pace is more rapid in the case of the latter.

43. The Economic and Social Committee and the European Parliament were consulted by the Council and formulated their opinions on 2 February and 10 March 1961 respectively. The Economic and Social Committee approved both programmes in the main, with a few reservations bearing chiefly on handicraft activities, public tenders and the time-tables.

In detail the desiderata of the Committee are as follows : that different directives be fixed for the same activity according as it is carried out as an industry or as a handicraft; that, in the case of public tendering, the same regulations be used both for freedom of establishment and for the supply of services; that no differentiation be made in services between public and private tendering but that a special solution be found for public contracting for building and public works; that early liberalization be provided for a small number of activities such as the construction of locomotives, ship-building and the pharmaceutical industry.

The European Parliament approved the general programmes for the liberalization of the right of establishment and of the supply of services. In the case of the latter, however, it put forward a few amendments concerning more rapid measures in the insurance field; the supply of some further details in connection with the cinema industry; wages for manpower employed in the receiving country, and payments for transport services. The Parliament also raised the problem of the inclusion of sea and air transport in the chapter on services.

As soon as these opinions were received, the Council's experts began their work, with which the Commission's staff is associated, and it now lies with the Council to make its decision. It may be hoped that the termination of this work will enable the Council shortly to pronounce on the two general programmes.

The application of the general programmes will call for implementing directives. The Commission has begun preparatory work on the many general problems existing and on various sectors of activity, in particular industry, wholesale trade, activities ancillary to industry and commerce, the liberal professions, agricultural activities and cinematography.

44. In principle the right of establishment should be attained in the same way in *transport* as in the other branches of the economy.

Under the Commission's proposals the restrictions on carriers would be abolished before the end of the second year of the third

stage and those on forwarding agents at the end of the second year of the second stage.

The co-ordination of legislative and administrative provisions, laid down in Article 57, reveals considerable interplay between the right of establishment and the common transport policy where road and inland waterways transport is concerned, particularly in the case of the study of road transport requirements (quotas).

The Commission has laid the result of its studies (on discrimination and the rules of admission in these two sectors) before the European Parliament, the Council, and the Consultative Committee set up under Article 83, whose advice is asked on a number of practical points.

45. Under the terms of Article 61 (1), the free movement of services in respect of transport is to be attained in the setting of the common transport policy ⁽¹⁾ (Articles 75 and following); in view of the special rules provided for in Article 75 (1a) transport services could not be included in the draft general programme for the abolition of restrictions on the free supply of services.

Rules must first be established under Article 75 for the abolition of discrimination on the grounds of nationality in international transport and in transport undertaken by non-resident carriers. These rules must moreover aim at the coordination of conditions for admission in the Member States of the Community so that the free supply of services may be progressively ensured with due regard to the special aspects of transport. In this context particular importance attaches to quantitative restrictions on road transport.

(1) See below, Chapter II, sec. 122 to 146.

FREE MOVEMENT OF CAPITAL

46. On 12 May 1960, the Council agreed the first directive for the implementation of Article 67 of the Treaty ⁽¹⁾. This text was notified to the Governments of the Member States on 27 June 1960 by the President in office of the Council, as required by Article 191 of the Treaty. By this notification the directive came into force.

The Federal Republic of Germany, Belgium and the Grand Duchy of Luxembourg were not required to take any further liberalization measures to conform with the directive, since their foreign currency legislation already goes beyond the obligations it imposes. On the other hand, France, Italy and the Netherlands have taken certain steps of which they have informed the Commission.

For those capital movements covered by Article 1 of the directive, unconditional liberalization is provided for and can be revoked only under the safeguard clauses of Articles 73, 108 and 109 of the Treaty. Study of the measures taken by the Governments has shown that all Member States have adopted provisions ensuring complete liberalization in this field.

The capital movements in question are those connected with the freeing of trade, services and the movement of persons, as well as with the free exercise of the right of establishment.

The directive provides that the Monetary Committee shall watch the trend of the rates ruling on free exchange markets and report to the Commission on this matter. In 1960 the Monetary Committee had to examine the problem arising from the fluctuations of rates on the free market in Belgium. Action by the Commission was not deemed necessary, since the gap between the free and official rates narrowed considerably after a relatively short period of tension.

⁽¹⁾ See Official Gazette of the Communities, No. 43, 12 July 1960 and also Third General Report, sec. 130.

In respect of purchases and sales of securities quoted on stock exchanges, Article II of the directive also provides for liberalization which shall be unconditional and irrevocable, subject to the safeguard clauses. The Member States have also taken the necessary measures to implement the liberalization required by this Article.

The directive permits the transfers relating to these operations to be effected on free exchange markets. Whereas for the first category of capital movements the Member States have undertaken to avoid notable and lasting divergences between the official and free rates, they have only declared their intention to avoid such divergences for the second category.

Article III of the directive concerns particularly the issue of placing of securities on the capital markets and the acquisition of securities not quoted on stock exchanges. For these capital movements the directive lays down conditional liberalization in the sense that a Member State will be able to retain or re-establish the existing restrictions if the result of their abolition would be to hinder the achievement of its economic policy aims. France, Italy and the Netherlands have informed the Commission of their intention to maintain totally or in part the restrictions in force. The directive lays down that the Commission must be consulted on this matter and the procedure for this consultation is at present being studied with the Governments concerned.

In respect of the invisible transactions listed in Annex III of the Treaty, the Commission has approved a draft directive which has been examined by the Monetary Committee and on which an opinion will be requested of the European Parliament and the Economic and Social Committee after it has been submitted to the Council. This draft directive is for the freeing of transfers relating to invisible transactions not connected with the movement of goods, services, capital or persons.

Competition

47. The progressive elimination of customs and quota barriers between the Member States has brought out more sharply the effects on the movement of goods of existing structural disparities between the laws and administrative practices of the six States. This fact attracts special attention to the Commission's task of seeing that a system of competition as provided for in Part Three, Title I of the Treaty, is established. It is for this reason that in the fields of understandings prejudicial to the free play of competition, of the abuse of dominant positions, of dumping, of state aids, of fiscal legislation and of the general approximation of laws, the Commission has worked to eliminate obstacles to the establishment of the common market and to prevent the introduction of new measures hampering the free movement of goods. The purpose of all this work is to establish a lasting common system which will guarantee fair and genuine competition within the common market.

RULES OF COMPETITION

Rules applying to enterprises :

the draft implementing regulation pursuant to Articles 85 and 86

48. At the end of October 1960 the Commission transmitted to the Council, in application of Article 87 of the Treaty, the draft of a first implementing regulation pursuant to Articles 85 and 86 of the Treaty.

The draft lays down a series of rules enabling the Commission and the Member States to ensure the application of both Article 85 on agreements between undertakings, etc., and Article 86 on the abuse of dominant positions.

In particular, it contains provisions concerning the procedure for granting exemption to the prohibition contained in Article 85 (1).

a) The Commission's draft confirms that the prohibition laid down in Article 85 (1) shall apply forthwith to the agreements and other practices listed in this Article. Consequently no party to an understanding will be able to invoke the exemption granted under Article 85 (3) unless the Commission has explicitly declared the provisions of Article 85 (1) to be inapplicable. According to the Commission's proposal, this declaration is made only on request, and it takes effect only from the date of decision. If the Commission does not raise any objection within six months, the understanding is considered to be compatible with the Treaty until the Commission has reached a final decision. If the Commission, in its decision, rejects the request for the application of Article 85 (3), the understanding must be dissolved or adapted to the provisions of Article 85 (1). However, should the Commission raise an objection to a projected understanding within the six months' period, the understanding may only operate if the Commission has taken a formal reasoned decision.

Under the draft, exemption will be granted for a specific period only, but may be extended provided the conditions required by Article 85 (3) continue to be fulfilled. In certain cases exemption can be revoked before the due date; this applies, for instance, where it has been obtained fraudulently or by means of incorrect statements.

In order to ensure uniform application of the provisions of the Treaty, the draft confers on the Commission exclusive competence — subject to verification by the Court of Justice — to declare the provisions of Article 85 (1) to be inapplicable, or in other words to grant, in conformity with the Treaty, exemption from the ban on understandings which distort competition. However, the national authorities (Article 88) and the Commission (Article 89; Article 2 of the implementing regulation)

retain their competence to proceed against infringements of Articles 85 and 86.

A provisional arrangement has been laid down for understandings already in existence when the regulation comes into effect. This arrangement will clarify the legal situation and enable those concerned to bring their legal position into line with the provisions of the Treaty. The provisional arrangement also aims at supplying the Commission with information on existing understandings so as to enable it to investigate their effect on the establishment of the common market and to decide on their compatibility with the Treaty. For this reason the draft regulation provides for the compulsory registration of certain types of understanding already in existence. Registration with the Commission must be effected within six months of the entry into force of the regulation. So as to remove any doubts on what understandings are subject to compulsory registration, the draft lists the following characteristics: all understandings which have as their object or result the regulation of imports and exports amongst the Member States, and any understandings which embrace undertakings from at least two Member States and have as their object or result within the Common Market:

- i) The direct or indirect fixing of minimum, maximum or fixed prices for goods or services;
- ii) The restriction of production, sales or investments; or
- iii) The sharing of markets within the Common Market by areas, customers or other characteristics.

The following are not subject to compulsory registration: price maintenance contracts, license contracts and agreements for exclusive dealing. This means that a large number of restrictions on competition, which possibly come under Article 85 (1), are not subject to registration.

An exemption under Article 85 (3) can also be applied for from the Commission in respect of existing understandings. If

such an application is made within six months, the prohibition under Article 85 (1) is suspended. Where the Commission eventually rejects the application, it will grant the understanding a period in which to adjust itself to the rules or to dissolve itself. On the expiry of this period the prohibition under Article 85 (1) will take effect. Understandings in respect of which application is not made expose themselves to the legal risks involved in a possible infringement of the Treaty. If they fall within the provisions of Article 85 (1) they are null and void under Article 85 (2), and no previous decision by the Commission is required. Exemption granted under Article 85 would take effect, as for the new understandings, only from the date of the Commission's decision.

The period allowed for submitting the application is three years for the undertakings which are not subject to compulsory registration.

These different time limits for submission of the application will enable the Commission to concentrate first and foremost on the understandings which of their nature are the most prejudicial to the development of the common market. But this does not mean that the application of Article 85 (1) is held up until the expiry of the time limits: the Commission, like the national authorities, may on the contrary rule at any moment that an understanding is not compatible with Article 85 (1).

b) Apart from the rules outlined above, which constitute the first supplement required to the procedure laid down in Article 85, the draft contains other provisions intended to ensure uniform application of this Article and of the prohibition on the abuse of dominant positions laid down in Article 86.

In this way the Commission, in applying the Treaty, has the right to obtain information and check facts. This it exerts in close co-operation with the Member States, unless it has direct resort to the services of the national authorities for the purpose. This right is to be used in particular to ensure uniform procedure

when information or studies are necessary in relation with the same case in several Member States. In drafting the provisions of the regulation, the legitimate interests of enterprises have been taken into account.

The draft regulation authorizes the Commission to impose fines and penalties. Fines ranging from 100 to 5,000 units of account can be imposed where enterprises supply information incorrectly or not within the stipulated period, where, in the case of investigations, they submit incomplete documents or offer obstruction; where they refuse to register as required or supply inexact or distorted information. By fixing penalties ranging from 50 to 1,000 units of account for each day's delay the Commission can oblige undertakings to fulfil their obligations.

The draft regulation does not provide sanctions in respect of infringements of Articles 85 and 86; nevertheless, the Commission can oblige enterprises to cease any violation of these Articles once it has been established.

In the case of action brought against any decision of the Commission to impose a fine or penalty, the Court of Justice is fully authorized to investigate the decision in accordance with Article 172 of the Treaty.

The regulation is so worded as to ensure the continuance of the present close co-operation between the Commission and the national authorities. Before the Commission takes a decision, it must consult these authorities, who are also kept informed during the proceedings of any application submitted and of any action by the Commission.

To protect the legitimate interests of those concerned, the draft contains provisions on secrecy and on what decisions of the Commission may be published.

This first draft does not exclude the possible issue of further provisions on competence and procedure. No decision

has yet been taken as to whether and, if so, in what way, a consultative committee is to be brought into the implementing procedure under Article 85. A later regulation will establish what penalties may be imposed for infringements of Articles 85 and 86.

This draft was transmitted to the Council at the end of October 1960. After a first exchange of views and an examination by the Ministers responsible in this field, meeting on 29 November 1960, the Council decided at its session of 6 and 7 December, to ask for the opinion of the European Parliament and of the Economic and Social Committee.

On 28 March 1961 the Economic and Social Committee gave the opinion asked for. The Committee made particular reference to the definition of the field of application of Articles 85 and 86, to the expediency of establishing a procedure for investigating complaints brought, to the advisability and the need in law of an application for authorization, to the transitional system and to the balance between the rules on understandings and those on the abuse of dominant positions.

The Economic and Social Committee was unable to reach a majority decision on the question of the compulsory registration of certain existing understandings and of applications for exemptions from the prohibition by virtue of Article 85 (3). The vote on these questions resulted in 41 in favour, 41 against and 10 abstentions. For this reason the two points of view are jointly enunciated in the Economic and Social Committee's opinion.

The Internal Market Committee of the Parliament has already devoted several meetings to a thorough examination of the draft regulation. It will submit its report to the Parliament shortly.

49. In addition to the work mentioned above, the Commission has continued its studies and the examination of particular cases.

Several investigations have been carried out in co-operation with the national experts on understandings to discover dominant positions on the market.

Structural studies, which have been undertaken in certain sectors of the economy, on the situation of competition and on the development of prices will facilitate the practical application of Articles 85 and 86 of the Treaty.

50. Enquiries, based on Article 89 of the Treaty, into specific cases of *suspected infringements* of Articles 85 and 86 have been pursued.

In order to facilitate co-operation with the responsible authorities and to speed up enquiries, the Commission has held meetings with the national officials competent for understandings at which particular cases were examined.

So far the Commission has instituted official enquiries in 26 individual cases arising in numerous branches of industry and of the economy. In 11 cases the enquiries were opened at the suggestion or on the request of the administrative authorities, and in 8 cases following complaints from undertakings or industrial associations; in 7 cases they were initiated as a matter of routine.

The proceedings initiated have led some of the enterprises concerned to put an end to the practices complained of. In 4 cases consultation procedures were used. In 19 cases the investigations are still proceeding.

The Commission is also continuing the examination of certain other cases in which it is not yet proved whether sufficient grounds exist to suspect infringements of Article 85 or 86.

Two of the cases solved concerned the refusal of a manufacturer in one Member State to supply a trader in another. The intervention of the Commission and of the national authorities concerned resulted in this refusal being withdrawn.

The Commission has learned with interest of the *jurisprudence of the courts* in the Member States in matters relating to Article 85 and the following, as well as of practical decisions taken by national authorities. Now that a consultation procedure has been agreed with the government experts of the Member States ⁽¹⁾ these authorities obtain the opinion of the Commission before making their decisions.

The decision of the administrative authorities and of the courts bring out once again how necessary it is to ensure the uniform interpretation and application of Articles 85 and 86. This is the chief aim of the first implementing regulation pursuant to Articles 85 and 86, drawn up by the Commission ⁽²⁾.

Dumping practices

51. The Commission has continued to receive requests submitted under Article 91 (1). It organized with the government experts from the Member States a second conference on dumping in order to discuss certain difficulties arising from the application of Regulation No. 8 agreed on by the Commission in implementation of Article 91 (2). At the same time the conference provided an opportunity to bring out the lessons to be learned from the implementation of Article 91 (1).

During the discussions on the scope of the recommendation that the Commission must draw up after having discovered a case of dumping, the experts took the view that Article 91 (1) can only be applied if the existence of an export at a price below the "normal value" and resulting in material injury being done to the corresponding industry of a Member State has been ascertained ⁽³⁾. Broadly speaking, such injury will probably not occur

⁽¹⁾ Cf. Third General Report, sec. 139, second paragraph.

⁽²⁾ The principal court decisions concerning the application of Articles 85 et seq. will shortly be published by the Commission.

⁽³⁾ See Third General Report, sec. 144.

if the exporter sees to it that his goods are not delivered to the consumer in the importing country at a price lower than that ruling on the local market.

The Commission and the experts reached the conclusion that, in order to allow of the effective implementation of Article 91 (1) (dumping practices within the Common Market) and of the common commercial policy on dumping by non-member countries after the transitional period, it was desirable that all the Member States should have special laws enabling them to take protective action against these practices. The States should therefore plan for the approximation of these laws without delay.

On 15 April the Commission had initiated proceedings under Article 91 (1) in eleven cases. Six of these concerned the chemical industry, three the foodstuffs industry and two the medical instruments and equipment industry. Six requests were lodged by trade associations, two by injured enterprises and three by the authorities of the Member States. A total of 26 enterprises have been involved in these complaints of dumping practices.

Investigation of these complaints has produced the following results :

- a) In four cases the complaint was not followed up, either because it was unjustified from the outset, or because it became so in the course of the proceedings, following a change in the factual situation.
- b) In two cases the plaintiffs withdrew their plea definitively and in two others they withdrew it temporarily.
- c) In two cases the complaint gave rise to the dispatch of a recommendation to one of the enterprises complained of, while with regard to the others the complaint was not entertained because it had ceased to be justified following a change in the factual situation in the course of the proceedings.

- d) In one case the complaints are still being investigated.

Up to now the proceedings initiated to deal with dumping have given positive results. The procedures complained of have in most cases been abolished by mutual agreement at the end of the discussions between the Commission and the parties. This is why by 15 April recommendations had been made in respect of only two enterprises.

State aids

52. The Member States granted new aids in only a few cases in 1960.

The projects notified to the Commission in conformity with the provisions of Article 93 (3) of the Treaty of Rome mainly, concern aid measures tending to further economic expansion or the development of certain activities.

This is the case with :

- a) The draft law on economic expansion, social progress and financial reorganisation—the “loi unique”—notified by the Belgian Government, certain articles of which aim at modifying the aid provisions in force;
- b) The draft decree amending decrees No. 55-878 of 30 June 1955 and No. 59-483 of 2 April 1959 concerning the introduction and grant of a special equipment bonus in France;
- c) The draft law on financial encouragement to industrial enterprises to carry out conversion programmes and the draft law on medium-term financing in the commercial field notified by the Italian Government.

Because the above drafts are in the nature of outline laws, the Commission must examine whether they are compatible with

the Common Market at the time when the individual decisions necessitated by their application are taken.

53. Other notifications concern projects whose effect would be to amend or abolish existing aids in favour of certain sectors.

The French Government reported various adjustments to the aids granted to shipbuilding under a programme of government action on structures aimed particularly at making the shipyards more competitive.

The Italian Government notified a draft law altering the present system of aids to shipbuilding with the aim of ensuring adequate activity in Italian yards during the period considered necessary for them to become competitive. The Commission ⁽¹⁾ declared this bill to be compatible with the provisions of Article 92, and gave its agreement on the condition that the Italian Government carries out a rehabilitation programme as planned and submits to the Commission a programme prepared for the purpose within six months of the bill becoming law.

The French Government has informed the Commission that aids from the textiles fund to staple fibre production, silk-spinning and haute couture were abolished with effect from 1 January 1961.

54. Following an examination carried out in agreement with the European Commission, the Federal Republic of Germany took measures to put an end to the arrangements for the encouragement of synthetic rubber production (abolition of the equalization fund for natural and synthetic rubber) and informed the Commission of this step on 9 May 1960. Similarly, under the terms of the examination carried out under Article 93 (1), and acting on the Commission's proposals, the Italian Government has decid-

⁽¹⁾ See the Official Gazette of the European Communities, No. 25, 8 April 1961.

ed to table in Parliament a bill on the abolition of certain fiscal advantages of a discriminatory nature in connection with the sale of motor vehicles produced in Italy.

55. The Council has taken a decision concerning the French aid measures to encourage production of certain grades of paper pulp. A first study of the arrangements planned by the French Government to fix the grades of paper pulp to be aided raised doubts as to the compatibility of such aids with the common market, and the French Government therefore requested the Council to grant an exemption, invoking the declarations it made when the tariff for products on List G was adopted (the counterpart of its agreement being an aid system in favour of the paper-pulp industry.

The favourable decision of the Council ⁽¹⁾ nevertheless provides that "the subject to revision in view of the fact that it is in the common interest that the aid be degressive and that account be taken of the development of the common market in applying it". This decision instructs the Commission to study the draft decrees for the implementation of this aid in order to make sure that they do not alter the conditions of trade within the Community to an extent contrary to the common interest.

56. Within the framework of the provisions to be adopted in the agricultural field to implement the acceleration measures on 1 January 1961, the Commission has submitted to the Council suggestions as to measures relating to export aids which might be envisaged immediately and a draft regulation establishing the extent to which certain rules of competition in the Treaty, covering aids ⁽²⁾ in particular, could be extended forthwith to agriculture under Article 42.

⁽¹⁾ See Official Gazette of the European Communities, No. 84, 31 December 1960.

⁽²⁾ See Chapter II, sec. 115.

The Commission has drawn up for circulation to the Member States a questionnaire concerning aids granted in the six countries to the transport sector. The purpose of this questionnaire is to enable the Commission to judge of the compatibility of these aids with Article 77 of the Treaty.

57. The inventory of existing aids, particularly those of a fiscal nature has been completed.

It has been possible, thanks to contacts with the national authorities, to specify the nature and purpose of the different steps taken by the various Member States to encourage their national economy in the light of general objectives. Sometimes it is a case of bolstering economic expansion as a whole or of granting special aids for the development of certain economic regions; sometimes, of supporting the activity of specific categories of producers, for instance small and medium enterprises, and handicrafts. The procedures employed differ according to the states or the sector of the economy. They include, as appropriate, credit facilities, guarantees, capital subsidies and tax advantages. The study of such aid measures, rendered complex by the diversity of the mechanism with which it deals, cannot be limited to the laws and regulations governing the powers of the public authorities providing the aid. It must also cover the way in which this aid is distributed in practice. From many points of view these studies take into account the Community's tasks in the matter of regional policy.

Among the aids enjoyed by certain sectors of activity, special importance has been attached during the period under consideration to aids to the cinematographic industry. These have been studied with due regard to those factors, affecting the appraisal of the aids, which derive from the special problems of this sector, such as problems of the right of establishment and disparities in tax systems.

Approximation of legislation

58. In this field the special nature and scale of the studies of comparative law and the difficulty in choosing the procedure to be followed obviously preclude any hope of rapidly obtaining concrete results. We shall, therefore, do no more here than indicate in a few words the sectors in which the first results may shortly be expected.

Industrial property

59. The Co-ordinating Committee for the approximation of legislation on industrial property set up on 19 November 1959 has studied the fundamental problems which arise in this field in relation with the working out of a system of European law on patents, trade marks and designs and models.

The Under-Secretaries of State who are competent in this field in the six member countries met in Brussels on 19 December 1960 and heard a report on the conclusions of this Committee concerning the need to harmonize national legislation on the "patentability" of chemical and pharmaceutical processes and to prepare three draft conventions on patents, trade marks and designs respectively. In addition, a general convention is to be prepared containing common rules, in particular for the introduction of the international documents on industrial property. The convention will also define the functions of the bodies issuing these documents.

The Under-Secretaries of State established the main principles to be followed in preparing the draft conventions and in particular made the following points :

1. The future European system of law studied will co-exist with the national laws; these will be maintained subject to any necessary harmonization;

2. The European protecting documents will be regarded as uniform and autonomous laws and not as juxtaposed national laws;

3. The independent legal machinery needed to implement and interpret the European law will be provided for;

4. Subject to the approval of the Member States, non-member states will be free to adhere to the conventions.

As regards patents, the draft convention provides for the study of a uniform procedure (which could be applied on a provisional basis) for lodging national patents. The European patent will be issued by an independent international body. Proceedings in cases of infringement will be brought in the national courts.

The European trade mark will be considered as an autonomous right giving the maximum security to its holder. Its lodging with a European body will be the sole source of law.

With regard to designs and models, the Under-Secretaries of State recommended that the new text of The Hague Arrangement and the Protocol annexed thereto, established by the diplomatic conference held in that city from 14 to 28 November 1960, be ratified as soon as possible.

The Under-Secretaries of State communicated the above conclusions to the six Governments, and the Governments informed the Commission that they approved them.

Public Contracts

60. The divergences between the laws and regulations in the Member States in this field have a direct repercussion on the functioning of the Common Market since public contracts represent a sizeable share of economic activity. The European Com-

mission has therefore set up two working parties in which national experts participate: the working party on "freedom of establishment and services in respect of public works" and the working party on "the approximation of legislation on public contracts".

The aim of this latter working party is to achieve one or both of the following objectives:

- i) The approximation of the legislative and statutory instruments governing public contracts and the discretionary practices of the administrations responsible for letting such contracts;
- ii) The working out of a common procedure for concluding public contracts and the determination of the cases and conditions in which this procedure shall be applied.

Reciprocal recognition and execution of legal decisions

61. A committee of government experts has examined, at the invitation of the Commission, the problems arising in this field. The examination of the questions of principle has been concluded.

These exchanges of views now make it possible to prepare concrete solutions in the spheres of law on execution and bankruptcy law.

Administrative or technical obstacles to trade

62. The Commission has dealt with the elimination of administrative or technical obstacles to trade arising from disparities in the legislation of the Member States, for instance, on the manufacture, composition, conditioning and checking of certain products.

In view of the wide field in which these obstacles may occur it seemed necessary to begin by laying down certain priorities. Up to the present attention has been particularly concen-

trated on the approximation of legislation in the food, veterinary and plant health fields, whilst in the other sectors it is mainly complaints to the Commission from industrial and commercial sectors which have been examined.

Further, with a view to working out a programme of action for the abolition of obstacles in the fields for which as yet no regular working party exists, the Commission has sent to the Member States a questionnaire as part of an enquiry it has just initiated.

Fiscal provisions

63. Apart from the question of ascertaining to what extent an approximation of the Member States' tax laws is advisable or necessary for the development of the Common Market, the Commission has the task of examining how far competition is distorted or handicapped by differing tax laws, and of ensuring that the development of the Common Market is not hampered by any fiscal measure.

Fiscal, financial and economic questions being closely linked, the Commission has thought fit to back the work of the fiscal experts by studies of a more scientific character. For this purpose it has set up a committee of economists to examine how far the existing disparities between the fiscal systems of the six countries constitute an obstacle to the establishment of a common market and to see how these disparities could be eliminated. This committee will submit its report to the Commission before the end of 1961.

64. During the period under consideration, increases in countervailing charges on imports and drawbacks on exports in relation to the turnover tax have received special attention.

In Articles 95, 96 and 97 the Treaty accords the Member States the possibility, where exports are concerned, of reimbursing indirect taxes charged during previous stages and of simultaneously establishing countervailing charges on imports. However, these reimbursements and countervailing charges may not constitute a burden greater than that of the indirect taxes falling upon the national products.

The Commission's task in checking on these facts is particularly difficult in this respect, for the incidence of "cumulative multi-stage taxes" (Article 97) cannot be estimated for each product without knowledge, not only of its cost price, but also of the price of its components, and without the fiscal charge weighing on each element being calculated.

To meet these difficulties the Council of Ministers decided, on 21 June 1960, in conformity with the Commission's proposals, that Member States would refrain in principle from any modification of the rates in force for reimbursements and countervailing charges, unless a modification can be justified for technical reasons in connection with the tax system. A flexible and rapid prior consultation procedure, in which the Member States' experts are invited to take part if necessary, has also been laid down for this special case. All the measures introduced by the Member States after the entry into force of the Treaty can be subjected to the same examination.

On these basis of this decision, the Commission examined jointly with the government experts the increased rates introduced on several occasions in 1959 and 1960 by Belgium, the Netherlands and, on 1 September 1960, by Italy.

In the cases of Belgium and the Netherlands, it was noted that the new rates do not exceed the ceiling provided for in Articles 95 and 96 of the Treaty.

As regards the Italian measures, the Commission has carried out a detailed study of some representative products in

co-operation with the national experts. Despite difficulties in the discussions, there are grounds for hoping that an agreement will be reached in the near future.

This work has once again brought out the need for rapid agreement on a common method of calculation, which would facilitate checking by the Commission and give a better guarantee to the member countries. An ad hoc working party is continuing study of this question.

65. The difficulties met with only serve to stress once again the fact that the definitive solution of these problems presupposes harmonization of turnover tax systems.

The working party set up in 1959 ⁽¹⁾ to look for possible solutions in this field has continued its study.

a) In sub-group A it has examined the possibility of substituting for the present physical check on goods at the frontiers between the member countries, a system of periodical declarations by importers and exporters which the national administrations could verify by an a posteriori check of their accounts. If this method were adopted, the present diversity in the turnover tax systems would continue. This method might be proposed as a provisional solution until harmonization is achieved. The sub-group's conclusions will be presented before the end of 1961.

b) Sub-group B of the working party has studied the possibility of introducing in the six countries a single general tax levied at the stage prior to retail trade — taxation of wholesalers — combined perhaps, with a small tax on retailers under a national system. The technical study of the machinery of such a system has been finalized. Particular weight was given to the arrangements which would apply to capital goods, and it proved necessary to carry out a thorough study of the incidence of a

⁽¹⁾ See Third General Report, sec. 166.

capital goods tax on prices (cumulative effect) and on the rate of the tax (budgetary effect). Another basic question is whether a system of single tax levied at the wholesale stage would make it possible to abolish fiscal frontiers (in other words to do away with countervailing charges and drawbacks) in trade between the Member States even in those cases where the rate of the tax and the exemptions differed from country to country.

c) Lastly, sub-group C of the working party studied the possibility of adopting, in the six countries, a single tax charged at the production stage or an added value tax, both possibly combined with an autonomous tax levied at the marketing stage.

Two systems of single tax at the production stage, i.e., a tax levied in one payment at the final production stage and a tax divided into portions to be paid at each stage of production, have been studied. The working party has almost concluded its detailed study of a system of added value tax.

66. The Commission's staff have carried out a study of the other indirect taxes and noted that harmonization in this field was beset with great difficulties.

Another study has been devoted to the effects on the establishment of the common market of a few of the more considerable indirect taxes.

The Commission has continued a series of studies concerning the influence of taxation on capital movements, agriculture, public undertakings, amortization, sources of energy and international goods transport. Some of these studies have already been completed.

On the basis of this work the problem of possible harmonization of direct taxes has been considered by the Ministers of Finance. They have requested the Commission to examine, in co-operation with the national administrations, the problems in

connections with the harmonization of taxation on capital movements, and the basis and methods of company tax, particularly as regards holding companies. The study of the harmonization of the basis of taxation will begin shortly.

In order that each Member State may be kept informed of all the fiscal measures introduced by the other Community countries, the Commission's staff draws up every three months a concise list of laws, regulations and decisions put into force in this field in the Community countries.

Abolition of discrimination in transport rates and conditions

67. The regulation on the abolition of discrimination in transport rates and conditions drawn up in implementation of Article 79 (3) of the Treaty was adopted by the Council on 27 July 1960 ⁽¹⁾.

This regulation provides for : the prohibition in principle, as from 1 July 1961, of discrimination in rates and conditions of transport applied on the ground of the country of origin or the destination of the goods carried; a general obligation on the Governments to inform the Commission before 1 July 1961 of rates, conventions, price agreements, and conditions of transport in force in their countries which provide for transport rates and conditions according to the country of origin or of destination of the goods; the possession of a transport document for all transport within the Community, save certain exceptions.

The question of the publication of rates and conditions of transport has been postponed for settlement in the framework of the common transport policy. If the problem has not been solved before 1 July 1963, decisions concerning the nature, form and

⁽¹⁾ Regulation No. 11 (Official Gazette of the European Communities, No. 52, 16 August 1960).

scope of this publication, as well as any other necessary provisions, will be taken within the limits and conditions of Article 79 (1) of the Treaty, with due regard to the fact that they must in any case dovetail with the common transport policy.

As for supervisory measures and penalties, some of these are to be applied by the Governments and some by the Commission.

Under Article 26 of the regulation in question, it is the Commission's duty to take the necessary implementing measures for its execution. The Commission will continue to examine with the Governments the different problems arising in this respect.

68. On the basis of Article 79 (2) of the Treaty the Commission has also drawn up a list, which is not restrictive, of the main factual situations which in its opinion may contain elements of discrimination.

Actually the essential difficulties are : the failure to extend certain internal tariffs to traffic from or to frontier points; certain import or export tariffs which accord advantages at the national level; tariffs which contain an unjustified origin or destination clause; the unjustified restriction of special tariffs to specific lines, stations or itineraries; distortions arising when a different system of pricing is used in international traffic compared with that for the internal traffic of a given country.

The Commission will continue its work in this field, dealing for the present only with concrete cases. It will seek out the most serious and urgent of these and will propose solutions for the abolition of the discriminations to which they give rise.

Merging of markets

69. The expansion in trade between the Member States of the EEC has certainly not been due solely to the reduction of customs barriers and the dismantlement of quotas. It is to a large extent the result of the determination shown by business circles and the steps taken by the most progressive enterprises to secure a foothold in the markets of partner countries even before the obstacles to trade within the Community have been eliminated.

The positive attitude of business circles towards the Common Market, already pointed out in the Third General Report, was again evident during the period under review. By various measures, both industry and commerce showed that they were fully alive both to the new possibilities which the Community will offer thanks to the widening of the internal market and to the new demands which increased competition will entail.

REACTION AMONG BUSINESS CIRCLES—CO-OPERATION, CONCENTRATION, SPECIALIZATION AT ALL LEVELS

70. Links between trade organizations in the Six were strengthened still further. The Commission has published a directory of the European organizations established among the industrial, trade and craft associations in the Member States. In many cases these European organizations have expressed their views on what the Community's policy should be and have evidenced their readiness to co-operate with the staff of the Commission.

The annual reports of many companies reflect the interest shown by industrialists in the Common Market and their efforts to adapt their activities to the new conditions. These efforts have assumed the following main forms :

a) Increased investments for improving the competitive position of products in relation to those of enterprises in other

Common Market countries; very frequently, modernization of equipment has been accompanied by expansion of capacity, with a view to turning to account the additional outlets resulting from the creation of the Common Market and to reaping the benefits of mass-production facilities;

b) Enlargement of the size and financial basis of enterprises by mergers or take-over;

c) Specialization by co-ordinating the manufacturing programmes of several enterprises so that each enterprise limits the range of articles produced;

d) Penetration of the domestic markets of the partner countries by the creation of local subsidiaries and selling agencies or by agreements between firms for the reciprocal use of internal distribution networks.

71. In the present situation the Commission would hesitate to pronounce judgement on the forms of co-operation thus brought to light. Though it is reasonable to suppose that most of them are in line with the objectives of the Treaty and with the need for undertakings to adapt themselves to the conditions of a new and larger economic area, it may also be thought that in some cases these forms of co-operation call for examination under the rules on competition which the Treaty lays down for enterprises (1). The Commission is therefore keeping this development under consideration.

One of the chief effects of the Common Market will be to stimulate production and trade within the Community, each of the six countries being encouraged to specialize in the fields in which it enjoys comparative advantages.

(1) See sec. 48 et seq.

Conversely, activities in which a country is at a relative disadvantage will tend to decrease in, or even disappear from, the country concerned.

The forces which will thus benefit some firms and drive others from the market will not affect a whole branch of industry but only individual products. Such is the lesson drawn both from economic experience (a notable example being Benelux) and from economic doctrine. There is accordingly reason to believe that each member country will be led to develop certain specialities within each of the branches of its industrial production and to drop others without abandoning any of the major sectors which form an established part of its industry.

A comparison with the United States, a unified market of a size similar to that of the future European Common Market, shows that there is a considerable difference in the degree of concentration. While even at this stage a trend toward concentration is beginning to appear within the Community, there is no reason to suppose that this movement will tend to go beyond the limits of optimum size, either from the technical or from the economic point of view.

The small and medium-sized enterprises are watching attentively the structural tendencies (concentration, specialization, conversion, standardization, etc.) which are developing within the EEC.

The coming into operation of the Common Market and the first measures taken in implementation of the Rome Treaty have scarcely affected these enterprises, which enjoy a certain protection due to their geographical position or to other reasons. It is, in fact, probable that the standardization of tastes and needs will be felt less in Europe than in the United States, that specialized products which are traditionally the sphere of the small enterprise will escape mass production and that it will be some time before local and regional markets for such products experience the effects of intensified competition from large enterprises manufacturing the same lines. At the same time, the majority

of the small and medium-sized enterprises are aware of the changes which will be inseparable from the development of the Common Market and seem determined to adapt themselves to the new situation.

The industrial associations and groupings have helped to strengthen the links between the many small and medium-sized undertakings and to encourage their adaptation to the new economic conditions. For their part, the European Commission's staff are studying, in co-operation with industrial circles, the problems raised by integration of these undertakings in a market undergoing a process of unification.

72. The first few years of the development of the Common Market have not only affected industrial enterprises; they have also brought about or speeded up structural changes in the commercial enterprises.

Certainly the vast majority of these enterprises are not yet participating, directly at all events, in this movement. However, the Common Market is already a very important factor in the preoccupations and decisions of the large distribution enterprises.

The salient feature of this new tendency is the development of international co-operation between traders dealing in similar goods and operating along similar lines.

Even before 1958 there were already certain links between various leading distribution enterprises, but the tendency towards co-operation has become considerably more pronounced over the past two years and has in some cases assumed new forms making for a closer association. Among the sectors which offer typical examples of this interpenetration of markets are the department and one-price stores and the wholesaler-retailer voluntary chains.

Most of the department and one-price stores in the Six have for several years been affiliated to various multinational

associations (extending beyond the scope of the Common Market) whose members co-operate mainly in the field of supply research. The year 1960 was marked by the establishment of far closer relationships, particularly between French and Belgian firms on the one hand and between Belgian and Dutch firms on the other. This has in practice taken the form either of reciprocal holdings among the companies concerned (with development of technical co-operation) or of the joint founding of new enterprises, in particular for the establishment and management of either stores of the one-price type (Netherlands) or supermarkets (France) representing — especially the latter — the forms of commercial undertaking currently showing the highest degree of expansion.

After the second world war Europe was the scene of the rapid development in the foodstuffs sector of voluntary chains, which took the form of co-operation between wholesalers and retailers. Very soon, too, links were established between chains in different countries, particularly in connection with the common use of trade marks and the exchange of technical or economic information. Generally speaking, the various international chains have not been confined to the EEC countries, but the latter have in most cases been the backbone of these organizations; the latest food chains, in particular, consist almost entirely of enterprises in four to six countries, of which only one or at the most two are not Member States of the Community.

Some of these groups have already created, and others are planning to create, common purchasing organizations within the Common Market for affiliated national chains.

73. The merging process has not, however, been confined solely to the field of distribution. In many other sectors more and more forms of commercial co-operation are being applied, such as reciprocal use of national distribution networks (motor-cars, electrical household appliances and, more generally, industrial or domestic equipment sectors) and the creation of subsidiaries to serve as agencies. For their part the wholesalers, com-

mercial representatives and commercial agents are likewise actively assisting the new trend of markets.

The abolition of customs and quota restrictions will probably mean that all these experiments and all these new measures, of which relatively few apply as yet to the distribution sector, will be carried further. The merging of markets will be given an additional fillip by the expansion of international co-operation in supply and market research, which will also serve to speed up the process of modernizing the structure of trade.

74. The handicrafts, whose output is mainly for local markets, might appear not to be directly affected by the establishment of the Common Market. Nevertheless, in the face of the new conditions, their central organizations have deemed it necessary to associate together in the Committee for the Crafts and Small Industry of the Six, which has a permanent secretariat in Brussels. This Committee is now seeking the best methods of effectuating the unrestricted right of establishment and free supply of services for European craftsmen. In addition, the European handicrafts federations already in existence are studying, within the framework of the Community, ways and means of ensuring further chances of expansion for their various member crafts.

75. The establishment of the Common Market has been accompanied by an increase in capital investment from outside the Community, especially in the manufacturing industries and in chemicals; the growth of these sectors is prompting foreign, and in particular American, investors to acquire interests in the Six. The number of U.S. enterprises which have established themselves in the Common Market countries during the past three years is over 500, as compared with 180 for the rest of Europe; the increase was particularly marked in 1960, and above all in the last quarter.

This relatively substantial figure of new firms set up in the Common Market is reflected in investments in the six countries,

which have been calculated for the manufacturing industries as shown below.

TABLE No. 1

Investments in EEC and in the rest of Europe

	<i>In millions of \$</i>		
	1958	1959	1960
Common Market	166	157,3	269,2
Rest of Europe	293	222	231,7

This trend shows a certain shift in favour of the Common Market, whereas hitherto preference has been accorded to the other countries of Europe, and particularly the United Kingdom.

EXPANSION OF TRADE WITHIN THE COMMUNITY IN 1960

76. Trade within the Community showed a further marked expansion in 1960. Its total value came to about \$10,200 million, which represented increases of 25 % on 1959 and almost 50 % on 1958. As, according to an initial estimate, the average value for 1960 was approximately 1 % higher than for 1959, the rate of expansion in terms of volume over the same period may be set at 24 %.

It is true that even before the bringing into force of the Rome Treaty, and apart from the periods of depression, trade between what are now the EEC countries had been developing relatively swiftly. But it is also true that the very high rates of increase in trade recorded in 1959 and 1960 had never been achieved during the years in which industrial output had advanced at a pace comparable to that recorded in 1959-60. This trend throws into relief the dynamic effect which the process of integrating the member countries' economies, acting in parallel with the upward trend of the

economy, has exercised on the intensification of trade within the Community.

The very high level reached by intra-Community trade masks a certain slackening of expansion during 1960, which has occurred despite the stimulus given in the second half of the year by the reduction of customs tariffs on 1 July 1960. Even so the progress made was still considerable.

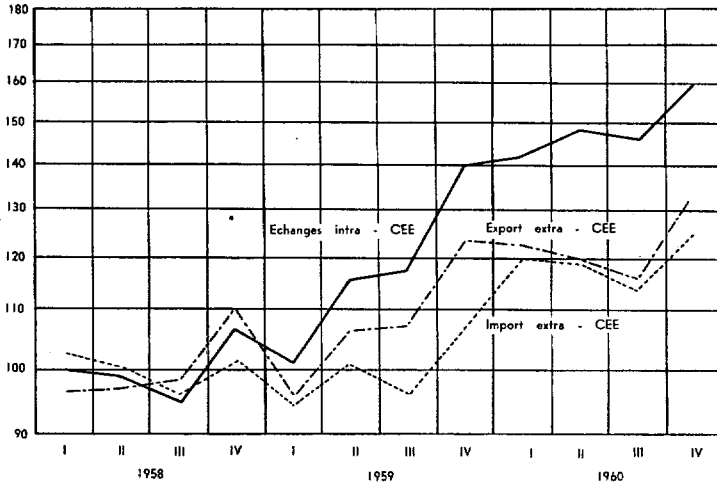
It may in fact be estimated that trade between the member countries increased, after adjustment for seasonal variations, by about 8 % in volume and 9 % in value between the first and the last quarter of 1960. In view, however, of the very marked expansion recorded in the second half of 1959, the rate of advance in the value of trade declined, when compared with the corresponding periods of the previous year, from 32 % in the first half to 20 % in the second half of 1960. In this connection it should be remembered that the figure of 32 % constitutes an estimate which takes into account, in the comparisons between the first halves of 1959 and 1960, the effect on intra-Community trade of the union of the Saar with the Federal Republic of Germany. This effect is calculated at 2 %.

77. The sharp expansion in demand within the Community also brought about a pronounced increase in purchases from non-member countries, the value of which for 1960 exceeded that for 1959 by 20 %. This movement was further stimulated by certain member countries' liberalization of imports from the dollar area. By contrast, demand from non-member countries fell off appreciably in 1960. The rate of growth of exports from the Community in relation to the previous year shrank from quarter to quarter, amounting to 13 % for the whole of 1960.

Development of EEC trade

Quarterly trade index, based on value

1958 = 100



N.B.: The index of the value of intra-Community trade is calculated on the basis of import statistics. The indexes of the value of EEC exports to non-member countries and of imports from these countries include EEC trade with the associated overseas countries and territories.

It is true that in comparison with this expansion of trade with the non-member countries, the growth of trade between the member countries has proved appreciably higher, the economic interdependence of the Community countries having been considerably strengthened in recent years. This growth in trade between the Six, however, far from having a deleterious effect on the trade of the member countries with non-member countries, has been part and parcel of the success of the Community.

TABLE No. 2

*Rate of growth of trade between member countries in 1960
compared with 1959 (1)*

Exporting countries	Importing countries	Germany (F.R.)	France	Italy	Netherlands	B.L.E.U.	EEC
		Germany (F.R.)	—	30	36	21	17
France		25	—	52	26	30	31
Italy		24	51	—	37	22	31
Netherlands		17	27	35	—	8	16
B.L.E.U.		37	34	41	15	—	26
	EEC	24	33	41	19	18	25

(1) Based on the average import and export statistics of the member countries.

The highest rates of increase were those achieved by Italy and France, both for exports and for imports. In the case of imports, part of the explanation lies in the fact that these two countries reduced their customs duties and widened their quotas to a relatively greater extent than the other Member States. These measures also contributed to the steep rise in sales by the same two countries, Franco-Italian trade showing the most substantial rates of growth. The expansion of France's exports was helped not only by the intensification of economic activity within the Community but also by the strengthening of the country's competitive position, mainly as a result of the monetary measures taken at the end of 1958.

In the German Federal Republic, the appreciable economic expansion brought about a considerable increase in imports from other Community countries. However, contrary to what happened with the other Member States, this movement was not accentuated by the first two decreases in customs duties made under the Treaty

of Rome, because of the tariff reductions already carried out by Western Germany in 1957. Exports by the Federal Republic to the other Member States in 1960 showed a faster rate of increase than in 1959, the stepping-up of investments throughout the Community having stimulated the sales of the German equipment goods industry, which occupies a dominant place in the EEC.

The smaller rates of growth registered by the intra-Community trade of B.L.E.U. and the Netherlands are due in part to the existence of Benelux. The fact is that B.L.E.U.—Netherlands trade, which accounts for roughly a third of the trade of these countries within the Community, has not been affected by the tariff measures applied in the framework of the Treaty of Rome. On the other hand, B.L.E.U. and Netherlands trade with the three other Community partners showed very substantial increases.

The rapid expansion in trade between Member States was not accompanied by any fundamental changes in their intra-Community trade balances. However, the differences in economic conditions among the EEC countries gave rise to certain fluctuations, which were particularly marked in the case of B.L.E.U. and Italy.

The B.L.E.U.'s trade balance underwent an improvement, partly under the impulse of demand from the other Member States and partly because of the relative slowness of economic expansion in Belgium. As regards Italy, on the other hand, the very sharp rise in economic activity, leading to a pronounced increase in imports, led to a widening of the trade gap. The German Federal Republic continued to achieve substantial surpluses, although experiencing severe strains caused by the boom in business.

The expansion in trade between the Member States affected in varying degrees all the main categories of products, as will be seen from the following table :

TABLE No. 3

*Movement of trade between member countries,
by main categories of products (1)*

	1958	1959	1960	Increase in 1960
	In millions of \$			(in % of 1959)
Food, beverages and tobacco	908,8	1 126,0	1 297,2	+ 15
Fuels	744,5	747,5	834,9	+ 12
Other raw materials	622,2	792,4	993,5	+ 25
Chemicals	486,1	584,6	745,6	+ 28
Machinery and transport equipment	1 514,4	1 771,0	2 237,4	+ 26
Miscellaneous manufactured articles	2 547,5	2 996,9	3 997,7	+ 33

(1) On the basis of import statistics; Categories of products based on SITC sections.

78. The rapidity of progress in trade within the Community during the first half of 1960 was determined mainly by the expansion in purchases of raw materials and agricultural products. In the second half, this expansion slackened off, whereas the appreciable upward trend of trade in manufactured articles persisted. The tendency which developed in the first quarter towards a replenishment of stocks was responsible for a material growth of trade in raw materials and fuels. There was also a marked increase in sales of foodstuffs, due mainly to the fact that the Federal Republic and France had recourse to additional imports of certain agricultural products in order to contain the rise in prices which threatened as a result of the 1959 drought. Thus the rates of increase for the whole Community in the first quarter of 1960 compared with the same period in 1959 were 44 % for foodstuffs, 53 % for raw materials and 22 % for energy products. The expansion of trade in agricultural commodities showed a distinct loss of momentum in the third quarter, crop results having been better, generally speaking, than in 1959. The halt in the restocking

movement from the second quarter onwards caused a similar trend in purchases of crude materials. It should be noted that sales of French iron ore played a particularly important part in the development of trade in raw materials.

79. On the other hand, the expansion in intra-Community trade maintained a steadier pace in 1960.

The noteworthy increase in the output of the Community's chemical industries was followed by an all-round expansion of trade in this field, with dyestuffs and mineral chemicals outstanding. There was also a considerable improvement in the fertilizer and pharmaceutical sectors.

The upward trend of investments in the Community lent an appreciable stimulus to trade in equipment goods between all the member countries. This increase in demand was to a large extent satisfied by West German industry; France, however, registered the highest rate of progress for a range of mechanical and electrical items and Italy for office machines.

Broadly speaking, trade in transport equipment benefited both by the expansion in household consumption, which was particularly marked in the field of durable consumer goods, and by the expansion in industrial purchases of equipment. In addition, the development of intra-Community trade in motor cars and parts was assisted by the raising of import quotas.

In the "miscellaneous manufactured articles" category, iron and steel goods showed a particularly high rate of increase, the main factor here being heavy demand for intermediate products on the part of the equipment goods industries. This trend is all the more remarkable as demand from outside the Community tended to weaken throughout the greater part of 1960. There was also a considerable expansion in trade in textile goods, both finished and intermediate. Italy in particular achieved noteworthy progress in exports of apparel.

CHAPTER II

TOWARDS A COMMON POLICY

Policy relating to economic trends

80. Under Article 103 of the Treaty, the policy relating to economic trends is to be considered as a matter of common interest. The aims that the Member States must pursue by means of a coordinated economic and business cycle policy are set out in Articles 2 and 104 of the Treaty; they are economic expansion and a high level of employment, a general raising of the standard of living, the stability of prices, the maintenance of confidence in the currency and equilibrium in the balance of payments.

In 1960 these objectives of economic policy were very largely attained, both in the Community considered as a whole and in each of the member countries. In particular the rate of growth of economic activity was very high despite the recession in the United States and the slackening of world business. The increase in the gross national product may be estimated at about 7 % in volume in comparison with 1959 for the Community taken as a whole. This increase was most striking in the Federal Republic of Germany and in the Netherlands where it reached 8 %, as well as in Italy where it attained 6.8 %. It was 6 % in the Grand Duchy of Luxembourg and France and 4.8 % in Belgium.

However, expansion lost some momentum during 1960. In some member countries—the Federal Republic of Germany, the Netherlands and Luxembourg—this fall-off was due mainly to certain material difficulties, such as the high degree of utilization of manpower.

After the exceptionally rapid progress in output recorded in 1959 these obstacles made themselves more and more sharply felt

in 1960. In the other countries the slackening in the rate of growth is to be put down to a falling-off in the expansion of demand.

The growth in the national product in 1960 was accompanied by a further general rise in the standard of living. The volume of private consumption seems to have increased by 6 %, which represents an increase of about 5 % per inhabitant.

Most of the Community countries enjoyed full employment and there was sometimes even over-employment. It is true that the aim of a high degree of employment was to some extent too successfully achieved in the Federal Republic of Germany and in the Netherlands where an appreciable degree of strain became apparent throughout the labour market. Unemployment remained relatively high only in Belgium and, above all, in Italy. None the less there was a very clear decline in the numbers of workless. In Italy unemployment still stems to a great extent from structural causes.

Stability of price levels, which is another of the Treaty's objectives, was attained almost completely throughout the Community. It is true that the average level of consumer prices was slightly higher in 1960 than in 1959, but this increase is partly explained by price movements noted in 1959 and to a great extent by increases in controlled rents and transport rates decided on by the public authorities. Through the prices of certain industrial products and a few services hardened slightly during 1960, particularly in the Federal Republic, this movement was offset by the easing of the prices of various agricultural products, which was, however, no more than a return to normality after the exceptional rise caused by drought in the previous year.

On the other hand, equilibrium in the balance of payments was not attained in 1960 in most of the member countries. Considerable surpluses were once more recorded, although this development calls for differing interpretations according to the countries. The gold and foreign currency reserves of the official monetary institutions of the Community countries increased by about 3,000 million dollars during the year. None the less, balance-of-payments surpluses were

by and large smaller than in 1959, save in the Netherlands and especially the Federal Republic of Germany, where they again increased: the gold and currency reserves of the Federal Bank went up by no less than 2,200 million dollars.

Generally speaking the surpluses in the current payments balances fell because of the differences between the development of the underlying trend of business activity in the Community and in certain important non-member countries, and also because of the effects of special factors bearing on a number of foreign markets. However, this reduction was offset and even, in certain cases, more than offset by an influx of capital from non-member countries.

TRENDS IN 1960

Development of demand

81. Taken as a whole, the development of demand from non-member countries became very slow at the beginning of the spring of 1960. The substantial loss of momentum in the rate of growth in the Community's total exports is largely explained by the considerable fall in absolute value of sales to the United States, which resulted from the increasingly severe slackening of business activity and from the trend on the steel and automobile markets in that country. It is true that the progress of sales to other industrial countries continued, but it slowed down appreciably during the second six months, particularly as far as Great Britain was concerned. In Britain production hardly advanced after the spring of 1960. Similarly, the increase in sales to the developing countries was at a rate appreciably lower than that for the second half of 1959.

However, because exports had vigorously expanded in the second half of 1959 and in the first quarter of 1960, their total in the Community for 1960 was high. According to customs statistics, exports were worth about 19,500 million dollars, or 14 % more than in 1959. The increase in volume might be around 12 %.

In contrast with external demand, internal demand in the Community moved forward steadily and seems even to have gathered a little momentum. In particular fixed investments by enterprises continued to increase at almost the same rate. These observations are valid for all the member countries except Belgium and France. In France, for example, investments picked up later than in the other member countries. In Belgium they expanded until the middle of the year but have since tended to flatten out.

Broadly speaking the expansion of investment in the Community was stimulated by that of overall demand; in certain countries, particularly the Federal Republic of Germany and the Netherlands, it also stems in a very high degree from manpower shortages.

The progressive establishment of the Common Market has also encouraged investment to an appreciable extent, and the speed-up plan has been an additional factor in encouraging expansion.

In all the member countries with the exception of Belgium and the Grand Duchy of Luxembourg, public investment was substantially greater in 1960, than in 1959. This trend was observed even in countries such as the Federal Republic of Germany and the Netherlands where the expansion of private investment had already produced some strain. However, in the Netherlands the rate of increase in public investment appreciably declined.

In 1960 the trend of activity in the building and construction sector was not homogeneous. Whereas the construction of industrial and commercial buildings expanded strongly in all the member countries in relation with the increased fixed investments of enterprises, there was only a relatively modest advance in housing.

The overall volume of gross fixed capital formation, that is to say including amortization, may well have exceeded by about 11 % that of 1959 for the Community taken as a whole. This is a provisional estimate made by the staff of the Commission.

The growth in private consumption gathered notable momentum during 1960. In the first six months, and particularly in the

first quarter, it was still moderate, but in the second six months it developed at an ever faster pace, particularly in the Federal Republic of Germany and in the Netherlands. In these two countries the business boom had already for some time been causing strains on the labour market, and for this reason, more and more considerable and frequent pay rises were recorded in 1960. In the other member countries save Belgium increases in wages were also larger in 1960 than in 1959, following the general improvement in economic activity. Moreover, profits and entrepreneurs' dividends increased, with the result that the expansion of household revenues provided the necessary conditions for a more rapid growth in consumption.

Altogether, and for the Community taken as a whole, private consumption at constant prices may well have increased by 6% in 1960 over 1959.

The development of supply

82. Broadly speaking, it was found possible to adapt supply to the expansion of demand. In most of the member countries the results of agricultural production were better in 1960 than in 1959. Industrial production of the Community in 1960 exceeded the 1959 level by about 12%. Between the entry into force of the Treaty of Rome and the present time, that is to say between December 1957 and December 1960, industrial production moved forward by about 25%.

However, the rate of growth slowed down appreciably in 1960: whereas the quarterly progress in the index, adjusted for seasonal variations, had averaged 4.2% during the second half of 1959, it was only 2% for 1960 taken as a whole. However, such a result must be considered as very favourable in view of the facts that in other countries, and particularly in the United States and in Great Britain, output ceased to grow at all during the second half of 1960.

In 1960 the trend of production varied markedly from sector to sector. For example, output in the capital goods industries continued to advance smoothly and with particular vigour thanks to large investment programmes and plentiful exports. By contrast, in the "traditional" consumer goods industries the tendency for the accumulation of stocks to level off, which became apparent during the year, led to a slackening of the vigorous expansion in output that had been noted at the beginning of the year. For structural reasons, certain industrial sectors did not participate in the improvement in economic activity. In this way, a further fall in output was recorded in shipbuilding, and coal-mining continues to be beset by structural difficulties. Nevertheless, some improvement was observed in this sector under the influence of the lively activity in iron and steel; for this reason the decline in coal production did not persist in 1960 and pit-head stocks tended to taper off. The year's output of the motor industry was influenced by the exceptionally high rates of growth recorded during the first six months, but the main feature of the second half of the year was a notable weakening in expansion consequent upon the growing difficulties met with by certain enterprises in their export activities.

The progress of industrial production as a whole is to be put down in the proportion of almost 40 % to increased activity—more persons employed and more hours worked—and, for the rest, to higher productivity. Production per hour worked in industry was almost 7 % higher in 1960 than in 1959.

In 1960 the growth of industrial manpower came up against certain limits in a number of Member States. Available manpower reserves were almost completely exhausted in the Federal Republic of Germany and the Netherlands, while the natural increase in the working population was relatively slight. Moreover, since overall demand continued to increase vigorously, severe strains appeared on the labour markets in these countries. On the other hand, there were still fairly large manpower reserves in Italy, Belgium and France. Nevertheless, in France, and even in Italy, isolated points of strain emerged in a few regions and for certain occupations.

The balance of the markets

83. The progress of imports from non-member countries, which had still been very lively in the first six months of 1960, slowed down later. This loss of momentum seems to be due in particular to the weakening of the rate of progress of industrial production, which affected the development of current demand for imported raw materials and semi-finished products. It was also due to the end of the process of re-stocking raw materials. Altogether, according to customs statistics, imports from non-member countries in 1960 were worth 19,400 million dollars, or 20 % more than in 1959. In volume the increase was probably about 21 %.

The Community's trade balance for 1960 will in all probability reveal a surplus of only 60 million dollars, whereas in 1959 the favourable balance had been 828 million dollars. This deterioration is mainly due to the trend of the trade balance vis-à-vis the United States, the deficit in which increased by 1,300 million dollars. The deficit in the trade balance with the developing countries did not vary in 1960, whereas the balance of trade with industrialized non-member countries, excluding the United States, again improved.

The deterioration in the balance of current payment was almost certainly less marked, since the surplus in the balance of services probably increased. The Community balance of payments might even reveal, for 1960, a surplus comparable at least with that of 1959, since the fall in the surplus of the current balance of payments has been offset by larger entries of capital. The gold and foreign currency reserves of the official monetary institutions of the member countries went up by about 3,000 million dollars in 1960, whereas their increase in 1959 had been 1,820 million dollars.

In most of the member countries the persistent building-up of liquidities, owing to the balance-of-payments surpluses was largely responsible for the slight tendency for interest rates to fall despite the size of the investment programmes being implemented. In some member countries monetary policy made possible and even encouraged this trend, with the aim of facilitating the financing of investments.

In other countries, where strains appeared in the investment field, measures were taken to mop up liquidities; in the Federal Republic of Germany the discount rate was raised, but a tendency for interest rates to soften eventually became apparent even there and was confirmed by a reduction of the discount rate. In Belgium on the other hand, the effects on capital movements of events in the Congo and the considerable financing needs of the State entailed a certain increase in interest rates. These also hardened somewhat in Italy, for an appreciable fall in the balance of payments surpluses had been recorded simultaneously with strongly increased demand for credits, and the credit institutions had found it necessary to reduce their indebtedness to foreign countries.

Intra-Community trade in 1960 helped to even the course of the underlying economic trend, particularly by stimulating economic activity in the Benelux countries, more particularly Belgium, and also contributed to closer economic integration in the Community. This trade increased by 25 % in value over the preceding year, a rate appreciably higher than for trade with non-member countries, which increased between 1959 and 1960 by only 14 % for exports and 20 % for imports. However, 1960 saw some slackening in intra-Community trade also : this emerges from one quarter to the next, in the tapering off of the rates of growth in comparison with the corresponding quarters of the preceding year. It is true that this slackening is explained partly by the same reasons as those which led to a decline in the expansion of trade with non-member countries: the end of re-stocking, the slower rate of growth of industrial production, and better harvests. Trade in furnished products continued to develop within the Community and with non-member countries.

Because of the roughly balanced expansion of overall demand and supply, prices remained stable to all intents and purposes. Discounting the adjustments in the prices of certain services decided on by public authorities—in particular controlled rents and transport rates—and increases that occurred in connection with agricultural policy, mainly in France and, to some extent in Italy, it would seem that the general level of prices hardly varied at all during 1960. This last observation is valid even for the Federal Republic of

Germany, where increasingly marked tendencies for prices to rise were recorded in the industrial sector but were offset by a fall in the prices of foodstuffs

PROSPECTIVE TRENDS IN THE COMMUNITY IN 1961

The development of demand

84. According to forecasts established for 1961, the economic situation of the Community will be very satisfactory on the whole. Overall demand will once again increase appreciably over the level for the preceding year, although its rate of growth will doubtless not be so rapid. Internal demand will be the main factor in economic expansion.

Indeed, the outlook for the development of foreign demand is much less favourable than at the beginning of 1960. In this respect, the effects of the revaluation of the German Mark and of the Florin, might be of some moment. But other factors, particularly the relative weakness of world business activity and the shortage of foreign exchange from which the developing countries are suffering, will play a much more important part. On the whole, Community exports to non-member countries will doubtless move forward only slightly in 1961.

Though the probable trend of exports must be judged with considerable prudence, the prospects for the expansion of the Community's internal demand remain, on the contrary, quite satisfactory. Many signs suggest that it is mainly private consumption which will continue to expand vigorously and will even gather slightly greater momentum in certain countries. Although it is expected that increased employment will not longer make the same contribution as in 1960 to the rise in the number of wage-earners, the large wage increases which are to be expected will play a very important role in most of the member countries. Only in Belgium is private consumption likely to stagnate, because of the slowdown of business activity in that

country and of the tax increases planned as part of the programme for putting public finances on a sound footing.

All in all, then, sharply increased consumer expenditure in the Community may be expected. Coupled with the relative stability of prices, this might well lead to a growth in private consumption of about 6 % in volume over 1960.

Public expenditure will continue to be a factor of expansion in 1961. Budget plans at present known show a probable increase in expenditure in all the member countries save Belgium, where public investment might well be considerably less than it was last year.

On the other hand, it would seem that the rate of growth in investment by enterprises might drop considerably in comparison with the preceding year in almost all the member countries with the exception of France, where it is likely to be much what it was in 1960. In the Federal Republic of Germany and in the Netherlands, this decline would be due mainly to the fact that investment could no longer develop with the same impetus as during the two previous years on account of the existence of certain physical limits. But it might well happen also that the slowing down in the expansion of demand in certain sectors could inhibit the readiness to invest. In this connection, the effects of the revaluation of the German Mark and the Florin might not be without importance. In other countries the propensity to invest might be weakened, especially in the export industries, to the extent that sales to non-member countries are already showing signs of faltering.

As for housing, the rise in the number of building permits in the second half of 1960 gives grounds for believing that a slight increase may take place in 1961. However, the fact that the limits of productive capacity in the building industry have been reached in the Federal Republic of Germany and in the Netherlands, and the existence in the latter country of a quantitative control, will set limits to the expansion of activity in this sector. It is only in Belgium that the construction of dwellings seems to be tending to diminish.

The development of supply

85. In 1961 the growth of the Community's industrial output will be smaller than in 1960 because of the high degree of utilization of the factors of production already attained in certain countries and sectors and of the foreseeable slackening of demand in other countries and sectors. In Belgium only slight advance is to be expected. Altogether, for 1961, the annual average of the production index (excl: the construction and foodstuffs industries established by the Statistical Office of the European Communities) might well exceed the 1960 level by between 6 and 7 %.

The services sector considered as a whole will show further expansion in 1961. Tourism and related activities will also benefit fairly substantially from the appreciable increase in household incomes.

If therefore it is reckoned that, assuming normal climatic conditions, agricultural production should show moderate progress; it may be deduced from the forecasts concerning the main elements of supply that the gross national product of the Community in 1961 might well increase by between 4.5 % and 5 % in volume over the preceding year.

Such a trend would appear probable on the assumption that the number of persons employed could again be stepped up and that the increase in productivity could continue. Such improved productivity is expected particularly in industry, where the expansion of investment which has been going on for some time now will be reflected in the establishment of new plant allowing saving on manpower. Though the level of employment should rise further in most member countries, the working week will, on the other hand, tend to be slightly shorter.

This brief outline concerns an overall situation which is, however, by no means uniform from country to country. In the Netherlands and the Federal Republic of Germany, the manpower shortage which is acting as a brake on the growth of output will

persist at least during the greater part of the year. In Italy, on the other hand, the decline in unemployment might well be less marked than in 1960 and in Belgium the number of workless might even swell somewhat.

The balance of the markets

86. The Community's imports will doubtless continue to increase in 1961. For the expansion of demand will probably continue within the Community and remain higher than the growth of production in certain member countries and in certain sectors. In all probability, the revaluation of the German Mark and of the Florin will further stimulate imports. Moreover, a certain weakening of business activity will probably continue in non-member countries. For various reasons, however, the growth of purchases abroad will most likely be less substantial than it was in the previous year: there are no grounds for expecting that stock-building of raw materials will pick up again and the fairly good harvests in 1960, particularly for fodder grains and sugar, will continue to limit imports of agricultural produce; lastly, the decline in the growth of industrial production will mean that the expansion of the imports of raw materials and semi-finished products for current needs will be less pronounced.

In view of these forecasts of the trend of supply and demand, the level of prices for the Community taken as a whole should rise only slightly in 1961. However, in the Federal Republic of Germany the strains in the general business situation will not relax sufficiently to prevent fresh price increases for industrial products; these increases will be all the more perceptible as the compensatory effect of agricultural prices will be less marked. In Germany as in France, large wages increases might encourage enterprises to put up their prices. Taken as a whole, prices for services will continue to climb, mainly on account of adjustment measures by governments.

Although there is no doubt at all that the terms of trade will improve, mainly under the influence of the revaluation of the

German Mark and of the Florin, it is probable that the Community's trade balance will continue to deteriorate, since the increase in imports is likely to be slightly greater than that of exports. However, if business activity were to pick up in the main non-member countries, the deterioration in the balance of current payments might be less severe than expected. Whatever happens, the slight decline in the balance of current payments will exert only a limited influence on the global balance of payments, which will vary above all in relation to capital movements. It is true that it is not certain that the fall in interest rates in the Community will be sufficient to cause the departure of short-term capital, of which considerable amounts were attracted to the Community in 1960 because of differing interest rates. But these imports of capital can at least be expected to slow down. Moreover, the surplus in the balance of capital operations will doubtless be reduced by certain payments that the Federal Republic of Germany is to make to the United States, and possibly to Great Britain, and also by an appreciable increase in financial aid to countries in course of development. It is not even impossible that 1961 may see an adverse balance of capital movements. In any case the total increase in gold and foreign exchange reserves of the official monetary institutions of the Community countries will be less marked in 1961 than it was in 1960.

POLICY RELATING TO ECONOMIC TRENDS

87. In 1960 the Community did not find itself faced with particularly important problems in the field of policy relating to economic trends and the co-ordination of the economic policies of the member countries. In most of these the trend of economic activity may be considered as satisfactory, and even excellent, since economic growth was almost unaffected by the slackening of world business and has continued up to the present time without any special measures being needed to stimulate activity. On the contrary, the Federal Republic of Germany, and to a lesser extent, the Netherlands, have been obliged to damp down certain tendencies towards too vigorous expansion.

At the beginning of 1960 the Commission drew attention to the dangers of price increases in certain member countries whilst stressing at the same time that it was important, when applying a business cycle policy designed to damp down trends towards too lively expansion, not to resort to measures likely to have unfavourable effects on other member countries, or to increase balance-of-payments surpluses.

On the other hand, attention was drawn to the possibilities offered by budgetary policy and particularly by the policy of floating loans, to prevent imbalances which set in motion price increases. At that time, when the increase in gold and foreign exchange reserves was causing an excessive influx of liquidities, the floating of long-term loans seemed the most appropriate method of financing budget deficits. The Commission has expressed the opinion that in some member countries the overall total of loans might even exceed that of budget expenditure to be financed by resort to credit, with the object of producing in this way an anti-cyclical effect.

During 1960 the financial policy of the member countries adapted itself reasonably well to the necessities of economic trend policy. In the Netherlands particularly, not only was the increase in public investments restrained but further loans were floated to mop up surplus liquidity. In the Federal Republic of Germany, the increase in expenditure was certainly somewhat excessive from the point of view of business cycle policy, but, because of the sharp rise in tax revenue and large disbursements abroad, administrative budgets have helped to mop up internal liquidity to an even greater extent than in the previous year. In other member countries, particularly France and Belgium, it was not necessary to adopt a financial policy with the objective of damping down business activity; in Italy it was even possible to continue to apply an expansive budgetary policy.

Most of the member countries followed a very cautious policy in the fields of credit and interest rates; in particular they refrained from increasing their discount rates in 1960. This was the case even in the Netherlands, despite the emergence of certain strains in the

general economic situation. The rates of minimum bank reserves were only slightly increased, the Netherlands Government preferring to make use of direct weapons of control—in the fields of building, wages and prices—to obviate inflationary tendencies.

Only the Federal Republic of Germany and Belgium raise their discount rate, fixing it at 5 % in June and July. However, in Belgium this decision was taken only to block the temporary flight of capital following the events in the Congo. The EEC Commission pointed out at different times that whilst it understood the business cycle problems of individual countries it could not help feeling some concern at a policy of relatively high interest rates applied in isolation. In particular, it emphasized the disadvantages of such measures on the international plane, having regard to the present system of convertibility and to the growing interdependence of the capital and money markets. It voiced the opinion that such methods should be resorted to only on a limited scale and should be put into effect as part of an overall policy including, in particular—apart from efficient financial measures—operations aimed at establishing internal balance through an increase in supply. Such a policy would have to ensure the improved utilization of available manpower within the Community and should above all reduce the surpluses in the current payments balances.

88. As for the problem of the improved utilization of available manpower within the Community, the Commission decided at the beginning of 1960 to examine with the member countries those aspects of the question which relate to the economic trend, in order to work out suitable measures. The execution of this project, which was supported by the Committee on Policy relating to Economic Trends, was entrusted to a specialized working party, comprising two representatives from each country—one from the Ministry for Economic Affairs and one from the Ministry of Labour—and two representatives of the Commission. (See the following Chapter—Social Policy—for the work of this Committee, its results and its future course).

On several occasions the EEC Commission stressed that a better use of the growth reserves reflected in balance of payment surpluses would make it possible to obviate the danger of imbalance between overall demand and supply. It thus drew attention not only to the possibility of offsetting excessively high surpluses in the current payments balance by stepping up capital exports—since this method has moreover only a limited effect on the business cycle—but also to the fact that an alteration in the pattern of external trade in goods and services would make an effective and rapid contribution to internal equilibrium. In this respect, the Commission stressed the importance of a liberal trade policy and welcomed the new measures to liberalize imports taken by some of the Member States.

Actually, the surpluses on the current payments balances of a number of member countries, particularly Italy, fell considerably in 1960. On the other hand, in the Federal Republic of Germany, where moreover the surplus was the highest, the tendency for the favourable balance to fall was hardly perceptible. It is in particular for these reasons that the trend in the Federal Republic of Germany was followed with particular attention and was discussed by the Commission and by the appropriate Community organs—the Monetary Committee and the Committee on Policy relating to Economic Trends. It was noted that a very large surplus had become a permanent feature of the balance of payments in the Federal Republic of Germany. This situation was not only having harmful consequences in the distribution of international liquidities but was working against the policy of stabilizing prices by reason of its repercussions on the internal market. If the German Mark were not revalued, there were grounds for believing that the adaptation would take place through an appreciable rise in German prices and costs. Basing itself on the opinions of the two Committees mentioned above, the Commission expressly drew the attention of the German authorities to this contingency.

89. As it happened, the Federal Government decided on 4 March 1961 to revalue the Mark by 5%. The Netherlands followed on 6 March when they revalued the Florin by the same percentage.

This country, too, also had a permanent surplus in its balance of payments and, like the Federal Republic of Germany, found itself obliged to establish a better balance of external payments in order to maintain price stability. It is true that the problem was not so severe as in the Federal Republic but, because of the very close trade relations between the two countries, there was reason to fear that without the realignment of the Florin, the revaluation of the Mark might have been followed by further strains on the internal Netherlands market.

The revaluation of the Mark, since it leads to lower prices for imports into the Federal Republic of Germany, and higher export prices, favours increased supply on the internal market and has a tempering effect on strains set up by boom conditions. Although revaluation cannot of itself completely correct structural imbalance in external payments, it is a very important measure, and its efficacy is enhanced by other measures aimed, for example, at stepping up considerably exports of public capital.

If no measures are taken to compensate those branches of activity affected by revaluation, and if the policy of reducing interest rates adopted by the Federal Bank since the autumn of 1960 is pursued in such a way as to stimulate considerable net exports of private capital, it may be expected that sooner or later the balance of payments of the Federal Republic will find a much better structural balance.

In the Netherlands the structural imbalance of external payments was certainly not so great as in the Federal Republic of Germany and the moderating effect of the changes in exchange rates on business activity and the development of internal prices will there make itself felt more strongly and more rapidly. However, in the Netherlands too, capital exports might well help to reduce the surplus in the overall balance. The Netherlands authorities seem to be already contemplating such a policy.

90. The outlook for 1961 suggests that differences persist in the economic trend in the various countries. Despite the probable effects

of the revaluation of the German Mark and of the Florin, the Federal Republic of Germany and, to a lesser extent, the Netherlands will once again have to cope with difficulties connected with the current economic trend, whereas in other member countries where there has not been so great an increase in demand, the expansion of production could be smaller, although the revaluations have improved their chance of stepping up exports. One of the member countries, Belgium, seems even to be on the threshold of a phase of rather slow expansion.

The anti-cyclical policy which would allow optimum harmonization of the underlying economic trends in the member countries can and must rest to a great extent on measures to be taken by the national authorities. But it is obvious that Community measures will also be necessary to solve these problems.

As in 1960 common measures which could be undertaken would be particularly timely in the field of employment policy, for it is obvious that a better balance between the markets whose main feature is a growing labour shortage, notably in the Netherlands and in Germany, and those of countries with relatively large manpower reserves, in particular Italy, would help to ease strains caused by the high level of business activity in the first group of countries, and would lead to a diminution of unemployment in the second. In those countries and sectors where the situation is dominated by manpower shortages, production might, it is true, increase to an appreciably greater extent than can at present be expected and the upward movement of prices and wages might be checked. In countries where there are manpower surpluses, the further reduction in unemployment would contribute, on any calculation, to speeding improvement in the general standard of living and to better social conditions.

Measures aiming at establishing better equilibrium between the labour markets of the member countries would thus act in the direction of the greatest possible improvement of output and of living standards in the Community. For this reason it would be advisable not only to multiply the efforts successfully undertaken on a bilateral plane to increase the movement of manpower, but also

to make more effective the joint operations already begun on the Commission's initiative, in the field of speedy occupational training ⁽¹⁾. It would also be wise to envisage widening these programmes appreciably.

91. As for the common problems raised by the present trends in world business activity and by the international balance-of-payments situation, they point to the need for a considerable reduction in the Community's balance of payments surpluses. Continuing large surpluses would not only jeopardize the international payments system and the present degree of liberalization in world trade, but would indirectly have an unfavourable influence on the development of business activity within the Community, since they would continue to cramp the action of large non-member countries in their pursuit of an expansive business cycle policy and to act as a brake on the growth of demand from the countries in course of development.

The reduction of the Community's balance-of-payments surplus is obviously a task for which the member countries are not alone responsible, since the genesis of the surplus is to be found as much outside as within the Community. The latter can none the less do much to reduce the favourable balance of its international payments.

To attain this objective certain transfers of foreign currencies to non-member countries are being planned, such as the early repayment of debts, and advance payment for deliveries of military equipment. Such transfers are very useful as transitional measures: they could not, however, provide a lasting solution to the problem. A substantial increase in exports of public capital by the Community, particularly to the developing countries, would constitute a more effective contribution to the solution of the business cycle and balance-of-payments problems of the Western world. It may be expected, particularly in the Federal Republic of Germany, that the effort in the field of aid to developing countries will be greater than it has been up till now. Nevertheless, the policy of expanding internal

⁽¹⁾ See sec. 154.

liquidities and of lowering interest rates must also be pursued, and its effects on the money and capital markets should be such as to trigger off, if possible, sizeable net exports of private capital.

* * *

92. In addition, it is important :

i) To maintain a high level in the rate of growth of economic activity in the Community and, simultaneously,

ii) To take care that the liberal commercial policy is strengthened to permit an even greater reduction in the surplus of the current balance of payments than has been planned. Whatever happens, it would be desirable that there should not be another substantial increase in this surplus should world economic activity pick up again.

It is obvious that the two sets of measures are complementary; the implementation of the first would facilitate that of the others, and vice versa.

Monetary policy in most member countries favours the expansion of economic activity. Some countries are following a policy of lower interest rates with the object of counteracting the inflow of capital. This policy stimulates more or less intentionally the expansion of investment and internal demand. Only in Belgium did the level of interest rates and of the discount rate remain high, despite the easing which has become apparent on the money and capital markets. A revision of policy relating to interest rates would seem desirable in Belgium in view of the internal economic situation of the country.

According to the provisional estimates, it would also seem that the budgets of the public authorities are likely to have some stimulating effect on economic activity. The Netherlands, however, provide an exception to this rule, at least for as long as the planned tax reduction is not applied. The same is true of Belgium, where the plan to put the finances on a sound footing provides for an increase of tax rates and some reductions in public expenditure.

93. Following a proposal by the Commission's representatives, the Committee on Policy relating to Economic Trends decided to muster information concerning the sensitivity of the business trend in the member countries to recessive tendencies, and to assemble documentary material on the weapons of cyclical policy available to the governments of the Member States to maintain a high rate of economic growth. Should the circumstances arise, this step should make it possible to parry with sufficient speed any too great slackening in the growth of demand, by using the most appropriate means of intervention as part of a concerted operation. A special enquiry is in train to this end. It is being carried out by means of a questionnaire bearing, among other things, on the criteria which would determine the cyclical policy of the Governments of Member States in the event of a slowdown of economic activity.

The Committee on Policy relating to Economic Trends has requested the Monetary Committee to carry out a similar enquiry among its members on the subject of the problems of monetary and financial policy which arise in this respect. The results of the two enquiries might well make an appreciable contribution to ensuring co-ordinated action by the Governments of the Member States and to improving the instruments of business cycle policy.

Lastly, the Council of Ministers will, before the end of June, have to take a decision in the light of the economic situation, on the additional 10 % reduction in customs duties for the end of 1961 ⁽¹⁾.

It is quite obvious that the prospect before us suggests no difficulties in the way of the adoption of a positive solution in this field. As the economic forecasts indicate, the usefulness of these measures is in no way lessened by the revaluation of the German Mark and of the Florin.

It would, moreover, be well to bear in mind the effects of these measures, which will tend to narrow the gaps between the

⁽¹⁾ See Chapter I, sec. 4.

different levels of economic activity. When the next reduction in customs tariffs is made this factor will be all the more important since the Federal Republic of Germany, where economic activity has all the appearances of continuing to advance most vigorously will, for the first time since the entry into force of the Treaty, apply the reduction in customs duties completely, whereas until now this reduction was hardly of any importance because of the absorption of the "cyclical reduction" carried out in 1957. Moreover, it will be well to take into account the stimulus given to the expansion of investment by the measures for the speedier introduction of the Common Market. This stimulus will be particularly strong in the countries where competition becomes more lively. It will be wise, moreover, not to forget that the speed-up in the implementation of the Treaty will also make a contribution to the maintenance of a stable price level.

Development policy

94. The European Commission has given due attention to the economic trend and the aims of short-term economic policy as defined by the Treaty. At the same time it has not neglected the task of deciding on the long-term lines which would make it possible to ensure the harmonious development of the Community's economy on the structural and regional planes.

Structural policy

95. From the first studies which the Commission, with the help of independent experts, has made on the probable trend of the Member States' economies up to 1970, it has been possible to prepare an interim report. In this report the Community's future economic development has been estimated on two alternatives; on these two bases estimates of the gross national product and its principal components—consumption and investment—have been drawn up to cover the next ten years.

A second stage in this investigation is now under way; this concerns estimates of the level of demand in 1970 and will make it possible to determine the outlook for production in the main branches. The purpose of these studies is to furnish the specialised services of the Communities with the forecasts necessary for the development and implementation of policies applying to each sector.

Close attention has been paid by the Commission to the analysis of the various sectors of industrial activity : 7 permanent internal study groups have been set up to prepare monographs by main sectors and sub-sectors, to carry out special studies on specific problems and to follow the trends in the different sectors. These groups are also responsible for documentation and for keeping in touch throughout the Community with the experts in the various circles concerned.

Studies are already in hand on the motor-car industry, agricultural tractors, radio and television sets, wool, brewing, pharmaceuticals, lead and zinc, glass, paper pulp, paper and paperboard and other sectors.

Energy policy

96. In co-operation with the High Authority of the ECSC and the Commission of Euratom, the European Commission has continued the examination of the problems raised by the coordination of energy policy.

In March 1960, the Inter-Executive Working Party on Energy ⁽¹⁾, which has the special task of submitting proposals to the Council of Ministers, drew up a report with initial proposals on how energy policy could be coordinated.

In a second report, submitted to the Council on 10 January 1961, the Inter-Executive Working Party suggested to the six

⁽¹⁾ See below, Chapter V, sec. 255.

Governments a number of measures by which implementation of this policy could be begun ⁽¹⁾.

97. Apart from its activities in the Inter-Executive Working Party, the Commission has continued its own specific action in the sphere of petroleum. Here, its aim is to establish the common market for crude petroleum and for the refined products derived from it.

98. In point of fact, this objective is far from having been reached. Trade between the member countries is still limited to small quantities; price disparities between the different markets exist and have even tended to widen in recent years. Faced with the new situation created by the large and growing quantities of crude petroleum available in the different regions of the world and the fall in tanker freight rates, resulting in a steep decline in the prices of petroleum products, the various Governments are reacting in very different ways. The Governments of the countries which produce only small quantities of coal are making efforts to pass on to the users the benefit of the lower prices; the other Governments, however, are endeavouring to limit the political and social effects that these lower prices might have on their coal industries.

If the appreciable gaps that are already apparent between the prices of fuel oil in the different Community countries were to widen or even to remain as they are, it would certainly be very difficult to achieve a homogeneous market in energy products. The seriousness of this situation will be understood if the role of the price of energy in certain important fields of economic development is borne in mind. The result would be a divergence in costs in major industries which might compromise the full achievement of the overall common market.

The European Commission has been led to initiate studies on the coordination of the various petroleum policies of the Member States.

⁽¹⁾ A detailed analysis of these two reports is to be found in the High Authority's Ninth General Report on the Activities of the Community.

The creation of the common market in petroleum products entails in particular the elaboration of a trade policy towards non-member countries. There could be no ensuring the free movement of energy products within the Common Market if prior agreement on common attitudes and rules with regard to these countries were lacking.

This problem is particularly acute for petroleum imports of Russian origin. Taking the Community as a whole, these imports amounted to 8.2 million tons in 1960, or 6.7 % of total availabilities. These are still small quantities, but they constitute one of the factors explaining the recent developments in the petroleum market, because the imports are concentrated at a small number of points and because of the freedom of manoeuvre enjoyed by the USSR in respect of prices.

The European Commission has therefore carried out an enquiry, in liaison with the experts from the six Governments, on imports of petroleum and petroleum products from non-member countries and more especially from East bloc countries. For this purpose, it has submitted to the Governments a questionnaire covering the imports made during the last few years and the possibilities of their expansion; it also covers import and control systems. This information will provide the Commission with an exact picture of the situation at any given time and of the way it is developing; it will also enable the Commission, should the need arise, to propose to the Governments the adoption of a common attitude towards imports from the countries concerned.

99. The establishment of the common market in petroleum products also presupposes some degree of harmonization in the rules of competition. The European Commission has made the necessary contacts with the national administrations in order to study the problem deriving from the adjustment of certain monopolies which might hamper the free movement of petroleum products. The Commission feels that there will have to be some coordination of the rules of competition between the different energy products, parti-

cularly between coal and fuel oil. With this in mind, it included in the proposals made by the Inter-Executive Working Party on the coordination of energy policies draft measures for keeping the general public informed of the prices obtaining on the petroleum market. At the same time it proposed that the provisions in the ECSC Treaty dealing with coal price-lists should be interpreted more flexibly.

The European Commission has been endeavouring to find out whether the hasty construction of refineries and pipelines in the Community might not lead to the installation of too much equipment with a consequent waste of resources. It has therefore asked the Governments to organize a system for the regular exchange of information on investments made in research, production, transport and distribution. The petroleum experts of the six Governments have drawn up for this purpose a general questionnaire which will enable the necessary information to be assembled.

Regional policy

100. The European Commission has continued its work on the elaboration of a regional policy capable of ensuring the harmonious development of the regions of the Community and, in particular, of raising the economic and social level of the less favoured among them.

The Commission's first task in this respect has been to define more clearly the regional problems facing the Community : the classic case of underdevelopment in Southern Italy, the relative underdevelopment in the peripheral areas of Europe, the decline of areas where the industrial structure is out of date or too dependent on a single activity, economic concentration in urban areas in which density of population and industry is excessive, and separation through political frontiers of areas which belong together economically.

The work done by the group of national experts on regional policy, convened on the initiative of the Commission, and by those

responsible for regional policies in the different countries, has made it possible to establish an initial delimitation of regions within the EEC. The various studies have revealed the need to provide for different types of regional units.

First, the regions which constitute the framework generally used by the member countries in applying their regional policies have been chosen as basic socio-economic regions. Such a delimitation is suited both to the coordination of these policies and to the appraisal of the various stages reached in regional development.

These basic regions have then been regrouped to form larger socio-economic areas which will enable a structural analysis to be carried out on a Community scale and which will provide the setting for a regional policy in the EEC. The efficacy of a regional delimitation demands, among other things, that the study of regional structures from the angle of long-term Community forecasts of development should be pursued in close collaboration with the member countries and the other Communities.

The complexity of the economic activities existing within the regions has led to a distinction being drawn between specific areas in order to meet the requirements of structural analysis. The group of experts has singled out a certain number of "problem areas" (industrial areas in decline, frontier areas, etc.).

The geographical framework which results will make it possible to tackle the study and coordination of the regional policies of the member countries and to examine the regional implications of both the national policies and the common policies which constitute the various aspects of the Community's regional action. In particular, it has become apparent to the Commission that overall economic policies whether they be national policies or common and coordinated under the Treaty, are capable of exercising as much influence on regional development as specifically regional measures.

For this reason the European Commission, with the help of a group of experts, has undertaken an analysis of the regional

repercussions of the policies followed by the Member States; the purpose of this study is to ascertain how far these policies may have run counter to a balanced distribution of economic activities. In order to achieve the general aims of the Treaty relating to harmonious economic development, the Commission has also been working on the progressive elaboration of the common policies and carrying out a systematic study of the regional implications of these policies. In this connection, the first work of confronting and comparing the common agricultural policy and the transport policy has begun. It will continue throughout the present year.

The Commission's present studies on the possibility of establishing centres which could attract industrial enterprises to the less favoured regions of the Community represent another and more direct measure in connection with regional development.

The problems of regional economy and regional policy within the EEC will be studied from the Community angle at a Conference which the Commission is planning to call in the course of 1961.

Finally, in connection with the opinions which it has to give on projects for financing by the European Investment Bank, the Commission has continued to watch that the Bank's activities are in conformity with the provisions of Article 130 of the Treaty and that they also correspond with the regional aims referred to above. Special attention has been paid to investment projects in the less developed regions.

The activities of the European Investment Bank

101. In the execution of the tasks allotted to it by the Treaty, the European Investment Bank has continued to keep a watchful eye on the shaping of the Community's economic policy. It has paid particular attention to schemes for developing the less advanced regions and has continued to interest itself in modernisation and conversion projects called for by the gradual establishment of the common market, as well as in projects of interest to several member countries.

During the year 1960/1961 the Board of Directors of the Bank approved eight financing operations for a total amount of 68.3 million units of account. The projects for which these credits were granted represent a total investment of 469.4 million units of account. They are being carried out in Italy, France and Germany.

The Italian projects concern the underdeveloped regions of Apulia, Campania and the Abruzzi and also Franco-Italian rail links. The total amount provided is 50.4 million units of account divided over four projects which concern the iron and steel, engineering, garment and transport sectors.

One of the projects is for the construction of an integrated iron and steel works in Apulia. The engineering project is for a plant to make diesel engines in Campania and is being executed under an agreement between two enterprises, one French and the other Italian. The rail project is the modernisation of the Italian section of the Genoa-Modane line, which is one of the axial transport routes of the Community.

In France, the Bank has granted a loan of 9.5 million units of account for irrigation works to transform agriculture in an insufficiently developed region of the South. It has also participated in financing a plant for the manufacture of plastic materials, under the management of a German firm in co-operation with two French enterprises. Finally it has granted a loan of 4 million units of account for the modernisation of the Modane-Chambéry line (a project related to that for the Genoa-Modane line).

In Germany, the Bank has participated, to the extent of 2.4 million units of account, in financing a thermal power-station in West Berlin.

In the course of these first two financial years the Bank has thus approved 15 loans totalling 120.3 million units of account. The projects to which the Bank has granted its aid represent a total investment of 748.8 million units of account.

The common agricultural policy

102. In 1960, there were two events in the European Economic Community which were of great importance for agriculture, namely:

a) The Economic and Social Committee having reached a decision on the European Commission's draft proposals concerning the development and practical application of the common agricultural policy—the European Parliament had already made its position clear—the Commission submitted the final text of these proposals to the Council on 30 June 1960. The common agricultural policy thus passed from the formulation stage to that of discussion on its execution.

b) On 12 May 1960 the decision concerning the speed-up of the implementation of the Treaty was adopted. This decision covers the provisions applicable to agriculture, which for 1961 lay down a further 5 % reduction in customs duties on non-liberalized agricultural products and also a tightening-up of the Treaty rules concerning the expansion of trade. These measures have now come into force, the Council having found, at its session of 19 and 20 December 1960, that progress in the sense of the speed-up decision had been made both in the common agricultural policy in general and in the particular field of the elimination of disparities in trade conditions.

The Commission's proposals on the common agricultural policy

103. The final text of the proposals concerning the common agricultural policy differs on four main points from the draft prepared by the Commission in November 1959.

First, in accordance with the recommendations submitted by the Economic and Social Committee, the Commission proposed that the three basic elements of the agricultural policy (policy on agricultural structures, market policy and commercial policy) should be supplemented by a fourth: a common social policy in the field of agriculture. This point, which was also emphasized by the European

Parliament, will be an integral part of the Community's overall social policy. In its proposals of 30 June 1960, the Commission set out the most important principles of this common social policy for the agricultural sector and gave notice that a consultative conference on the social aspects of the common agricultural policy would be held in 1961; invitations to this conference will be sent to the agricultural producers' and workers' organizations which have been set up at Community level. After the conference the Commission will formulate its detailed proposals on social policy in the field of agriculture, and submit them to the Council for a decision.

104. Secondly, the Commission has amplified its proposals concerning the institutional machinery necessary for bringing the common agricultural policy into effect. It advocates the creation of consultative committees for the main groups of products and for the problems involved in the improvement of agricultural structures. These committees would be composed of representatives of the organizations set up at Community level by the circles concerned. This proposal too is based on the opinion formulated by the Economic and Social Committee.

The Commission further advocates, as part of the programme for the coordination of the organizations or measures to be undertaken by the various countries in the market sphere during the preparatory stage, the creation in 1961 of a Committee consisting of directors of the national bodies or of the persons responsible in each country for the markets in the various products or groups of products. There should be similar collaboration between the Commission and those responsible in each country for policy on structure. A certain number of European offices and joint guidance and guarantee funds are to be set up at a later stage in the development of the common agricultural policy. In the field of structures, the Commission desires that a European fund for the improvement of agricultural structures be created before the end of 1961.

105. Thirdly, the Commission has effected certain improvements in its proposals on market organization, more particularly those

relating to the single-market stage. The principal change concerns the system for imports of agricultural products from non-Community countries. The original intention was to issue import certificates in accordance with an annual supply programme ⁽¹⁾. The Commission has now dropped the idea of limiting imports in accordance with such a programme. Quantitative restrictions on imports are now envisaged only as temporary and exceptional measures to meet a particularly difficult situation in the Community.

106. Fourthly, the Commission has to a very large extent completed its formulation of proposals for the preparatory stage. For each group of products, it has set out the measures to be taken over the next six years in order to make a gradual transition from the various systems applied in the Member States to the common market and the common organization of markets.

107. In these market policy proposals of the Commission products are found to fall into three main groups.

In the case of *wheat, coarse grains, sugar and dairy products*, market organization at the single-market stage is characterized by a system of target and intervention prices, intervention purchases to be made under certain conditions on the internal market, and external protection in the form of variable levies. In order to ensure that this system operates smoothly, there is to be an import certificate procedure.

During the preparatory stage, the approximation of prices must be pressed forward so that the target price applicable to the whole Community can be brought into effect in the farming year 1967-68. A feature of intra-Community trade in the preparatory stage will be the charging of levies based on the difference between the prices ruling in the importing country and those in the exporting country; these levies are to supersede all other measures of protection as between Member States and will decrease with the approximation of prices until they have been eliminated. Simultaneously, the national

⁽¹⁾ See Third General Report, p. 243.

market organizations will be co-ordinated so as to make possible the introduction of a system of target prices and the levy procedure, this being accompanied by the abolition of all export aid in intra-Community trading. Over the same period, variable levies will be charged on imports from non-member countries, representing the difference between the price prevailing on the world market and the price on the importing country's internal market. Differences in these levies will be reduced as the approximation of internal prices advances.

108. The second group of products comprises *beef and veal, pig-meat, poultry and eggs*, and here markets will be accorded support during the single-market stage mainly by appropriate external protection. In the case of beef, this will take the form of a customs duty. Pigs, poultry and eggs will be subject not only to a reduced rate of customs duty but also to a variable levy designed solely to compensate the differences in animal feeding costs. For all products in this second group there will be a threshold price as a safety measure to cope with exceptional situations.

Trading during the preparatory stage is also based, as far as pigs, poultry and eggs are concerned, on levies intended to offset differences in animal feeding costs. As prices of fodder grains come closer, these levies will gradually be eliminated in trade within the Community and will be aligned at a common level in trade with non-Member countries. In the absence of direct intervention in price formation, approximation of prices will be effected automatically in the case of all products in this second group, including beef and veal, through the progressive abolition of the barriers to intra-Community trade coupled with the introduction of a common commercial policy and a common external customs system.

109. With *fruit, vegetables and wine*, the determinant factor will be quality control. By reason of the common organization, the standardized or graded products will be able to circulate freely within the Community. In addition, there will be measures for bringing production more into line with demand. External protection will be assured by a customs duty.

The proposals relating to the preparatory stage provide for the formulation of standards of quality for the grading of fruits and vegetables. As these standards come to be applied, free movement of the products concerned will come into operation. A similar system is recommended for wines graded by the normal standards. As long as the products have not been graded, and also in the case of products other than those graded, trade will develop in conformity with the general Treaty provisions applicable to agricultural products.

110. In order to open up the way for the common commercial policy which will be adopted in parallel with the common organization of markets, and to make possible efficient execution of the internal and external measures prescribed for the preparatory stage, it is essential to start immediately on the coordination of the Member States' commercial policies for agricultural products. The Commission has accordingly included in its proposals for each product or group of products specific measures for such coordination. In particular, it has recommended that the Member States should continually keep the Commission informed of their bilateral and multi-lateral trading relations with non-Community countries. It will only be possible to apply fresh measures in the field of external trade in agricultural products once the Commission and the other Member States have been consulted. In addition, it will be necessary to make suitable arrangements to ensure that the commercial obligations relating to the products in question can be terminated or adapted to the requirements of the common agricultural policy before the end of the preparatory stage.

The Institutions of the Community have already had to take decisions on the common commercial policy in various negotiations, either under Article XXIV (6) of GATT or in other negotiations with non-member countries. In this context and in view of the Member States co-operation in international organizations such as FAO, it is particularly important to solve problems of international trade in a way which will not jeopardize the implementation of the common agricultural policy.

Procedure for bringing the common policy into force

111. A committee, entitled the "Special Committee for Agriculture", has been set up by the Council to examine the Commission's proposals and prepare the ground for the decisions which the Council will be called upon to take. This Committee has been meeting regularly since September 1960.

The technical particulars of the measures submitted by the Commission are examined by various groups of government experts called together by the Commission.

The European Parliament adopted an opinion on the Commission's proposals at its October 1960 session in a resolution on the lines which should be followed in the common agricultural policy. At its session in January 1961, the Parliament formulated an opinion on the application of a system of levies to trade in agricultural products.

Contact is also maintained by the Commission with the organizations representing the agricultural and foodstuffs industry at Community level; there are now over 80 of these and their number is continually increasing.

Progress of the common agricultural policy

112. The progress made in connection with the common agricultural policy can be seen in the conclusions drawn by the Special Committee from its discussions on the basic principles of the common agricultural policy—conclusions which have been duly approved by the Council—and in a Council resolution concerning the principles on which to base a system of levies to be applied to a certain number of products still to be decided.

113. The basic principles of the common agricultural policy take into account a number of points which will have a considerable

bearing on subsequent decisions concerning this policy. For instance, the establishment of the common market must include the free movement of agricultural products within the Community under conditions similar to those existing in a domestic market. The resolution confirms that the establishment of a common market for agricultural products must go hand in hand with the establishment of a common policy for such products. The common market for agricultural products implies a common price level. The Council adds that ways must be found to direct domestic prices towards this common level—which, moreover, has still to be fixed. The measures taken by each country in all fields should facilitate this process.

As regards the common market policy, the principle is laid down that it must result in an economic balance between supply and demand, including imports and exports, and that it must also contribute to ensuring fair earnings for those employed in agriculture. It has further been requested that any solutions found at Community level for the problems involved in distortions of the conditions of competition should be incorporated in the working out of the common agricultural policy during the preparatory stage. Finally, it is considered essential that there should be coordination and stimulation of the measures taken in the various countries for the improvement of structures, in view both of the interplay between policy on structure and market policy and also of the need to make use of every means that can increase the economic capacity and competitive power of agriculture.

114. The special significance attaching to the Council's resolution on the principles underlying a system of levies for a certain number of products is due to its being the first time that the Council has adopted a definite position on an essential aspect of the Commission's proposals for the preparatory stage in the common organization of the agricultural market. As the Commission points out in these proposals, such a system must aim at creating, for a whole range of products, a Community instrument which by equalising the conditions of competition will give these products the protection they still require during the preparatory stage if they are to be traded between Member

States. The levies instituted on trade between Community countries will decrease progressively until they disappear. In conformity with the Council's resolution, this process will be related to the progress made towards the common price level and to the gradual elimination of measures which produce distortion of the conditions of competition between Member States. The Council has not yet given general agreement to the Commission's proposals for the suspension, should the system of levies on exchanges between Member States be adopted, of the application of all the other protective measures which could still be taken under the terms of the Treaty, and in particular quantitative restrictions and minimum prices. This is why it has stipulated that any decision it may take on the introduction of intra-Community levies must also solve the problems related to these measures of protection.

Another important question of a practical nature is that of the Member States' relations with non-Member countries in the event of the application of intra-Community levies. In conformity with the Council's resolution, the relationship between the levies applied in intra-Community trade and those applied in trade with non-member countries must be such that, taking account of the objectives of the Treaty in the field of commercial policy, the Member States enjoy on the Community market the advantages intended by the Treaty. The practical application of this principle depends on the decisions concerning the various products or groups of products.

The Council has asked the Commission to submit to it before 31 May 1961 proposals for the application to pigmeat and cereals of the levy system and other related measures and before 31 July 1961 corresponding proposals for sugar, eggs and poultry.

Progress in the elimination of differences in conditions of competition

115. On 28 November 1960 the Commission, acting under the terms of Article 42 of the Treaty, submitted to the Council the draft of a first regulation on the application to the production of and trade in agricultural products of certain of the rules of competition. The

purpose of this proposal is the immediate incorporation of the rules of competition in the whole of the machinery governing the functioning of the common market for agricultural products and the development of the common agricultural policy.

According to the draft, the rules of competition relating to understandings, improper use of dominant positions and dumping practices must be applied to production of and trade in agricultural products insofar as their application will not hamper the functioning of the national organizations of agricultural markets and does not endanger fulfilment of the objectives of the common agricultural policy. In order to devise and bring into effect, as part of the development of the common agricultural policy, rules governing aids to the production of or trade in agricultural products, the Commission must be enabled to prepare an inventory of existing aids, must be informed of new ones and have the right to offer the Member States useful proposals and observations. A declaration of intention on the point is incorporated in the document on progress in the common agricultural policy, which the Commission submitted to the Council on 29 November 1960.

The draft regulations have been submitted to the Council, which has passed them to the Special Committee for Agriculture to prepare a decision. In the meantime, the opinion of the European Parliament has been obtained. This opinion was favourable, the only important change suggested being the abolition of the provision on exceptional treatment for the practices referred to in Article 86 of the Treaty.

This first regulation for the application of Article 42 will be supplemented by other provisions, more particularly as regards aids, in connection with the development of the common agricultural policy.

116. Because of the special urgency of finding a solution for the problem of direct and indirect export aids, the Commission has forwarded a declaration of intention on the subject to the Council.

At its session of 20 December 1960 the Council welcomed this declaration and asked the Commission to undertake the task of making an inventory of all the measures whose effect is to distort conditions of competition in agricultural products. The Commission will be assisted in this task by experts from the Member States.

The Commission has also announced that it will be submitting recommendations for a standstill on subsidies for exports of meat. The Member States have stated that they are in principle ready to take such action.

117. In addition, a number of measures to counteract the distortions in conditions of competition resulting from differences between agricultural policies, and in particular between the prices of basic agricultural products, have either been adopted or are in course of preparation.

In application of Article 226 the Commission has issued a decision providing for the possibility of levying countervailing charges on imports of certain processed products not listed in Annex II to the Treaty, and to which the Treaty provisions of agriculture are thus not applicable, but whose constituent elements (basic agricultural products) are subject to market organization. The decision relates in practice to imports of bread and chocolate paste into the German Federal Republic. Such a measure is justified by the distortions of competition caused by the very different price level fixed by the German Government for basic agricultural products, i.e. grain and sugar. These distortions, coupled with the progressive reduction of trade barriers for manufactured goods made from such basic products, have created serious difficulties for the processing industry in the Federal Republic which is an importing country. The difficulties are likely to remain until a uniform price for basic agricultural products has been established for the common market and countervailing charges have thus been rendered unnecessary. In order that the problem of products which do not appear in Annex II to the Treaty but are none the less subject to market organization may be solved without recourse to the safeguard clauses in Article 226, the

Commission submitted to the Council a draft decision providing a general solution through application of Article 235 of the Treaty. This decision was referred by the Council to the European Parliament, where it was the subject of a favourable opinion adopted at the session in March 1961.

118. In the case of the processed agricultural products listed in Annex II to the Treaty, the system of intra-Community levies as set out above will make it possible to remove the distortions in the conditions of competition which result from disparities between the prices of basic materials. Where some products are concerned, however, it has been found that the measures adopted by national market organizations or the internal regulations with equivalent effect which are applied in the exporting Member States affect the competitive position of similar products in the importing Member States. The Commission has stated its readiness to apply Article 46 of the Treaty in such cases and to fix countervailing charges. For the study of the technical details, it is enlisting the aid of experts from the Member States. Thus the Commission has been able to fix a compensating charge to be levied on powdered whole milk imported into the Federal Republic of Germany from Member countries ⁽¹⁾ and a similar charge on imports of malt.

In other specific cases, however, it may prove possible to avoid the fixing of countervailing charges as elimination of the measures responsible for distorting competition in the exporting States obviously renders such charges superfluous.

Harmonization of legislative provisions on agriculture and foodstuffs

119. Harmonization of the legislation governing agriculture and foodstuffs is a factor of importance in the implementation of the common agricultural policy and also in the establishment of the common market for agricultural products. With the object of

⁽¹⁾ See Official Gazette of the European Communities No. 26/61.

achieving such harmonization, the Commission set up the "General Working Party on Article 36 and Approximation of Legislation", which met several times in 1960, and also a number of working parties for the alignment of legislation on foodstuffs and agriculture, which met at varying intervals last year and which deal more particularly with legislation on foodstuffs, veterinary inspection and plant health, and regulations on agriculture concerning seeds and plants used in horticulture and forestry. Each of these groups has created one or more specialized subgroups. Some of the latter have progressed so far with the actual work of harmonization as to raise expectations that in the near future it will be possible to draw up legal texts which will serve as a basis for carrying out the harmonization of certain laws.

Prospects for 1961

120. The year 1961 finds the Community with a great many tasks to fulfil in the agricultural sector. On the basis of its proposals of 30 June 1960, the Commission will formulate draft regulations, directives, decisions or recommendations enabling the Council to put into effect the initial measures to be taken as part of the preparatory stage of the common agricultural policy. First fruits from this policy can therefore be expected in the field of marketing, commercial policy and agricultural structures.

It also appears likely that first practical measures may emerge from the adoption of the regulations made under Article 42 of the Treaty, which deals with the application of the rules of competition to the agricultural sector, and from the drawing up of the inventory of aids.

121. In addition to these activities, the Commission is required to submit proposals for the guiding lines of a common policy in sectors not comprised in the initial proposals, concerning the common organization of the markets for fats (excluding butter), rice, fish, alcohol, raw tobacco and certain non-edible horticultural products,

and also proposals on the coordination of forestry policy, social policy in the agricultural sector and on the coordination of efforts in the field of occupational training, research and agronomic advisory services, as required by Article 41 of the Treaty.

The common transport policy

122. The Treaty of Rome provides in Articles 3 and 74 that a common policy shall be introduced in the field of transport. It does not, however, define the substance of this policy in any detail; it merely enunciates certain principles, lays down some individual rules and indicates a procedure to be followed.

When the Treaty was negotiated, it proved impossible to reach complete agreement on the form and provisions of the common transport policy. The authors of the Treaty therefore preferred to leave it to the Community's Institutions to define the substance of this policy and invested them with wide powers for this task. It is therefore incumbent on them to work out both the general lines of this common policy and the means of implementing it.

123. It is essential that the Community should have available, at every stage in the establishment of the common market, a transport system consonant both in quantity and in quality with its needs. As the markets become wider, there should be a corresponding fall in the cost of transport, but this must not jeopardize the improvement of its quality. The Community must establish the necessary conditions for the development of an efficient system capable of satisfying, at minimum cost to the public and with due regard to the financial equilibrium of the transport enterprises themselves, the needs resulting from the economic expansion of the member countries and the establishment of the common market. Transport must not be a handicap

to this development; on the contrary, it must act as a stimulus to increased trade and wider markets.

It is therefore important that the future common transport policy should be devised in the public interest and should cater for the needs of other branches of the economy and for those of the various types of transport and of the various companies.

124. Before submitting formal proposals as required by the Treaty, the Commission considered that it would be useful to set out its views on the general lines of a common transport policy, as well as on the procedure to be followed in establishing and implementing it. A memorandum showing the lines on which the common transport policy should be based was drawn up for submission to the Council and the various Community institutions at the beginning of May.

National and international transport circles will also be given an opportunity to study this memorandum and to express their opinions.

The Memorandum is in three parts :

Title I, sets out the economic foundations of the common policy and contains an analysis of the Treaty provisions on transport.

Title II, the general lines proposed for the common policy are deduced from these basic considerations.

Title III, finally, contains the outline of the provisions to be put into effect to implement this policy and also deals with the procedure and timetable for the application of these measures.

The annexes contain information on the present transport situation and certain statistical data.

*FOUNDATIONS OF THE COMMON TRANSPORT POLICY**Economic considerations*

125. An examination of the situation leads to the conclusion that the transport economy of the Member States is characterized, albeit to varying degrees, by a system of imperfect competition.

Doubtless there is no example of a system of perfect competition in any sector of economic activity. However, the transport system seems to be further from this ideal than any other branch because of the existence of several particular conditions, generally known as the special aspects of transport.

126. Chief among these aspects are :

- a) The intervention of the public authorities in infrastructure matters;
- b) Certain peculiarities in the structure of supply and demand in the transport sector;
- c) The obligations incumbent on a public service;
- d) The enforced reduction of charges.

It would appear that some of these problems can be partly eliminated or attenuated and that, where this is not possible, certain very appreciable corrective measures can be applied to some of their effects and thus to the disturbances to which these give rise on the transport market.

The chief means to this end are the equitable distribution of infrastructure costs among the budgets concerned, improved administrative and operational organization, the placing of certain limits on transport capacity and the imposition of some restriction on freedom to fix transport rates. To these should be added an

easing of the obligations as a public service, action to offset those obligations which remain and fair compensation for loss of revenue due to reduction in the rates charged.

127. As and when these corrective measures are applied and produce their effects, conditions of competition in transport will come closer to those existing in the other sectors of the economy. It will thus be possible to allow transport to benefit on a larger scale from the advantages provided by competition.

Provisions of the Treaty of Rome applicable to transport

128. Article 3 of the Treaty of Rome provides, among other things, that the action of the Community shall include the establishment of a common policy in the transport field.

The duty incumbent on the Community to introduce a common transport policy is confirmed in Articles 74 and 75.

Although these two Articles are not explicit regarding the rules which the common policy should impose, their wording nevertheless brings out the non-restrictive nature of the matters with which this policy may deal.

Two subjects are, moreover, expressly indicated: the common rules to be established for international transport and the conditions for the admission of non-resident carriers to internal transport within a Member State.

Articles 74 and 75 effectively invest the institutions of the Community with powers to take, in the forms defined in Article 189, the measures necessary for the introduction of the common policy.

These Articles also form the legal basis on which the Council and the Commission may take the measures necessary for

co-ordination between types of transport and for harmonization within the same type, where such measures are required for the implementation of the aims of the Treaty.

In addition, Article 75 states explicitly that the common policy measures must take account of the special aspects of transport.

129. The European Commission is of the opinion that the general rules of the Treaty and, in particular, the provisions on the right of establishment and the rules of competition, are also applicable to transport, save in cases where exceptions are expressly provided for. A case in point is provided by the general rules on the free movement of services, for which Article 61 expressly states that they shall be governed by the Title relating to transport.

Scope for derogations is nevertheless offered by the general rules themselves. If necessary, it will be possible to grant other derogations under Article 75 without infringing the basic principles of the general rules.

Finally, specific provisions are contained in the Title on transport, which concerns in particular the elimination of certain discriminations and certain aid and support measures.

130. As regards the field of application of the common policy, Article 84 makes it clear that the provisions of Title IV apply to transport by rail, road and inland waterway. Ancillary enterprises and port enterprises are subject to the general rules of the Treaty, but the Commission considers that these activities could also be the subject of appropriate provisions in the framework of the common policy when they are carried out in close association with transport operations.

Article 84 excludes maritime and air transport from the provisions of Articles 74 to 84. The Commission is of the opinion

that the general rules of the Treaty remain applicable to these two types of transport. When measures concerning them are called for, it will, however, be necessary to take into account the fact that these two types are in a special position because of their dependence on the world economy.

In all measures it takes, the Community must give due consideration to existing Treaties between its member countries (Articles 232 and 233) and to Conventions previously concluded with non-member countries (Article 234) to the extent and in the manner described in the second and third paragraphs of Article 234.

GENERAL LINES OF THE COMMON TRANSPORT POLICY

131. The common policy must set itself three general aims, namely:

- a) The elimination of any obstacles which transport may place in the way of the establishment of the overall common market;
- b) Community integration of transport, i.e. the free movement of transport services throughout the Community;
- c) The general organization of the transport system in the Community.

These three aims exert a reciprocal influence on one another and the measures called for to achieve them.

132. The first aim involves.

- a) The abolition of discrimination in its various forms insofar as the rates and conditions of transport are concerned.

It will be necessary not to restrict action to discrimination as defined in Article 79 (1). Action should be taken to deal

with all other discriminatory practices calculated to hinder the operation of the common market [Article 79 (2)];

b) The abolition, with due regard for possible exceptions under Article 80 (2), of transport rates and conditions which serve as a form of support and so afford artificial advantages to certain economic categories or sectors;

c) The adjustment of charges or dues collected by carriers for the crossing of frontiers (Article 81). Such charges and dues are only justified to the extent that the carrier incurs real costs, and everything will have to be done to reduce these to a minimum;

d) The application to transport of the Treaty rules on understandings, monopolies and aids granted by States, and of the provisions concerning divergences of a statutory or administrative character which might hinder the formation of the overall common market.

The achievement of these aims requires that an investigation shall be undertaken to discover all situations in the transport sphere which in fact hamper the free circulation of goods.

133. The second aim includes :

a) The establishment of common rules applicable to international transport effected from or to the territory of a Member State or crossing the territory of one or more Member States [Article 75 (1a)];

b) The establishment of conditions for the admission of non-resident carriers to national transport services within a Member State [Article 75 (1b)];

c) The establishment of conditions under which the carriers in one Member State shall have permanent access to all the transport activities in another Member State on the terms appli-

cable in that Member State to its own national (Right of establishment : Articles 52 and following).

134. With regard to the third aim, for which the action to be taken is not clearly laid down in the Treaty, the Commission suggests, on the basis of the economic considerations and legal data referred to above, that a more competitive transport system be introduced but that nevertheless certain limits be set to the free play of competition.

135. Certain special needs derive from the economic policy pursued by the Member States in special fields, particularly those of regional, agricultural and trade policy.

It is evident that some intervention in these fields, made by the public authorities for specific purposes, will prove to be unavoidable, both on the national plane and at Community level.

The requirements of regional development often affect infrastructure and transport prices.

Similarly, the need to step up agricultural productivity, to ensure a fair standard of living to agricultural populations, to take account of the unfavourable agricultural structures of certain regions and of the marketing of their products, can easily be fitted into and harmonized with the adjustments to transport tariffs which the Treaty itself permits.

In accordance with the proposals on agricultural policy already made by the European Commission, it will be possible to arrange special transport rates for certain basic agricultural products such as cereals and sugar beet, so that these rates shall be harmonized at Community level at the time when, in accordance with the Commission's proposals, the common agricultural market is established (1 July 1967).

It will, however, be necessary to try to avoid using transport as an instrument of general economic policy except in cases

where other more direct means of action are no longer available and where intervention through the transport sector is seen to be unavoidable.

When they intervene in such cases, the public authorities must therefore try to avoid disturbing in any way the equilibrium of the transport market and the competitiveness of enterprises.

In principle, the financial burdens stemming from such action should attract equivalent compensation.

The development of the common trade policy will also have to be taken into consideration in connection with transport in relation to non-member countries.

136. Special importance is given to social problems in transport. In this as in the other economic sectors endeavours should be made to work into the common transport policy measures that can lead to steady improvement in living and working conditions. It will be necessary to take account of the general requirements of social policy and to examine whether the conditions peculiar to transport do not call for special solutions.

137. In order to attain the general objectives thus defined, the common transport policy will have to ensure that the following principles are applied :

- a) equality of treatment;
- b) financial autonomy of transport enterprises;
- c) freedom of action for carriers;
- d) co-ordination of investments;
- e) free choice for users.

Equality of treatment has to be ensured between transport enterprises of the same type, between the various types of trans-

port, and between transport enterprises and users. It is, in fact, necessary that the different transport enterprises and types of transport should be able to exercise their activities in normal conditions of competitiveness allowing them to take advantage of the characteristics peculiar to them. This is the condition upon which it will be possible to achieve a fair distribution of traffic within the same type of transport and between the different types. The principle of equal treatment will have to be respect, particularly with regard to public service obligations, social security and aids. In so far as it may be necessary to retain certain differences in treatment, corrective and compensatory measures must be provided to redress the balance. On the plane of relations between users and carriers, the principle of equal treatment will have to be given material expression, in particular by the abolition of discriminatory practices, aids and unjustified support measures and by the control of understandings and monopolies.

The financial independence of enterprises implies that they can balance their receipts and their expenditure from their own resources. They must have responsibility for their financial management and free choice of the means calculated to achieve a balance. They will be required to take a fair share of the costs at present borne by the public at large, including expenditure on infrastructure.

The principle of freedom of action for enterprises must be applied, with the necessary limitations, to the shaping of prices, access to the different transport markets, the choice of organizational forms and methods of operation. This presupposes inter alia some relaxation of quantitative restriction methods such as quotas and public service obligations. Naturally, the public authorities are free to intervene to avoid any abuse and to demand of carriers certain qualifications and technical guarantees. Application of the principle of the user's free choice raises the question of transport on own account, which the user must be entitled to use when he considers it preferable. But it will be

necessary to put transport on own account in a situation comparable to that of professional carriers, particularly with regard to fiscal charges and charges representing a share in the expenditure on infrastructure.

In the investment field it is important, while maintaining the direct and indirect responsibility of the public authorities, to take care that studies on the cost and profitability of infrastructure, the co-ordination of communication networks, the adaptation of vehicle parks, the harmonization of technical conditions and the pursuit of financial resources should be carried out in the light of the future economic integration of Europe.

IMPLEMENTATION OF THE COMMON TRANSPORT POLICY

138. Taking into account the general direction which the common policy is to follow, the memorandum indicates the main features of the measures to which the principles enunciated give rise. The Commission considers that — in the early stages particularly — it will be possible to limit the common solutions to the most important problems and that the establishment of common rules not absolutely essential to the attainment of the aims of the common policy should be avoided. It will only be possible to introduce these measures progressively in accordance with stages fixed by a time-table subject to periodical revision, and consequently the Commission proposes a procedure assuring permanent confrontation of results attained and developments to be expected.

139. The measures to implement the common policy may be classed according to the three general aims set out above. Certain measures tend to further the achievement of the overall common market, others integration in the transport field. Others again have as their object the general organization of transport.

140. Among the measures for furthering the achievement of the overall common market, action has already been initiated by the Commission for the abolition of discrimination in transport rates and conditions. For instance, Regulation No. 11 pursuant to Article 79 (1) has been issued by the Commission, and came into force on 5 September 1960. At present, the Commission is finalizing the implementing details of this regulation and extending its studies to include the abolition of other forms of discrimination not covered by Article 79 (1). It will propose appropriate solutions for the elimination of existing forms of discrimination.

In addition, the Commission has initiated action aimed at the abolition of support measures and unjustified aids in the matter of transport rates and conditions (implementation of Article 80 of the Treaty). When the Commission is in possession of all the material required, it will propose the necessary measures.

With regard to the adjustment of charges and dues collected for the crossing of frontiers, the Commission will use the power to make recommendations conferred on it by Article 81. The aim of these recommendations will be to adjust the charges and dues to the real costs actually incurred in the crossing of frontiers and also to ensure a gradual reduction of the actual costs.

The general rules of the Treaty being applicable to transport, the regulations on understandings and monopolies which are to be enacted under Article 87 will also apply to transport enterprises. It will be possible to take appropriate steps where adjustments or exceptions are called for in the case of transport.

Finally, the European Commission will draw up an inventory of the situations in the transport field which are in fact likely to hamper the free movement of goods within the Common Market. The Commission will have to propose the measures to be taken in each individual case.

141. The measures aimed at bringing about integration in the transport sphere concern the establishment of common rules for international transport, the admission of non-resident carriers to the internal transport market and freedom of establishment.

The measures called for in this context are often overlapping and it will be necessary to harmonize the timing of their implementation.

The Commission is at present drawing up a programme of measures for the application of Article 75 (1a). The common rules to be proposed will affect either the different types of transport as a whole or a certain number of them. Their aim will be to further the progressive relaxation, in international transport within the Community, of restrictions and protection and to assist in the adaptation of this transport to the new economic conditions in the Community. These measures will concern, among other things, the adaption of an international form of transport contract, the achievement of freedom of transit, the progressive widening of present quotas for international road transport, the tariff system and the publication of rates, the search for fiscal and social harmonization on certain points, and the technical aspects.

The Commission will propose the measures necessary for the abolition of existing restrictions on the admission of non-resident carriers to the domestic transport market of a Member State. It will attempt to bring closer together the statutory and administrative regulations of the Member States in this sphere.

In the field of road transport, it will be advisable to pay particular attention to the search for a more flexible system of quotas and authorizations.

As regards the implementation of freedom of establishment in transport, discrimination against foreign carriers should be abolished before the expiry of the time limit laid down in the general programme. It will also be essential to seek means

of attaining uniformity in the conditions under which a firm may enter the market for road and inland navigation transport, because of the connection between this right and the common transport policy.

142. Concerning the measures for the general organization of transport, the Commission envisages the following :

In dealing with transport rates, a distinction should be drawn between passenger and goods transport. Tariffs for the regular transport of passengers, which are generally governed by strict rules, will remain fixed but open to review in the light of changing costs or other developments. For irregular services and tourist services, a system resembling that for goods transport could be adopted.

For goods transport the Commission envisages the gradual establishment of a system of price brackets along with checks and some form of publication of rates. By price brackets is meant any system under which carriers are obliged to respect maximum and minimum limits laid down beforehand. Adoption of a bracket would permit carriers to enjoy a certain liberty in fixing prices between limits chosen in such a way as to avoid excessive competition or monopoly. Only the upper and lower limits of the bracket will have to be made public in advance. The knowledge of the market thereby furnished could be widened by the issue of price lists. The prices applied could be checked by means of the transport document introduced under Regulation No. 11.

A gradual easing of quotas is provided for at national level in order to ensure greater freedom of transport. This is essentially a problem for road transport and, to a lesser extent, transport by inland waterways. The adoption of common provisions will ensure the harmonious handling of the measures to be taken in this sphere.

The right to establish oneself as a carrier will have to remain subject to authorization by the public authorities, who

must ensure that the enterprises authorized possess the necessary qualifications.

Among the characteristic features of the transport field is the variety of organization and administration found among enterprises operating the different types of transport. This peculiarity, which has very marked repercussions on the structure of the transport market, should be classed among those whose effects it is possible to attenuate.

The railway networks must be given the basic freedom to enable them to ensure a more efficient commercial administration more in line with that practised by private industry.

Measures will also be taken to lessen certain difficulties noted in inland waterways and even more in road transport, such as the excessive number of small enterprises and inadequate training for the work.

Consultations at Community level are planned in order to bring about, through recommendations to the Member State, a certain measure of co-ordination of investments. These consultations may include both the infrastructure investment programmes and the financing programmes.

In the fiscal field, the Community's overall policy will apply to transport. However, with regard to the special taxes weighing on transport enterprises, the Commission considers that the basic principles of the common transport policy will entail the application of measures that will lead to tax neutrality (elimination of double taxation on international transport, contributions to infrastructure costs, harmonization and approximation of the various elements in the taxes and fiscal systems in force in the six countries).

In the social field the provisions envisaged by the Treaty as part of the Community's general policy will apply to transport. But the special needs of harmonization and co-ordination of trans-

port and the problems relating to international transport within the Community may make the swifter implementation of certain measures essential. Action by the Community must be envisaged in the field of social security, vocational training, hygiene and safety and the hours and conditions of work.

Measures will have to be taken to eliminate the distortions which may stem from the existence of understandings and dominant positions. They must also aim at the abolition of aids which are not justified by the need to co-ordinate transport or by the obligations inherent in the public utility concept (Article 77).

Finally, certain measures will have to be envisaged in the light of the development of the common trade policy.

143. Supervisory measures coupled with penalties would be worked out for the various cases as the relevant regulations are adopted.

144. The implementing measures referred to in the preceding paragraphs have shown how necessary it is for the Community Institutions working out the common policy to have available the economic data which will enable them to make their decisions in full knowledge of the facts. In particular, it is essential that the institutions have a thorough knowledge of cost prices and economic costs in transport. They must also be able to draw on sufficiently detailed statistics.

145. On procedure, the European Commission considers it necessary that the memorandum on the general lines of the common transport policy should be the subject of far-reaching consultation within the Community in order to fix the basic principles. Once this has been done, it will be necessary to apply a stand-still and a consultation procedure. The measures to be taken will have to be part of a general programme of action with a definite time-table. It is proposed to review the situation every two years.

A more detailed study will be made at the end of the second stage of the transition period and at the end of this period. The Treaty attaches special importance to these two dates. Proposals for the later development of the programme will be made in the light of the results of these reviews.

146. The common transport policy will have to be carried out gradually, in harmony with the general pace at which the Treaty is implemented and without losing sight of the internal equilibrium of the transport sector in each Member State.

It is not possible to propose here and now a precise timetable of the measures to be taken, the more so since the development of the common policy will continue beyond the transition period.

Nevertheless, the document gives a provisional indication of the time-limits for the implementation of some of the measures to be taken.

These time-limits will be adapted as the Community's action develops. Other details will be settled when the formal proposals referred to in the Treaty are submitted to the Council of Ministers.

Social policy

General direction

147. In conformity with the task allotted to it by the Treaty, the European Commission has pursued its efforts to achieve "equalization of working and living conditions of labour in an upward direction" in the Member States. This objective underlies the whole of the long-term policy, in particular that relating to regional and agricultural

matters. But it has a still more direct bearing on social policy, whose specific aim is to promote the harmonization of the social systems and the alignment of the social policies of the Member States ⁽¹⁾.

148. The European Commission has not confined itself in this field to elaborating the various instruments referred to in the Treaty in connection with the free movement of workers, the European Social Fund and the general principles of a common occupational training policy. It has also, as required by Article 118, sought to promote close collaboration between the national authorities of the Member States in the various fields of social policy, both on problems arising at the national level and on those of concern to international organizations.

149. The European Commission has also given its attention to the question of extending its knowledge of the basic social data which underlie its long-term policy. In particular, it instituted in October 1960 a sample survey on lines laid down by the European Communities' Statistical Office, covering the working population in all the Member States, and it drew up forecasts of the population by age groups and of the working population for the period 1960-1970. It also proceeded with the listing and study of the problems relating to underemployment in the Community: the methodological study on the situation in France, carried through by the Institut National d'Etudes Démographiques, will be followed by a study on the situation in Italy, which has been entrusted to the Company for the Development of Industry in the South. It has also, in application of Regulation No. 10, set on foot an enquiry into manpower costs and workers' earnings in fifteen branches of industry, and it plans to pursue this enquiry in a number of other branches during 1961. Finally, the European Commission organized, in collaboration with the Commission of Euratom and the High Authority of the ECSC, a conference in Brussels from 5 to 10 December 1960 on the subject of "Technical Progress and the Common Market". At this conference,

(1) On social policy see also secs. 39, 40, 41.

which was attended by experts and personalities from the business world, the debates centred on the social problems posed by current technological developments in the Community countries.

150. The European Commission has concerned itself particularly with the social problems peculiar to certain occupational sectors, primarily those of agriculture. It has submitted to the European Parliament's Committee on Social Affairs, as requested by the latter, a "Survey of the Social Situation of Agricultural Wage-earners" and furnished documentary material on the questions raised by the same Committee in respect of the social situation in rural undertakings of a family character. It has entrusted to experts the task of carrying out a study of the trend followed by agricultural employment in the Member States, the intention of the report being to throw light on the causes and manner of its decline. Finally, it has decided to arrange for a conference to be held in the autumn of 1961 on the social aspects of the common agricultural policy in order to obtain the views of employers and employees on this policy. (1)

Some work has also been done on the social problems of the building industry. At the request of the European Parliament's Committee on Social Affairs, a survey was carried out on winter-time unemployment in this industry; it analyzes the underlying causes, sets out the measures which have been taken in the various countries to alleviate the situation and describes the various systems covering the periods of unemployment. At the request of both sides of the industry, the Commission is considering the possibility of widening this study and holding a general enquiry into unemployment in the building sector.

Employment policy

151. The European Commission, in collaboration with the national authorities, continued to work out the bases of a Community policy

(1) See also sec. 103.

aimed at ensuring the optimum use of manpower in all the Member States.

152. As is shown in Chapter I, which deals with the free movement of persons, the Commission has completed the drafting of the first statutory provisions for giving effect to Articles 48 and 49 of the Treaty. In so doing, the Commission had in view not only the progressive fulfilment of one of the fundamental conditions for the establishment of the Common Market but also the need to fit the proposed liberalization measures into its social policy and, even more important, into the co-ordinated employment policy that may be evolved. It considers that the attainment of balance between the labour markets in the various countries would be substantially assisted by these measures, particularly the provisions for using the administrative machinery of the Member States to clear supply and demand at Community level. To facilitate these operations, work has been commenced on a project for harmonizing the systems of occupational classification used in the various Member States. With the co-operation of the International Labour Office and experts from the EEC countries, a first series of definitions of occupations, selected from those in which migration is most frequent, has been drawn up. This is the first stage in the compilation of a comparative dictionary of occupations. At some future date, monographs are to be produced covering the various occupations.

In the field of low-cost housing, efforts are being made to satisfy a widely felt shortage of information and to determine how far housing conditions hamper the movement of workers. A study on the financing of low-cost housing has been carried out by the European Commission, and an enquiry into the conditions of migrant workers has been conducted in three receiving countries, namely Germany, Belgium and France. The study and the enquiry have each brought out the importance of the financing problems.

153. As regards the European Social Fund, the past year has seen the finishing touches put to the rules under which it is to function and the establishment of its administration, with the result that it is

now able to meet the applications for reimbursement submitted by the Member States and to play the part which the Treaty intended it should play.

This European Social Fund is not intended merely to guarantee the employment and income of wage-earners against the risks to which the integration of the economies may expose some of them. It also exists to promote the expansion of employment by reinforcing the action taken in the Member States to combat structural unemployment.

The most important of the regulations adopted in 1960 is Regulation No. 9 concerning the European Social Fund ⁽¹⁾, which entered into force on 20 September 1960. On the same date the statute of the European Social Fund Committee became effective. The role of this Committee is to assist the European Commission in administering the Fund. At its first meeting, which was on 25 October, the Committee adopted its rules of procedure and studied the question of retrospective applications for reimbursement.

The European Social Fund will from now on have at its disposal all the instruments necessary for the fulfilment of its task. For the year 1961, the Council has decided to enter in the budget under the head of "European Social Fund" a credit of 1 000 million Belgian francs, to which has been added a sum of 500 million Belgian francs brought forward from the previous financial year.

154. Finally, to turn to more immediate matters, the Commission was responsible for the implementation of a programme of rapid occupational training of Italian workers for whom employment is to be found during 1961 in the Federal Republic of Germany and the Netherlands. This programme marks the completion of the activities of the working party for the study of trends in employment, which was set up by the Council on the initiative of the Commission in February 1960 ⁽²⁾.

⁽¹⁾ See the Official Gazette of the Communities, No. 56 (31 August 1960).

⁽²⁾ See Third General Report, sec. 303.

This programme affects nearly 10 000 workers, of whom about 9 000 are to be employed in the Federal Republic of Germany and 700 in the Netherlands, mainly in the construction, metal processing and catering industries. It is now in course of execution. For the training of these workers the Italian Government has earmarked a certain number of places in its occupational training centres. The relevant expenses are being borne partly by the States concerned and partly by the European Social Fund.

Harmonization

155. The European Commission has continued its efforts to bring about the progressive harmonization of social systems. In this context, it requested the International Labour Office to furnish a statement showing the extent to which the International Labour Conventions had been ratified by the EEC Member States. The resultant document was forwarded, together with monographic studies, to the various Governments and employers' and workers' organizations for their recommendations on possible ways of achieving harmonization in the social field. One of these monographs was on the laws and agreements governing paid and public holidays, which are the subject of Article 120 of the Treaty. Other monographs have been supplied by the High Authority of the ECSC, including in particular a comparison of the labour laws of the Six.

156. Fulfilment of the principle of equal remuneration for equal work as between men and women workers (Article 119) is one of the points in the declaration of intention attached to the programme for the speedier implementation of the Treaty which was approved by the representatives of the Member States in May 1960. In conformity with this programme, the Commission sent the Member States on 20 July 1960 a formal recommendation summarizing its interpretation of Article 119 and stating the ways of applying it from the date shown in the programme, 30 June 1961.

The Commission holds that the principle of equal remuneration excludes sex from the criteria on which wages are fixed,

whereas all the other customary criteria such as skill, age, seniority and family status can continue to be taken into consideration. No consideration must, however, be given to special measures taken for the protection of women nor to the argument that as a whole the economic yield of female work justifies a reduction of remuneration for such reasons as the more frequent absence of women from their place of work. The economic yield may be taken into consideration only for piece work, bonuses, and so on, but not for time work. Classifications must apply without difference to men and women workers and the principle of equal remuneration would be infringed if abatements or special categories were introduced for women.

These principles are applicable to the fixing of minimum wages, whether laid down by statute or ordinance or, as is more frequently the case, by collective agreement, as well as to the determination of effective wages.

The Commission has requested the Member States to keep it informed of any developments in this field so that compliance with the obligations under Article 119 may be proved in accordance with Article 8 (3) of the Treaty.

The divergences between the six member countries over remuneration for overtime have been studied with a view to enabling the Commission to decide, if necessary, on its position in regard to the application by the end of 1961 of the protocol relating to certain provisions of concern to France (Second Section) ⁽¹⁾.

157. In the field of occupational training, the Commission has carried out documentary studies with a view to defining the general principles of the common policy referred to in Article 128 of the Treaty. It has obtained the data essential for a clear picture of the present situation of occupational training in the Member States and of the structure of the systems in operation. It has also prepared a

⁽¹⁾ A meeting of government experts was held to formulate the conditions for the preparation of a list of industrial sectors offering scope for measures on the part of France.

preliminary draft of general principles to be used as a basis for the proposals which it intends to submit shortly to the Council for the bringing into effect of the common policy.

A number of initial measures designed to encourage the exchange of young workers (Article 50) have been elaborated by the European Commission after consulting the representatives of the national authorities, the employers' and trade unions' organizations and also private bodies active in this field. Provided certain assistance is forthcoming, these measures, which are part of a programme of close collaboration between the Member States, should make for an increase in exchanges of young workers, thus improving their general education and vocational training and fostering a European spirit among them.

158. The Commission's activities in the field of harmonization have also embraced social security. Here it has continued its efforts to ascertain the exact degree of protection enjoyed by workers. The group of experts which was instructed by the Commission to continue the series of specialized monographs published by the High Authority of the ECSC has now completed its task. The material it has gathered thus covers the whole of the social security systems in the Community countries, both for wage-earners in all categories and all sectors of the economy and for self-employed persons. Work has also been completed on a considerable part of the series of comparative tables of social security laws, which were undertaken at the beginning of 1960. The table relating to industrial accidents and occupational diseases has been forwarded to the European Parliament's Health Protection Committee, which had asked for it to be prepared. Under the aegis of the European Commission, the High Authority of the ECSC and the International Social Security Association, a meeting was held with the object of facilitating direct relations between the social security institutions of the Six for the purposes of Regulations No. 3 and No. 4. This meeting was attended by a certain number of leading officials of social security organizations, representatives of both sides of industry and the members of the Administrative Commission. It examined the Commission's training scheme for

representatives of social security institutions. This scheme is designed to produce specialists in the implementation of Regulations No. 3 and No. 4 and to train them for the task of harmonizing the European countries' social security system.

The European Commission has drawn up a list of the institutes in the six countries mainly engaged in pure and applied scientific research in connection with industrial health and safety. The purpose of this list is to facilitate co-operation among the specialist bodies and agencies by the pooling of knowledge and experience, and to make easier the organization of practical training periods; it is intended that this shall be a positive contribution to the co-ordination of scientific research at the European level.

The work carried out on occupational diseases has been concluded, after the drawing up of national analytical lists, with the establishment of a draft uniform list; this will be the subject of an early recommendation by the Commission to the Member States, and may constitute a first stage in the harmonization of legislation and regulations on social security in this field.

After the European Parliament, in a resolution adopted on 1 July 1960, had demonstrated the interest it takes in industrial medicine, a meeting of experts, comprising representatives from the Governments, from both sides of industry, from international institutions and from the European Communities, was held to examine the present situation in this respect and to discover what progress could be made towards a better application of Recommendation No. 112 of the ILO.

The harmonization measures to be taken in the field of prevention of accidents at work are now being discussed with experts from the various countries. The aim is to strengthen the protection of workers against the risks to which they are exposed through the nature of their jobs, and to iron out such disparities in the regulations as may warp the conditions of competition obtaining in the various Member States.

159. An enquiry has been conducted into the present situation of the social services for workers moving around within the Community and has resulted in the establishment of a draft opinion to be sent to the Member States.

There has also been a first European Seminar, which has shown what social service can contribute to the social policy of the EEC and has enabled the bases of co-operation between the social services of the Community countries to be laid down. Finally, liaison has been established between the European Commission, the ministries responsible for dealing with questions affecting workers' families in the Community countries, the two sides of industry and the principal movements for the promotion of family interests in the Member States. The Commission has initiated broad exchanges of views between representatives of the authorities and private organizations on family problems stemming from the establishment of the EEC. A comparison has been made of the measures of an economic and social character for the assistance of families which exist in the various Member States, and work has been undertaken in connection with the family aspects of housing, fiscal laws and migration.

CHAPTER III

THE COMMUNITY AND THE DEVELOPING COUNTRIES

The Community and the associated overseas countries

160. The year 1960 will go down in history as that of the independence of Africa. The accession to independence of 16 countries associated with the Community is the cardinal political fact in the relations between the Community and the countries listed in the Annex to the Treaty. It is impossible to overestimate the importance of the fact that the links of association between these countries and the EEC have been maintained by the clearly expressed will of both sides.

THE CONSEQUENCES OF THE CHANGES IN THE POLITICAL SITUATION OF THE ASSOCIATED COUNTRIES

The overseas associated countries and territories listed in Annex IV to the Treaty can therefore now be classified into two main categories.

Despite a few formal changes, some of these countries have remained in roughly the same political and administrative situations in relation to the Member States with which they had special relations at the time of the signing of the Treaty of Rome. These are : St. Pierre and Miquelon, the Comoro Archipelago, the French Somali Coast, New Caledonia and dependencies, the French Settlements in Oceania, the Southern and Antarctic Territories and Netherlands New Guinea.

Other countries have acquired an entirely new status, having become fully independent. These are : the Republic of

Senegal, the Republic of Mali, the Republic of Ivory Coast, the Republic of Dahomey, the Islamic Republic of Mauritania, the Republic of Niger, the Republic of Upper Volta, the Republic of Congo (Brazzaville), the Central African Republic, the Republic of Chad, the Republic of Gaboon, the Republic of Madagascar, the Republic of Togo, the Republic of Cameroon, the Republic of Congo (Leopoldville) and the Somali Republic (former Somaliland under Italian trusteeship and former British Somaliland). As for Ruanda-Urundi, it is expected to become independent in 1962.

Maintenance "until further notice" of the association framework, and adjustments decided on in current relations

161. The Governments of the associated overseas countries have declared their wish to remain associated with the Community. For its part, the Community has stated its opinion that the existing relations based on Part IV of the Treaty and on the Implementing Convention could be maintained until further notice with the overseas countries which have become independent if they express their desire that this should be so. The association has consequently been maintained with all these countries. Nevertheless, modifications of this association are necessary to take account of the new situation.

At its meeting of 18 and 19 October 1960, the Council unanimously recognized the necessity of practical adjustment to the relations with the countries which have become independent and decided to make the following innovations in the system of association in force :

a) The direct submission by the overseas states of their economic and social investment projects under a new procedure to be fixed;

b) The establishment of arrangements by which, under procedures to be laid down, those states which so desire may send representatives to the Community;

c) The possible organization of ad hoc meetings between these representatives and the Committee of Permanent Representatives, with delegates of the Commission taking part;

d) The possible organization of periodical ad hoc meetings once or twice a year between the Council and the responsible ministers of the associated countries, with the participation of the Commission.

It is for the associated overseas states which have acquired independence to decide themselves whether they wish to maintain direct relations with EEC and to establish, under procedures to be defined, direct representation with it or whether they still prefer to be represented for the time being by a Member State.

At present the associated States which have requested that direct relations with the EEC be maintained are: the Republics of Cameroon, Congo (Léopoldville), Ivory Coast, Gaboon, Upper Volta, the Islamic Republic of Mauritania, and the Republics of Niger, Senegal, Somalia and Togo.

The Republics of Senegal and Gaboon have already nominated their representatives with the EEC, which has taken note of this decision. As for the Republic of Somalia, the Islamic Republic of Mauritania, the Republic of Togo and the Republic of Ivory Coast, the procedure for appointing their representatives with the Community is in train.

Need to study the details of a new framework

162. These arrangements for adaptation are, however, without prejudice to the new association system which will replace that laid down in the present Implementing Convention after its expiry on 31 December 1962.

For it is obvious that the substance of this new system will have to be re-examined with the states concerned in order to

determine what may be preserved in the new structure and what requires amendment or modification in order to give it an evolving and outward-looking character.

It was against this background that the Commission took part in the conference of European, African and Malagasy parliamentarians in Rome on 24-26 January 1961, held mainly in order to prepare the Conference which is to bring together in Strasbourg, from 19 to 24 June next, the European Parliament and the representatives of the Parliaments of Madagascar and African countries associated with the EEC. At this meeting certain ideas concerning the renewal of the association began to be systematically examined by members both of the European Parliament and of the African and Malagasy Parliaments. Special attention was paid to four main points on which the Commission's work is centred: the political and institutional forms of co-operation; economic problems; cultural exchanges and technical assistance; reform of the European Development Fund.

THE POLICY OF TRADE EXPANSION

163. The implementation of the Articles of the Treaty of Rome and of the Implementing Convention which concern the freeing of trade between the Member States and the associated countries continued normally during the last twelve months.

Measures taken by the Member States

164. In the customs field the Treaty's provisions and the speed-up decision applicable to trade between the Member States also apply to trade with the associated overseas countries.

It should be noted, however, that special measures of customs disarmament have been laid down for the products listed in Annex II to the Treaty (agricultural products) ⁽¹⁾.

(1) See Chapter I, sec. 3 et seq.

165. In the quota field the Member States introduced, on 1 January 1961, a third internal widening of global quotas. The global quotas were either increased by 20 % or, for those opened on the basis of domestic production, were fixed at 5.2 % of the latter. These measures, which take into account the speed-up decision, were made applicable to imports from the associated states and territories in accordance with the Council's decision of 19 December 1960. Under Articles 10 and 12 of the Implementing Convention, imports from the associated overseas states and territories have therefore benefited from the same measures of quota disarmament as those adopted amongst the Member States.

These measures are of positive interest only for those associated states outside the franc area in relation to their exports to France, which is the only State still applying considerable and general quantitative restrictions to imports of tropical products.

In 1960 the greater part of the quotas opened in France for tropical products was taken up.

It must be pointed out that products which are subject to a market organization in the Member States, such as sugar, molasses, maize, rice, etc., were not affected by the opening of quotas for the associated states and territories. This question is connected with the working out of a common agricultural policy. In practice, the absence of such quotas has but little practical importance because there are at present no regular trade in these products.

Measures taken by the associated states

166. In the framework of customs disarmament, those associated overseas countries which apply a discriminatory tariff on imports — in the sense that only the Member State with which they have special links is accorded free entry, whilst customs duties are effective vis-à-vis non-member countries — carried out, on 1 July

1960, a second reduction of 10 % in the rates of this tariff in favour of imports originating from the Member States or the other countries associated with EEC.

This measure was introduced in the following associated countries, all of which belong to the franc area : Mali, Senegal, Mauritania, Dahomey, Ivory Coast, Upper Volta, Niger, New Caledonia, French Polynesia, St. Pierre and Miquelon.

This reduction was applied across the board, the reduction being the same (10 %) for all tariff headings.

The Republic of Madagascar introduced its new customs tariff with effect from January 1961. It accords free entry to goods originating from the six Member States of the EEC and provides for customs duty on products from non-member countries only.

So far none of the associated overseas countries has registered any reservation under the provisions of Article 133 (3) of the Treaty.

Effects on trade and possible further steps

167. Whilst trade between the associated overseas countries and the EEC has developed favourably, if the situation at the end of 1959 is compared with that at the end of 1960, it must be admitted that the pace of its expansion could be quickened. To this end several measures are under examination.

On the one hand it is a question, in the tariff field, of speeding up customs disarmament in favour of products of the associated overseas countries which do not come into competition with those of the Member States, and on the other hand, of introducing measures calculated to ensure the stability of the export revenues of the associated overseas countries and thus consolidating and developing their capacity to import. The European Com-

mission has submitted proposals to the Council on both these questions. The granting of repayable credits to the associated overseas states would be envisaged in order to facilitate the functioning of the Stabilization Funds existing in these states for certain basic products. These repayable credits could be granted up to a limit of 50 million units of account and would be found from the resources of the Development Fund without any additional charge on the Member States.

In conjunction with the more or less long-term effects of the investments financed by the Fund, these measures could not fail to encourage the economic development of the associated countries and to promote the expansion of their trade, particularly in the EEC framework.

THE EUROPEAN DEVELOPMENT FUND

Global balance sheet for the first three years of operation

168. The situation of the development projects submitted to the Commission up to 1 January 1961 and that of the projects whose financing had been decided on at the same date are shown in outline in Tables 1, 2 and 3 at the end of this Chapter.

On the whole the general situation of the Fund at the end of the third year of operation can be summed up as follows :

General view of the projects submitted

Applications submitted by the associated countries and territories, (about 670 million units of account) are already about 15 % in excess of the total amount which the Fund may attribute under the Implementing Convention.

This fact throws light on the increasing interest shown by the overseas countries in the opportunities offered them by the

Fund. In addition, the high number of applications make possible a better choice among the projects submitted and, consequently, an investment policy more consonant with the essential needs requiring satisfaction.

The 420 projects submitted are divided as follows : 204 social projects for about 155 million units of account, or 23 %; 216 economic projects for about 515 million units of account, or 77 %.

It is clear from these figures that the associated countries and territories have placed the accent on the genuinely economic aspects of their development. In doing this, they are acting in harmony with the Council's directives on the breakdown of the credits granted by the Fund (30 % at most were to be allocated to social projects, 70 % at least going to economic investments).

The various tables show the breakdown of the Fund's projects.

The study of these tables provides confirmation of the general desire of the associated countries and territories (already alluded to in the previous General Report) to give priority to infrastructure investments, which are too costly to be met from their own resources. Their concern to develop their agricultural production—perfectly justified in view of the preponderance of the rural population—will also be noted.

In relation to the allocations laid down in Annex B of the Implementing Convention, commitments already undertaken on 31 December 1960 represent approximately 22 % of the overall resources and 57 % of the credits opened against the budget of the first three years.

The examination of the first projects submitted could practically not begin before the establishment, in December 1958, of the regulations governing the Fund. The first decisions could only be taken in February 1959. For this reason, the Fund has to all intents

and purposes been operating for two years only and it may be noted that the total commitments at the end of the first quarter of 1961 roughly correspond to the allocations provided for in Annex B of the Implementing Convention in respect of the first two financial years.

The direction imparted by the Commission to the development activities financed by the Fund during its first three years of operation appears, therefore, to be in general conformity with the aspirations of the associated countries and territories as analysed above.

The commitments relating to infrastructure (roads, railways, ports) are in fact the largest, followed by those concerning production (agriculture, stockbreeding, fisheries) and health equipment (which are of practically equal amount) then by those relating to education.

The average cost of the projects approved is around 600 000 units of account, for the social projects, and more than 1 300 000 for the economic projects. Generally speaking, this amount corresponds to schemes on a sufficiently large scale for the Funds impact on the economic and social development of the overseas countries and territories to have real effect.

The outstanding feature of 1960: the speed-up of the Fund's activities

169. Whereas in 1959 the Community could only clear commitments for about 40 million units of account, it was able in 1960 to approve nearly 73 million units of account of new commitments (of which 22.5 million for social projects and 50.5 million for economic investments projects).

This speedier pace at which financing decisions are being dealt with is a result of the measures taken by the Commission to accelerate the submission of projects by sending to the spot longer and more frequent technical missions ⁽¹⁾. It also reflects the en-

⁽¹⁾ In 1960, 7 missions visited all the associated countries in Africa as well as Madagascar, Réunion, the Comoro Archipelago and Netherlands New Guinea.

deavours which have been made to shorten as far as possible, in the framework of the existing institutional and statutory provisions, the time taken to carry out the material tasks required by the approval and implementation procedures. The effects of this speed-up, which was the salient feature of 1960, will be felt even more in 1961, since the estimates already cover a probable commitment of 90 million units of account for the first six months of that year alone.

Finally, as regards the implementation of projects approved, it should be noted that, in 1960, 42 financing conventions were signed, 57 calls for tender were made and 34 contracts let, as against 7 conventions, 11 calls for tender and 8 contracts in 1959.

These results were bettered from the first months of 1961 onwards thanks to the speed-up measures mentioned above.

Results obtained

Problems of adaptation

170. Although 1960 shows an appreciable improvement, certain difficulties nevertheless remain to be overcome if the aims of the Fund are to be achieved by the end of 1962.

In the first place a relatively large number of dossiers cannot at present be considered because they are incomplete, both from the angle of economic or social motivation and from the technical point of view.

For lack of preparatory studies, which their limited budgets prevent them from carrying out, certain overseas countries and territories do not have available the necessary data to enable the EEC Commission, which is responsible for the Fund, to make a clear appraisal of the operations which they propose.

As a result, certain countries are not yet in a position to submit to the Commission a programme of requests consonant with

the sum of credits which could be attributed to them in the framework of a rational geographical distribution of the resources of the Fund.

Secondly, the administrative procedure between the authorization of the financing and the execution of the projects require a good deal of time. According to information on 1960, although only about seven months were needed on the average for a decision to finance a given project, 15 or 16 months have so far been necessary after this decision before the contracts were signed.

These delays are in part due to the work involved in finalizing the conditions of execution of the first projects approved, and also to the work of adapting local regulations to the rules of international competition. Account must also be taken of the inevitable complexity of the administrative operations attending all activities which involve international co-operation.

The solutions advocated

171. In addition to the measures already implemented—and mentioned above—the Commission and the Council have studied a series of measures likely to fulfil, in the present institutional and statutory setting, the following essential objectives :

To develop, at the explicit request of the states concerned, technical co-operation activities on the spot (in particular by means of temporary missions) with a view to improving the preparation of dossiers of projects which these states wish to submit to the Fund;

To achieve in this way the grouping of applications so that these may be examined as a whole, by associated country or territory, with consequent improved co-ordination and more rapid execution;

To ease the conditions under which the special budget of the Fund can be brought into play.

Proposals to this end have been submitted to the group of national experts which met at the request of the Council (session of 14/15 November 1960) following a proposal of the Commission. They are at present being actively studied.

CO-OPERATION WITH THE ASSOCIATED COUNTRIES IN STUDIES AND TRAINING

172. Despite the still fairly modest picture presented by the operations undertaken in this field, particularly when looked at from the financial point of view, it is in fact certainly here that the human aspect of the association is most clearly to be seen.

Though the Treaty explicitly organizes this association in the spheres of investment and trade, it is the need felt by both the EEC authorities and the associated countries to throw more light on the path of their future co-operation which explains and justifies the increasing recourse to complementary methods of co-operation in the field of studies and technical reports as well as in that of training and human contacts.

Studies undertaken on the problems of the associated countries

173. The great majority of the studies not financed by the Fund but by the ordinary budget of the Commission can be classified in two categories :

i) Reports by experts and research likely to lead to improved general planning or the better execution of certain operations carried out in the overseas countries with the help of the EEC. In the execution of these generally very technical studies the Commission endeavours whenever possible to call on co-operation between several research organizations of different nationalities engaged on the same problem concerning the associated countries.

The studies of this type carried out or initiated in 1960 have been on very varying scale, their cost ranging from 100,000 to

5 million Bfrs. Total expenditure commitments have been over 16 million Bfrs.

Among subjects studied have been the standardization of social buildings, highway construction, livestock, breeding and marketing, afforestation and soil conservation, etc.

ii) General studies designed to throw light on certain aspects of the Commission's policy in relation to the association and which can also be made available to the overseas countries to help them in their general development planning.

The cost of these studies amounted to about 5 million Bfrs. The more important of them, which will probably be given wide circulation, concern a survey of the methods applied to spread primary education; an enquiry into the survival of viruses in meat originating in Africa south of the Sahara and a survey of the conditions governing the processing and consumption of coffee, cocoa and bananas in the Member States.

Training for nationals of overseas countries

Execution of the scholarship programme

174. Seventy scholarships were granted during the academic year 1960/61 to nationals of associated countries to enable them to acquire specialized training in the subjects and fields most necessary for the economic and social progress of their countries. The scholarships are offered not only to the élite but also to medium grade administrative and supervisory personnel whose work can perhaps have a more immediate impact on the future of their country.

In this way nationals of practically all the overseas states have been able to follow courses, especially in the economic sciences, economic development and statistics, agriculture, veterinary medicine and the quality control of products, public administration, geography,

topography, law, medicine and public health, and architecture and town planning.

Execution of the programme for trainees

175. To meet the wish expressed by the associated countries, the EEC Commission has also put in hand a programme of training periods for certain nationals of these countries under which they can be introduced to European problems and to the work of the EEC without too prolonged absence from the tasks awaiting them at home.

The first period, for 12 trainees, began on 1 October 1960 and will finish on 30 June 1961. The group concerned comprises nationals of the following countries : Republic of Cameroon, Republic of Congo (Brazzaville), Central African Republic, Republic of Dahomey, Republic of Gaboon, Republic of Upper Volta, Republic of Mali, Republic of Niger, Somali Republic, Republic of Togo, Ruanda and Urundi. Meanwhile, the institution of a second category of traineeships lasting three to four months is envisaged. This system would cater for a greater number since turnover would be much more rapid.

The Commission also makes arrangements for the trainees to travel in the six Community countries to bring them in touch with those circles in the Member States concerned with the problems of the associated countries.

Increase in direct contacts with representatives of leading circles overseas

176. In the framework of the symposia organized by the Commission during the last twelve months, more than 500 nationals of associated overseas countries and territories, belonging to university, industrial or agricultural circles, have had the possibility of engaging in thorough discussions concerning the relations between the EEC and the associated overseas countries and territories and the economic and social development of their own countries.

In particular, there were eight general information symposia and three devoted to problems of agricultural education. Two study tours in the six member countries, which included visits to large industrial and agricultural installations were also organized.

177. Certain Ministers from the associated overseas countries and territories have had the opportunity of discussing with the authorities of the European Economic Community the special problems facing their countries, particularly those affecting the financing dossiers submitted by the European Development Fund.

General development activities

178. Although in the main the association has so far provided the setting for the EEC's activities in relation to problems of underdevelopment, the Commission has endeavoured to make its contribution to the work being undertaken on the world plane and to bear in mind the universal character of the difficulties encountered in this field.

The Commission has drawn the conclusion from these studies that the problems of underdevelopment cannot be solved by random or uncoordinated operations; what is needed is a systematic examination of the three principal forms which this problem assumes: lack of technicians, shortage of capital, instability of trade.

It is therefore from the triple aspect of technical co-operation, financial aid and stabilization of markets that the European Economic Community has tackled, either alone or hand in hand with other organizations, the preliminary studies required by the various methods of helping the developing countries.

THE COMMUNITY'S OWN OPERATIONS

179. These were the subject of decisions worked out by an ad hoc Committee set up by the Council of Ministers as far back as October 1959 to study the problems of aid to countries in the course of development.

Co-ordination of technical assistance

In June 1960 the Commission submitted to the ad hoc Committee two concrete proposals which were the subject of a general examination.

The first proposal advocated *a procedure for coordinating the operations of the Member States* under a Regional Plan for technical co-operation. This plan was based on the desire to achieve effective co-operation between the donor and the receiving countries; it further provided for reducing the necessary administrative apparatus to a minimum.

The second proposal was for direct Community action, in the form of a *European Development Institute*, which would be set up by the three Communities and based on a network of correspondents established by the existing training institutes and training centres in Europe, as well as those in the developing regions. Its task would be to train supervisory staff and to carry out studies.

On 19 October 1960 the Council of Ministers took two decisions on the ad hoc Committee's report, instructing the European Commission, in liaison with the Euratom Commission, to prepare more detailed proposals on this subject. To this end the Commission undertook an inventory of the means available in the Member States for research, study and the training of scholarship-holders and specialists.

In connection with the first proposals (co-ordinating procedure) the Council set up a permanent organ, the "Technical Assist-

ance Group for the Developing Countries", whose task it is to ensure the co-ordination of the technical assistance operation of the Member States and of the Commission throughout the developing countries.

The powers of co-ordination vested in this Group are the following :

- i) To propose measures by which to avoid competition and rivalries in bilateral aid;
- ii) To raise again the problem of regional action, particularly —when the appropriate time comes—in the non-associated countries of Africa;
- iii) To study the possibility of other EEC operations in other continents, for example in Latin America (1).

*Co-ordination of policies on export credit insurance,
guarantees and financial credits*

180. Following its own studies in 1960 (2) and the discussions within the ad hoc Committee, the Commission drew up certain proposals concerning the establishment of a group to co-ordinate policies for credit insurance, guarantees and financial credits. These proposals were approved by the Council at its session in September 1960.

The establishment of this group within the EEC was prompted by several considerations: in the first place these operations, which have been gaining importance in international trade for some years now, merit particular attention from the point of view of the

(1) See Chapter IV, sec. 209.

(2) The first results of these studies are included in a report entitled "Aid to countries in course of development", which has served as a basic document for the ad hoc Committee.

introduction of the Common Market when they are applied in the member countries; they have a bearing on the provisions of the Treaty of Rome concerning the harmonization of conditions of competition and the co-ordination of commercial policies.

But the need for closer co-ordination amongst the six countries stems not only from the logic of the Common Market itself. It also proceeds from the wish to ensure maximum possible efficiency, for these techniques particularly affect trade in capital goods, and this is of special interest to these countries.

The first meeting of this co-ordinating group was held in November 1960. Since then it has been meeting about every other month, representatives of the Commission taking part in its work.

181. In addition to its essential role, the Group at present serves two main purposes. Firstly, it is studying the concrete harmonization measures that might be considered, the adjustments needed to national systems if joint operations are to be carried out and procedures for consultation on the adoption of a common attitude among the Six. Secondly, it is seeking appropriate means to promote the equipment of developing countries, particularly by the multilateral utilization of the financial resources made available to them.

EEC contribution to solving trade problems of particular concern to the developing countries

182. Commercial co-operation, the special nature of which is often rendered in the catch-phrase "trade not aid", in fact constitutes the third facet of activities for the benefit of developing countries. Since the Community is the principal world importer for a great number of raw materials and tropical products, it would seem that for this reason it has an outstanding role to play in the efforts undertaken at international level to correct the disequilibrium, which has been worsening for some years past, between the export openings

of the developing countries and their growing need of imports, particularly of capital goods.

The Commission has made thorough studies with a view contributing to the work being done by various international bodies at present dealing with these problems. In this connection the Commission's studies are centred on three problems :

a) How to bring about a better balance in the distribution of work and production throughout the world;

b) How to increase the consumption of raw materials in the Community countries : here scope for progress appears limited, but certain measures to facilitate the import of these products could be considered;

c) How to stabilize the export earnings of the developing countries.

183. It is certainly in connection with stabilization of the coffee trade that the opportunities for action by the Community seem most propitious. The interest of the Latin American countries in active participation by the Community (which is the second largest consumer of coffee in the world) in the work of the Washington study group recently found concrete form in an invitation to the Commission to be represented at the group's meeting on 6 January 1961.

For cocoa, price trends in the last six months have provided an incentive to the producing countries to put the market on a sounder footing—a need from which they had been distracted by the favourable trend of prices in the last two years. The Commission was represented by an observer at the Accra Conference (10 to 19 April) called by the FAO to study the elements of a stabilization system for the cocoa market which would be based on import quotas.

*COMMUNITY PARTICIPATION
IN INTERNATIONAL ACTIVITIES
BEARING ON DEVELOPMENT PROBLEMS*

EEC contribution to the Development Assistance Group

184. The Development Assistance Group was set up, at a conference in Paris on 13 and 14 January 1960, in conformity with a resolution to which the Governments of Belgium, Canada, the United States, France, Italy, Japan, Portugal, the Federal Republic of Germany, and the United Kingdom, and the EEC Commission were signatories. The Netherlands Government joined DAG at a later date.

The establishment of DAG meets a twofold need resulting from the considerable importance at present attached to the question of aid to the developing countries in international relations: the coordination of financial efforts and regular consultations among the countries providing assistance, so as to pool the experience acquired by each of them and to seek means of increasing the efficiency of the operations undertaken.

The first two sessions (in Washington and Bonn) enabled each member country of DAG as well as certain international organizations to explain and discuss with the other members the principles, terms and conditions of their financial aid to the developing countries. The third session (in Washington) bore mainly on what are known in technical assistance as "pre-investment problems". The fourth session (in London) provided the opportunity for a more thorough examination of the relative efficiency of the different forms of financial aid as well as of the terms and conditions appropriate to the varying situations met with in developing countries.

The European Commission took part in the fourth meeting. All the members of the Group were represented and the Secretary-General designate of the OECD also took part. The International Bank for Reconstruction and Development and the Inter-American

Development Bank participated in the discussion of certain points of special interest to them.

The Group recognized the importance of making an effort in the field of technical assistance in order to supplement financial aid, and decided that the members should keep each other informed of their activities in this sphere so as to draw mutual benefit from their experience.

The Group examined the financial conditions under which assistance should be given and made an up-to-date survey of the many forms under which private and public funds are granted to the developing countries. It was recognized that, generally speaking, it would be unwise to grant too great a proportion of the total aid to the various countries in the form of short-term credit.

It was decided to recommend to the Governments of the member countries and to the Commission that they should take as their common objective the increase of the total aid granted and should aim at improving its efficacy.

With a view to strengthening the functioning of DAG, it was decided to invite the United States delegation to designate a chairman of the Group and the French delegation a vice-chairman. They will hold these offices until the Group is included in the OECD, and possibly afterwards.

The chairman who is appointed under these new arrangements will be in close contact with the Secretary-General of OECD and will devote all his time to this work.

The fifth session of the Group will be held in Tokyo from 11 to 13 July 1961.

The positions of the Governments of the EEC member countries and of the Commission in the work of DAG have been coordinated within the "ad hoc Committee" which serves as the central consultative organ in the Community framework on matters of aid to underdeveloped countries.

The Commission has collaborated closely in the technical work undertaken by DAG in connection with the definition and statistical analysis of the various forms of financial aid and technical co-operation granted by the members of this Group.

Co-operation with the other organizations

United Nations Economic Commission for Africa

185. The Commission was represented at the meetings of the Economic Commission for Africa at Tangiers in 1960 and in Addis Ababa from 6 to 17 February 1961. This latter meeting was preceded, from 23 to 27 January, by a session of the Special Committee of the ECA for the study of the effects of European economic organizations in the African economy. In the course of the Committee's discussion of the report on the effects of the Common Market in Africa, the Commission's delegates had an opportunity to make their comments.

United Nations Food
and Agriculture Organization (FAO)

186. The Commission, which has sent observers to several FAO meetings, is at present studying the possibility of EEC participation in different projects proposed as part of the Campaign against Hunger, and particularly in the project for the channelling of agricultural surpluses towards developing countries, as well as in any schemes which may be mooted for the improvement of agriculture in these same regions.

Commission for Technical Co-operation
in Africa south of the Sahara (CCTA)

187. In recent months the Commission has been led to maintain increasingly close relations with the CCTA or certain of its organs,

such as the Inter-African Bureau for Animal Health or the Inter-African Bureau for Soils.

One of the tasks entrusted to this latter Bureau is to carry out, on behalf of the Commission, certain cartographical operations needed for an enquiry on reforestation and soil restoration which has been undertaken in the association framework. The CCTA was also represented at the symposium of experts organized on the same subject in Brussels in October 1960.

International Labour Organization (ILO)

188. On account of the importance attached to the subject of the Conference—labour problems in Africa—which was organized by the International Labour Organization at Lagos from 2 to 17 December 1960, the Commission delegated an observer who addressed one of the plenary sessions and gave an account of the role of the EEC in economic, cultural and social development in Africa.

Consultative Committee of Secretaries-General

189. On a closing note we may mention the participation of the Commission in the work of this Committee.

One of the objectives of this group is to bring to light any possible overlapping in the activities of the various international organizations, particularly those which concern developing countries, to which the Commission attaches special importance.

A very thorough inventory has established that despite assertions made by members of the public, there is actually no overlapping in the activities, nor even in the projects, which are clearly defined, on which these organizations are working both in Europe and in Africa.

TABLE No. 4

*Projects submitted to the Fund:
situation by groups of countries or territories on 31 March 1961*

In '000 units of account

Groups of countries or territories	Total credits provided for in Annex B of the Implementing Convention				Totals for requests submitted to the Fund ⁽¹⁾				Commitments authorized		
	Financial years 1958 1959 1960	Financial years 1958 to 1962	Years 1958 and 1959	Year 1960 and 1st quarter of 1961	1958 to 1961	Years 1958 and 1959	Year 1960 and 1st quarter of 1961	1958 to 1961			
Belgium	11 700	30 000	14 208	4 928	19 136	3 810	7 871	11 681			
France	199 387	511 250	159 621	510 386	670 007	32 781	70 107	102 888			
Italy	1 950	5 000	2 450	—	2 450	1 950	—	1 950			
Netherlands	13 650	35 000	8 181	17 491	25 672	1 896	10 591	12 487			
Totals	226 687	581 250	184 460	532 805	717 265	40 437	88 569	129 006			

⁽¹⁾ Including requests later withdrawn.

TABLE No. 5
Breakdown of projects submitted and approved 31 March 1961—by sector concerned

Nature of project and sector concerned	Total amounts requested (1)				Commitments authorized (2)			
	1958, 1959 and 1st quarter 1960	last 3 quarters 1960 and 1st quarter 1961	totals on 31.3.61	% of total	1958, 1959 and 1st quarter 1960	last 3 quarters 1960 and 1st quarter 1961	totals on 31.3.61	% of total
	In '000 units of account				In '000 units of account			
<i>Social</i>								
Teaching, occupational and social training	21 067	30 133	51 200	7.1	8 836	7 784	16 620	12.9
Health	21 547	25 527	47 074	6.6	7 761	11 058	18 819	14.6
Water supply	8 731	13 191	21 922	3.1	2 714	895	3 609	2.8
Town-planning	13 362	46 224	59 586	8.3	3 696	3 426	7 122	5.5
Studies and research	2 248	1 503	3 751	0.5	7 898	3 559	11 457	8.9
Total	66 955	116 578	183 533	25.6	30 905	26 722	57 627	44.7
<i>Economic</i>								
Infrastructure (transport, communications)	162 696	214 561	377 257	52.6	11 313	38 174	49 487	38.3
Production (agriculture, stockbreeding)	39 806	104 985	144 791	20.2	9 588	11 800	21 388	16.6
Studies and research	6 700	4 984	11 384	1.6	130	374	504	0.4
Total	209 202	324 530	533 732	74.4	21 031	50 348	71 379	55.3
Overall total	276 157	441 108	717 265	100.0	51 936	77 070	129 006	100.0

(1) Including amounts for projects later withdrawn or set aside.

(2) Not including the amounts for those economic projects which were accepted by the Commission by 31 March 1961 but for which approval by the Council is still pending (31 731 000 units of accounts).

TABLE No. 6

Summary : situation on 31 March 1961

Countries or territories	Financing conventions signed		Financing agreed (1) and approved (2)		Councils approval pending (2)		Commission's decision pending (1) and (2)		Projects under investigation		Projects with- drawn or rejected		Totals	
	No. of proj.	Amts. in u.a. ('000)	No. of proj.	Amts. in u.a. ('000)	No. of proj.	Amts. in u.a. ('000)	No. of proj.	Amts. in u.a. ('000)	No. of proj.	Amts. in u.a. ('000)	No. of proj.	Amts. in u.a. ('000)	No. of proj.	Amts. in u.a. ('000)
Congo (Leopoldville)	6	6 554	2	2 830	—	—	—	—	2	996	3	4 397	13	14 777
Ruanda-Urundi	9	2 297	—	—	—	—	—	—	2	474	9	1 388	20	4 359
Mauritania	3	2 343	—	—	—	—	—	—	4	8 613	14	3 018	21	13 974
Senegal	6	13 656	—	—	—	—	—	—	2	7 210	4	29 968	12	50 834
Sudan (Mali)	12	5 980	1	1 488	—	—	—	—	9	23 246	16	8 416	38	39 130
Upper Volta	8	6 254	—	—	4	5 428	—	—	3	2 520	15	7 018	27	21 220
Niger	2	7 290	—	—	—	—	—	—	1	486	9	2 157	12	9 933
Ivory Coast	6	5 188	1	1 620	3	10 687	—	—	8	16 682	19	4 189	37	38 366
Dahomey	5	1 077	3	1 328	1	3 241	—	—	2	5 032	6	8 459	17	19 157
Former F.W.A. (group projects)	—	—	1	2 010	—	—	—	—	1	63 759	4	5 679	6	71 448
Togo	9	5 204	—	—	1	2 836	—	—	11	14 032	—	—	21	22 072
Cameroon	8	7 322	—	—	—	—	—	—	13	89 624	8	4 397	29	101 343
Chad	6	8 067	—	—	—	—	—	—	5	2 831	5	16 757	16	27 655

Central African Rep.	8	3 372	—	—	2	996	—	—	5	8 715	9	1 855	24	14 938
Congo (Brazzaville)	4	2 768	—	—	—	—	—	—	1	153	7	1 038	12	3 959
Gaboon	5	5 070	—	—	—	—	—	—	5	2 321	7	2 935	17	10 326
Former F.E.A. (group projects)	—	—	1	3 241	—	—	—	—	2	50 906	1	697	4	54 844
Madagascar	14	13 281	1	442	4	7 397	—	—	25	20 008	11	6 511	55	47 639
Comoro	1	81	1	340	1	1 146	—	—	3	948	3	2 385	9	4 900
French Somali Coast	1	742	—	—	—	—	—	—	—	—	—	—	1	742
New Caledonia	4	273	—	—	—	—	—	—	1	118	1	33	6	424
Polynesia	—	—	2	2 769	—	—	—	—	—	—	—	—	2	2 769
St. Pierre and Miquelon	—	—	—	—	—	—	—	—	1	4 457	—	—	1	4 457
Martinique	—	—	—	—	—	—	—	—	3	5 207	—	—	3	5 207
Guadeloupe	—	—	—	—	—	—	—	—	3	1 035	—	—	3	1 035
Guiana	—	—	—	—	—	—	—	—	1	5 110	—	—	1	5 110
Réunion	—	—	3	1 682	—	—	—	—	1	2 593	1	1 792	5	6 067
Algeria	—	—	—	—	—	—	—	7	4	7 089	5	33 123	16	66 330
Sahara	—	—	—	—	—	—	—	—	8	26 128	—	—	8	26 128
Rep. of Somalia	1	1 950	—	—	—	—	—	—	—	—	2	500	3	2 450
New Guinea	5	9 388	1	3 099	—	—	—	—	1	12 422	1	763	8	25 672
Totals	123	108 157	17	20 849	13	31 731	7	26 118	127	382 735	160	147 675	447	717 265

N.B. Social projects are decided by the Commission alone, whereas economic projects require the approval of the Council as well.

(¹) Social projects.

(²) Economic projects.

CHAPTER IV

THE COMMUNITY AND THE OUTSIDE WORLD

General aspects

190. The Treaty of Rome lays down that the commercial relations of the Member States with the non-member countries shall be coordinated in such a way as to bring about, at the end of the transition period, the conditions necessary for the implementation of a common policy in the matter of external trade. In application of Article 111 of the Treaty and in order to ease the necessary change-over, the European Commission has already been at work on the formulation of the basic principles for such a policy. It has sought the solutions to certain problems and has prepared the coordination of domestic policies. Under the Treaty the Commission must submit to the Council proposals concerning the procedure to be followed during the transition period for the implementation of joint action or action in connection with the uniformisation of commercial policy.

Apart from the formal decisions of the Council, a series of operations has been undertaken based on constant co-operation between the Commission and the Member States, both in the sphere of Community representation and action in international organizations and in that of work done in the field of bilateral commercial relations.

Progress in liberalization policy

191. Such co-operation is made easier by the new liberalization measures which the Member States took in 1960 vis-à-vis non-member countries; these measures make it possible to remove divergencies

existing in the various policies, and at the same time to guide the Community's commercial policy along liberal lines.

The increases in the percentage of liberalization applying to the countries of the OEEC and to the dollar area reflect the new liberalization measures ⁽¹⁾. These increases are indicated in the following table :

TABLE NO. 7
*Percentage of liberalization
applying to the countries of the OEEC and to the dollar area*

	OEEC		Dollar area	
	Dec. 1959	Dec. 1960	Dec. 1959	Dec. 1960
Germany (F.R.)	92.3	92.5	86.2	88.9
Benelux	95.6	97	86	94
France ⁽¹⁾	91.3	93.7	79.8	96.8
Italy	93.4	98.4	85	97

⁽¹⁾ In France, the new liberalization measures taken during the last months of 1960 produced the following liberalization percentages in April 1961. OEEC : 95.5 % (reference year 1957), Dollar area : 98.9 % (reference year 1953).

The great progress made consists of a very far-reaching elimination of discrimination against the dollar area; among industrial products only 34 items are accorded different treatment by Germany, 1 by Benelux, 1 by France and 9 by Italy. Among agricultural products the figures are 4 for Germany, 1 for France, 23 for Italy and there is no discrimination in the Benelux countries. Moreover, it is sometimes only sub-items which are affected and the

⁽¹⁾ The following are the base years on which the percentages are calculated. OEEC : Germany 1949, Benelux 1955, France 1957, Italy 1958, Dollar area : 1953 for all member states.

significance of these liberalization measures emerges even more clearly if it is remembered that the customs tariffs comprise approximately 1 100 items.

Further liberalization measures have also been taken vis-à-vis other countries of GATT and countries which are not members of GATT.

This liberalization policy is unfolding in the line with the decision taken by the representatives of the Member States on 12 May 1960, made on a proposal from the Commission. This decision provides for the abolition of all quantitative restrictions on the import of industrial goods from the other Member States of the EEC by 31 December 1961 and for the earliest possible abolition of all quantitative restrictions on the import of industrial goods which still exist vis-à-vis all the GATT countries.

In the industrial field the "hard-core" has now in fact been reached. Apart from certain products such as coal, which affect the level of liberalization, the main and really delicate problem which has up till now stood in the way of a wider liberalization vis-à-vis GATT is that of imports from countries where abnormally low production costs prevail.

In the liberalization of agricultural imports from non-member countries no major progress can, on the whole, be expected until the common agricultural policy is implemented.

Bilateral contractual agreements

192. The implementation of Article 111, which deals with the co-ordination of the Member States' commercial relations with non-member countries, together with the provisions concerning the elaboration of a common commercial policy towards these countries, has been the subject of a Council decision and of study by the Commission.

On 20 July 1960 the Council of Ministers decided, on a proposal from the Commission, that the Member States should nego-

tiate for the inclusion of the following clause in any bilateral commercial agreement to be signed by non-member countries :

“Should those obligations under the Treaty establishing the European Economic Community which relate to the gradual establishment of a common commercial policy make this necessary, negotiations shall be opened as soon as feasible in order to amend this present agreement as appropriate.”

This procedure is applicable to future agreements and to extensions, renewals or amendments of agreements already concluded with any non-member country, and the Member States are to keep the Commission informed of such negotiations.

The work of the Commission (which led up to the decision of the Council) are aimed at providing an inventory of the bilateral contractual agreements of the Member States and arranging for consultation wherever concrete problems arose in connection with the renewal or adjustment of existing agreements. In order to regularize this procedure of prior consultation and to make it more systematic, the Commission has made arrangements for a proposal to be drawn up which will be submitted to the Council, together with a proposal concerning the duration of bilateral trade agreements concluded by Member States during the transition period.

This work was done by the Commission in meetings with the national representatives in charge of commercial policy, and with the assistance of other similar groups of experts specializing in geographical areas (Eastern Europe, Western Europe, United States and Canada, Latin America, Asia and Oceania, Africa and the Middle East) who were instructed to consult with one another and to analyze bilateral relations.

Aid for exports to non-member countries

193. In compliance with Article 112 of the Treaty, which provides that measures to aid exports to non-member countries by the Member States shall be progressively harmonized before the end of the

transition period, the staff of the Commission and the Member States have commenced work with the purpose of drawing up a complete inventory of existing aids. In addition, a study is being carried out of means of a non-financial character to aid or promote exports. On the basis of this study it will be possible to establish later whether intervention is likely to prove necessary to prevent a distortion of the conditions of competition.

With the purpose of promoting financial aid to countries in the course of development and achieving greater uniformity of financial aids to exports, the Commission's staff have drawn up an inventory of the main differences in the credit and export credit insurance systems applied in the Member States to non-member countries.

After completing its enquiry, product by product, the Commission admitted that the reasons invoked by the Member States were justified under Article 115 of the Treaty. The products concerned are mostly those from countries with abnormally low prices and state trading. In its decision of 25 July the Commission nevertheless requested the Member States to adopt in future the normal procedure under Article 115 (1), which provides for an advance authorization by the Commission, and to apply the emergency procedure under Article 115 (2) in duly justified cases only.

In fact, as a result of further liberalization measures recently taken in the Member States, the number of products from non-member countries to which Community treatment is not extended has been reduced to about 50.

Commercial policy on basic products

194. The Commission had already at the Sixteenth Session of the Contracting Parties in Geneva from 16 May to 4 June 1960 that it was "perfectly aware of the fact that certain solutions to the problem of the instability of raw material prices must also be sought on the international plane" and that "in this respect it was already

co-operating fully with the international agencies dealing with these problems”.

The staff of the Commission have begun a number of studies and have co-operated in advance consultations between the Member States to work out a co-ordinated position on the raw materials issue. Representatives of the Commission have attended the meetings of the regional organizations dealing with these problems and have also been present at the sessions of the United Nations Committee on International Trade in Basic Products, the FAO, the International Wheat, Olive Oil and Sugar Agreements, and of the Coffee and Cocoa Study Groups.

The Geneva tariff conference
(Re-negotiations under Article XXIV (6) of GATT
Dillon negotiations)

195. On 1 September 1960 a Tariff Conference opened in Geneva under the aegis of the General Agreement on Tariffs and Trade (GATT). By decision of the Council of Ministers of 5 May 1959, the Community is taking part in this Conference.

Under Article 111 of the Treaty the Commission represents the Community and conducts the negotiations in accordance with the directives given to it by the Council. As provided for in the Treaty, the Commission is assisted in its task by a Special Committee appointed by the Council and composed of representatives of the Member States.

At the inaugural session of the Conference, the European Commission, represented by one of its Members, declared that the Community attached great importance to the tariff negotiations because they could make a substantial contribution to the solution of European trade problems and could also meet the commercial problems of the countries in course of development.

196. The Conference consists of two separate stages, the first being mainly concerned with the re-negotiation of the national tariffs

of the Member States of the Community, and the second being arranged for a new series of multilateral negotiations following upon the proposal made in 1959 by the then United States Under-Secretary of State, Mr. Dillon.

During the first stage of the Conference the Community is re-negotiating with the Contracting Parties concerned the tariff concessions previously granted by the Member States and bound in their national tariffs; these concessions have been or will be affected by the progressive approximation of duties towards the level laid down in the common tariff. The objective of these re-negotiations, which are being carried out under the provisions of Article XXIV (6) of the General Agreement, is to translate into the common tariff, and at an equivalent level, the concessions granted by the Member States and thus to preserve the contractual advantages of the other Contracting Parties.

197. At the beginning of the Conference the delegation of the Commission submitted a list of the items in the common customs tariff which the Community was offering to bind in compensation for the withdrawal or modification of the former concessions granted by the Member States. These offers applied to a very large section of the common tariff and constituted a whole, in which each of the non-member countries concerned received a counterpart calculated to take the place of the previous tariff concessions.

After a preparatory period devoted to procedural points, the re-negotiations were begun in October and November with Australia, Austria, Brazil, Canada, Ceylon, Czechoslovakia, India, Indonesia, Japan, New Zealand, Nigeria, Norway, Pakistan, Peru, Rhodesia and Nyasaland, Sweden, Switzerland, the Union of South Africa, and the United Kingdom. The negotiations with Chile and Uruguay began later.

After three months of negotiations, the Commission reviewed the situation and studied to what extent its initial offers should be supplemented or modified in order to meet those requests of the non-member countries which appeared justified. After this review

the Commission submitted supplementary offers comprising not only the binding of duties but also reductions on a number of tariff items. These new offers have made very substantial progress possible so that at present the re-negotiations with various Contracting Parties may be regarded as concluded.

During the re-negotiations the Commission frequently consulted the Special Committee set up under Article 111 of the Treaty to assist it in the negotiations. This Committee, whose regular members are high government officials, discussed with the Commission the offers to be submitted to non-member countries and formulated an opinion on the problems brought to its attention.

198. When the re-negotiations are finally completed, the Community and many Contracting Parties will enter into multilateral negotiations for new reciprocal tariff concessions. The decision to have negotiations of this kind was taken following a proposal by the then United States Under-Secretary of State Mr. Douglas Dillon and forms one aspect of the efforts of the GATT to ensure the expansion of international trade. The Commission will conduct these negotiations on behalf of the Community and on the basis of the common tariff. It will also take up negotiations with Cambodia, Spain, Israel, Portugal and Tunisia, who wish to accede to the General Agreement.

Anxious to make a substantial contribution to the success of these negotiations, and to promote the freedom of international trade, the Community has proposed a 20 % across-the-board reduction for a very large part of the common tariff. Under the terms of this proposal, the tariff reduction offered to the non-member countries would be bound if the Contracting Parties deriving a substantial benefit therefrom were prepared to grant equivalent concessions. The Community has also made it known that, should certain countries find themselves unable to proceed along the lines of an equivalent across-the-board reduction of their customs tariff, it is prepared to seek to establish a balance by other means.

For this reason, the Commission has already drawn up, in co-operation with the Special Committee, preliminary lists of requests for concessions, some of which have been submitted to the non-member countries concerned. These lists are only intended to serve as a guide and cover the products in respect of which concessions seem desirable. They will be supplemented or modified in such a way as finally to produce a balance in the concessions granted by both sides.

Problems of inter-European trade

199. Since the publication of the Third General Report, the problems involved in a possible association of the Community with the other European countries have been the subject of bilateral conversations mainly between British experts and experts from certain member countries. Important contacts were made in the autumn of 1960 between German and British experts, in order to seek solutions for the problems of imperial preferences and agriculture in case the United Kingdom were to accede to or associate with the Community. From the beginning of 1961 conversations on the same subject took place between Italian and British, and French and British experts; it has emerged from these talks that the United Kingdom has to a large degree abandoned the concept of a free trade area in favour of a customs union so far as its future relations with the Six are concerned. This was confirmed in the declaration made on 10 February 1961 by the Lord Privy Seal, Mr. Heath, at the last meeting of the Council of the WEU; according to this statement the United Kingdom would be prepared, subject to certain conditions, to consider a common or harmonized tariff for industrial goods.

During the period under review the Special Committee on the problems of a European economic association has given its particular attention to short-term problems arising in relations with non-member countries from the speedier implementation of the Treaty of Rome, and to problems arising in connection with the negotiations in the Committee on Trade Problems; at its fifteenth and last meeting

it heard a verbal report from the German delegation concerning the bilateral conversations on long-term solutions between German and British experts. The Special Committee is to meet again at the beginning of May to resume discussion of these problems.

On the whole the negotiations on the problems of the ultimate links between the Community and the other European states have been of a semi-official rather than an official character, during the past year; this does not mean that they were less intense or useful. The resolution adopted on this subject by the European Parliament on 17 October 1960 and the declarations of the President of the Council and the European Commission on the occasion of the symposium of 21 and 22 November 1960 in Strasbourg show that the various Institutions of the Community are unanimous in their intention to continue the active search for a definitive solution to the problem of the economic relations of the Community with the other European states

The Committee on Trade Problems, which is instructed to study the relations between the European Economic Community and the European Free Trade Association, has so far held two meetings : on 29 and 30 March and on 9 and 10 June 1960. Whilst keeping the problem of long-term solutions on its agenda, it gave its main attention to a definition of the short-term aims to be achieved if traditional inter-European trade is to be maintained and even, if possible, increased. After five working and negotiating meetings a study group set up under the Committee on Trade Problems submitted a report to the Committee dated 18 March 1961. This report contains an analysis of about 600 items and sub-items selected as characteristic of inter-European import trade between the Community and each of the seven countries of the European Free Trade Association; the analysis deals with customs duties, tariff differentiation, value of imports and the relative importance of inter-European trade. The study group recommended to the Committee on Trade Problems that this analysis be forwarded by the Governments to their delegations at the GATT Tariff Conference, for them to put it to the best possible use, "giving due consideration in particular to the advisability of reducing trade distortions which may result from tariff

differences, and of maintaining and developing the traditional inter-European trade pattern”.

The representative of the Community in the study group has drawn up concrete proposals based on the Council decision of 12 May 1960 relating to the speedier implementation of the Treaty. He has proposed to the representatives of the seven countries of the European Free Trade Association a 20 % reciprocal reduction, pointing out that such a mutual concession could take various forms with particular regard to the gradual establishment of the common external tariff on the part of the Six and the concern of all the countries that the highest duties should above all be reduced. This proposal was rounded off by the offer to examine concrete specific difficulties for which supplementary measures might prove necessary. However, so far this offer has found but a limited echo; this is because the negotiations on the common tariff initiated under Article XXIV of GATT had not yet been concluded. On the other hand, the principle of the proposal for a reciprocal across-the-board tariff reduction which could be applied with effect from the next GATT Tariff Conference encountered some favour; the study group expressed this in the following terms in its report to the Committee on Trade Problems: “while some members of the study group were not in a position to express any definite views on the merits of this proposal or had certain doubts about the efficiency of the linear approach, the consensus of opinion was that governments might consider at an appropriate moment the possibility of undertaking a study of the linear approach along with other techniques”. Although this wording is very cautious, it leaves the door open for tariff negotiations on a linear basis which would make it possible to bind, at least in part, the 20 % reduction of the common external tariff contained in the decision of 12 May 1960 for the calculation of the first approximation of national customs tariffs towards the common tariff.

At any rate, and without denying the urgent need to achieve concrete results, it must be admitted that the favourable development of trade between the Community and its European partners has helped to create a less tense climate for the negotiations. The growth in the value of imports into the Community from countries

of the European Free Trade Association has in fact been remarkable since 1958 : in 1960 these imports rose by 25 % over the 1958 figure; imports from the United Kingdom rose by 32 % during the period under review. Incidentally, Community imports have increased not only from EFTA countries, but also from other European countries and from the rest of the world.

Thus the economic expansion of the Community has proved a factor of prosperity for other countries and in particular for the European non-member countries. The diversions of trade so greatly feared in some quarters have not occurred or have been largely compensated by an intense expansion of the Community's foreign trade. It is moreover characteristic in this context that despite the establishment of the European Free Trade Association the relative importance of the Community in the foreign trade of the Seven was maintained and even in most cases increased from 1959 to 1960.

Association of Greece with the Community

200. The Greek Government's first step in the direction of Greek association with the Community was made in a letter dated 8 June 1959 to the Presidents of the Council and of the EEC Commission. On a proposal of the Commission, the Council of Ministers took note of this request on 25 July and instructed the Commission to hold exploratory talks with the Greek Government forthwith.

The delegations met for the first time from 10 to 12 September 1959. The talks were followed by a second meeting in November, after which the delegations, taking the view that their respective positions had been made sufficiently clear, decided to refer back to their higher authorities.

The Council of Ministers met in Strasbourg on 23 November and declared, on a proposal of the Commission, that no further progress could be expected from exploratory conversa-

tions. The Council further decided that the Commission could open negotiations for an agreement.

The Commission, for its own part, presented proposals in the form of an outline agreement to the Council of Ministers in December 1959.

The Permanent Representatives carried out early in 1961 a study of the prospects for an agreement on the basis of these proposals.

At its session of 10 March 1960 the Council confirmed the results of this work and requested the Commission to open negotiations. These negotiations went forward in successive stages until December 1960.

Numerous difficulties not easily resolved at delegation level prevented the negotiations from advancing, and they were resumed at ministerial level in two meetings early in 1961: in Athens from 9 to 14 January, and in Paris from 23 to 25 January. The Commission was represented at these meetings by Mr. Rey.

With the same aim of reaching an agreement, the Council of Ministers confirmed a series of proposals which had been the subject of negotiations at ministerial level.

The last phase of the negotiations began on 27 February 1961 and was devoted to the drafting of the final text and to the establishment of the agreement in legal form.

201. The time which elapsed between the first demarche of the Greek Government and the signing of the draft Agreement may well have seemed long: its length is explained by the fact that this was the first case of the application of Article 238 of the Treaty. The wording of this Article is such that it allows of a wide range of solutions among which a choice had to be made. This choice was not easy, for a certain number of factors, not all of them leading towards the same solution, had to be taken into account.

The first element to be considered arose from the structure of Greece itself, a country of nine million inhabitants whose average income per head is only \$320 a year. The economy is mainly agricultural; great efforts have been made to modernize it and at the same time to develop industry, but Greece still belongs to the category of countries in course of development. There could, therefore, be no real balance, even from the legal point of view, between the commitments the Community would undertake vis-à-vis Greece and those that Greece would incur towards the Community. The obligations of Greece had to be adapted to its resources if the country were not to shoulder too heavy a burden, with a result contrary to what was intended.

But the difference in economic structures between Greece and the Member States was so great that it raised the question whether real integration was possible between the Common Market at its present stage and a country in course of development. Could not the arrangement be confined to a simple agreement to co-operate, possibly coupled with financial aid? Nevertheless, the first solution was adhered to: it was in line both with the aspirations of Greece and the wishes of the Member States — and indeed all concerned came to realize that only actual integration would make it possible, through the advantages it would bring as well as by the disciplines it would impose, to lead the Greek economy out of the state of underdevelopment in which it now finds itself in comparison with the Six. Integration means a clear decision on the course to be followed, coupled with mutual agreement to follow given paths, and these make of it a formula which is constructive in a way entirely different from that of a simple co-operation agreement. This integration had, of course, to be brought about progressively, so that the Greek economy could adapt itself to entirely new conditions.

In the light of these factors, the nature of the association had to be adapted in its essence to the aim of raising the level of the Greek economy. It was, however, necessary to bear in mind other elements which impose certain limits on the formula

chosen for the association. The association had not only to be compatible with the Treaty of Rome; it had to avoid hindering or encumbering the development of the Community; it had to establish within a given period co-operation similar to that to which the Six were committed among themselves; it had to take that co-operation as its model, benefit from it, but not obstruct it. This was an absolute necessity for the Six, and for Greece it was a factor of outstanding importance, since its association would have been no more than a mirage if it had caused a stoppage or a slowing down of certain of the EEC arrangements from which Greece hoped, in the long run, to benefit. These had to be safeguarded wherever they merited respect. Some might consider their interests threatened, not only in their future development, but even in the maintenance of such and such an economic activity, by the fact that the Greek economy, being basically mediterranean and agricultural in nature, might in some cases compete unduly with certain products of the Member States on Community markets. This was a new factor which had not been foreseen by the signatories of the Treaty of Rome. The latter had to accept such competition as a natural consequence of association; it was essential, however, that competition should not have, indirectly, harmful effects on the readiness with which the member countries carried out their commitments and on the good functioning of the Treaty of Rome.

It was also necessary to respect the general rules of GATT. If integration entailed preferences conflicting with the safeguards offered by the most-favoured-nation clause such preferences had to be covered by the exceptions recognized in the Convention: a free trade area or a customs union.

At the request of the Greek Government itself, and with the approval of the Member States, it was the latter device that was selected by the Community. Having due regard to the various factors set out above, the negotiators felt that the customs union was the best means of reaching the objectives before them. But to organize this customs union whilst taking account of the

very special situation of Greece was a delicate operation. In certain cases the commitments on the Greek side needed to be made more flexible than those the Member States had undertaken among themselves; in other cases, on the contrary, it was absolutely essential to go beyond what the Six had laid down for their reciprocal relationships. Therefore, a set of new provisions had to be worked out : a longer transition period for certain products, specific measures consisting of speedier tariff reductions and more rapid alignment on the customs tariff, the limitation on both sides of quota autonomy, etc. It was inevitable that it should take a fairly long time to finalize these arrangements, although both delegations always endeavoured to give due weight to the wishes of the other without neglecting their own interests.

As a result of these negotiations between Greece and the Community, the association has assumed the form of a customs union covering all forms of trade between the two parties. Products coming under the authority of the ECSC are, however, excluded, and for these a special agreement will be negotiated between the ECSC and Greece.

202. The machinery and the characteristic features of this customs union may be summarized as follows :

Tariff disarmament

Tariff disarmament will, in principle, be carried out by both sides over a period of twelve years, but :

i) The EEC will apply to products from Greece the same duties as those at present applied by the Member States among themselves. Exceptionally, in view of the present state of the Greek economy and to facilitate its development, the Community will allow Greek products to benefit from the reductions already made under the Treaty of Rome. The speed-up measures may later be extended to Greece, but they will be accompanied by a corresponding effort on the part of Greece itself;

ii) Greece will apply reductions to products from the Community in accordance with the time-table of the Treaty of Rome. However, the Agreement provides that in respect of a certain number of products, representing about one third of its imports from the EEC, the abolition of duties shall extend over a period of 22 years, phased as follows : four successive reductions of 5 % each will be made during a period of seven and a half years from the entry into force of the Agreement. For these products the remaining duties will be abolished as from the tenth year in accordance with the time-table applicable to products subject to the normal twelve-year arrangements. Moreover, in order to protect its young industries, Greece will be allowed during the first twelve years to introduce new duties or raise existing ones on condition that such new or reintroduced duties are abolished or brought down to their previous level within nine years, after which they must come under the normal tariff disarmament arrangements.

Adoption by Greece of the common customs tariff

203. Greece is to adopt the common customs tariff of the EEC. For each product the alignment with the common customs tariff of the duties Greece applies vis-à-vis non-member countries will be made *pari passu* with the reductions it will carry out in its trade with the Community. Nevertheless, Greece has been allowed some degree of latitude in a limited number of cases.

Delicate problems arose in connection with modifications to this customs tariff likely to be made by the Community and with the opening of tariff quotas for the benefit of non-member countries by one of the parties to the Agreement.

For tobacco, raisins, olives, rosin and oil of turpentine, practical solutions were found to reconcile the Community's autonomy with the need to ensure that the special advantages granted to Greece for these products would not, to all intents and purposes, be dissipated.

In certain cases, and up to a limit of 10 % of the imports made from non-member countries during the last year for which figures are available, Greece may also grant tariff quotas at reduced rates or duty free in order to facilitate the import of certain articles from countries with which it has bilateral trade agreements. This limit of 10 % may not be exceeded, except by previous agreement of the Council of Association. The other exception from which Greece benefits in this field consists in the right of granting tariff quotas for the import of goods from the USA, if the import of such goods at the common tariff rates would create difficulties in using special credits of American origin.

Elimination of quantitative restrictions

204. Quantitative restrictions will first be subject to a standstill and then quotas will be increased in such a way that at the end of the transition period all such restrictions will have disappeared on the Greek side.

The Community for its part will extend to Greece the arrangements obtaining among the Six with, however, certain slight differences for agricultural products (see below).

The Member States of the Community will bind vis-à-vis Greece the lists of products which they have bound among themselves.

Greece, in turn, will bind vis-à-vis the Community a certain percentage of its trade with the Six; this will be 60 % on the entry into force of the Agreement and will rise to 75 % during the five years following.

Should Greece reintroduce quantitative restrictions for products which have been liberalized but not bound, it shall open global quotas for Member States equal to 75 % of the imports from the Community in the year preceding such reintroduction.

Agriculture

205. Special arrangements have been made for agricultural produce, since this constitutes the lion's share of Greek exports to the Six. These special arrangements are justified by the need to ensure the attainment of the common agricultural policy amongst the Six.

A feature of these arrangements is first of all the principle of the harmonization of Greek agricultural policy with that of the Community; this is the necessary condition if the restrictions on trade in agricultural produce are to be eliminated in the framework of the association. A special procedure will be established between Greece and the Community which will take into account the legitimate interests of the former (for such items as tobacco); in the period before harmonization is attained, however, the benefits that the Six have granted each other will be extended to Greece for the Greek agricultural exports listed in Annex III to the Association Agreement.

It has been found necessary to place restrictions on a small number of products if disturbances on the Community markets are to be avoided; these restrictions concern citrus fruits, dessert grapes, peaches, wine, etc.

For a second group of agricultural products there will be a standstill until Greece has harmonized its agricultural policy with the common agricultural policy, which by that time will have been defined.

Nevertheless, in view of the fact that for the first category of products tariff disarmament would benefit Greek exports almost exclusively, unilateral disarmament measures have been laid down for products of the second category, exported by the Six to Greece and included in the list annexed to the protocol on the export of certain agricultural goods from EEC Member States to Greece.

In order that the exports of Greek agricultural products to the Six may expand (and thus offset the probable increase of

Greek imports from the Community) specific advantages, consisting particularly in a speedier reduction of customs duties, have been laid down for tobacco and raisins. Italy and France have undertaken to purchase tobacco; in these countries, where trade in tobacco is in the hands of a State monopoly, tariff reductions on this product are felt less than they are in other countries.

Though wine is excluded from the list in Annex III, it will nevertheless benefit from a system of tariff quotas.

206. The draft association Agreement is not limited to the establishment of a customs union. Modelled on the Treaty of Rome and taking into account the needs as well as the potential of Greece, the agreement includes various other provisions; these concern :

a) *The movement of persons, services and capital.* In view of unemployment and under-employment in Greece, the free movement of workers between the Community and Greece has been provided for. It is to be put into effect at the earliest at the end of the 12-years transition period. The Community has thus made an effort in the social field in response to the wishes frequently expressed by the Greek Government. In the same context special attention has been given to the working out and the extension of technical assistance programmes in the labour field and to vocational training and the exchange of young workers.

b) On the other hand, so far as the *right of establishment* is concerned, it was found necessary to include in the Agreement provisions which would facilitate the establishment in Greece of nationals from the Community countries; this is a necessary condition if the influx of private capital is to be stimulated and guarantees are to be available that it can be invested without discrimination based on nationality.

Parallel with the right of establishment, an increase in the supply of services between the two sides has been provided for; it would be difficult to contemplate complete freedom at

this stage because of under-employment in the Greek handicrafts and small industries.

c) For *transport*, the provisions of the Treaty of Rome are to be extended to Greece.

d) With regard to the *rules of competition*, Greece has accepted the rules which obtain in relations among the Six. One fairly important feature in this field calls for emphasis: it concerns the provisions of Article 52 of the Agreement, which deals with state aids. The two parties have agreed that for the first ten years of the implementation of the Agreement, Greece shall be regarded as being in the situation provided for in Article 92 (3a) of the Treaty of Rome, on account of the wide divergences between the structures of the respective economies and because of the economic and social problems peculiar to Greece. In view of this, aid intended to stimulate economic development will be considered from now on as compatible with the aims of the association to the extent that it does not alter the conditions of trade to a degree which would be detrimental to the common interests of the two parties.

For such other provisions as the rules applicable to enterprises, dumping practices, fiscal arrangements or the approximation of legislation, the Contracting Parties have agreed that the principles laid down in the corresponding Articles of the Treaty of Rome shall be made applicable in the Association Agreement. The Council of Association will have within a reasonable period (two years) to settle the terms and conditions of implementation.

Safeguard measures can be taken in the case of faulty harmonization.

e) In the field of *economic policy*, a certain parallelism with the provisions in this field of the Treaty of Rome has been maintained, having due regard to the economic situation and the administrative practices prevailing in Greece.

In most of the provisions express reference has been made to the rules and principles laid down in the Treaty of Rome, whilst it has been left to the Council of Association to draw up the conditions and methods of application.

The draft Association Agreement gives Greece very appreciable advantages but it also impose upon it obligations which call for a special effort from the Greek economy. In order to help Greece to make this effort it has seemed advisable, in view of its economic situation to grant financial aid to this country associated with the EEC. A special protocol therefore lays down that Greece may obtain from the Community loans up to an overall total of \$125 million. This amount may be used during the five years following the entry into effect of the Agreement. The examination of applications and the granting of loans will be carried out in accordance with the rules laid down in the Statute of the European Investment Bank.

207. The provisions concerning commercial policy have an important place in the Agreement. The aim of these provisions is to achieve, by the end of the transition period laid down in the Treaty of Rome, a commercial policy based on uniform principles. Safeguard measures can be taken in the case of faulty harmonization.

These provisions cover two other important problems :

i) The effect which the accession to or the association with the Community of any other country could have on the association with Greece. The Community is aware of the special problem which could arise for the Greek economy in this particular case and has promised to take Greek interests fully into account whenever any such agreement is negotiated or concluded;

ii) The adjustment of Greece's trade with any new Member or associated State.

Moreover, the two parties have agreed to resort, where necessary, to a safeguard clause modelled on that of Article 226

of the Treaty of Rome. By putting Greece on the same footing as the Member States, it has been possible to solve the delicate problems arising in this field. At the end of the transition period provided for in the Treaty of Rome the Council of Association will consider whether this clause should be maintained.

As envisaged in the preamble to the Agreement, a special Article deals with the prospect of the eventual accession of Greece to the EEC, should the Association Agreement work well enough to enable that country to contemplate full acceptance of the obligations deriving from the Treaty of Rome.

208. Lastly, to ensure the general good functioning of this Association Agreement, a Council of Association comprising members of the Greek Government and members of the EEC Council of Ministers and of the Commission has been provided for. Each side will have one vote. The Council of Association has power of decision and will also be able to make recommendations. It can set up the necessary committees.

If a dispute arises from one side or the other failing to fulfil an obligation laid down in the Agreement, the matter will be referred to the Council of Association. The Council may also submit the disputes to an existing body such as the Court of Justice of the European Communities. Otherwise, an arbitration procedure will be established, comprising the appointment of one arbitrator for each side, the two arbitrators to name a third. During the first five years following the coming into force of the Agreement, the third arbitrator will be the President of the Court of Justice of the European Communities.

The Community's relations with non-member countries

209. In 1960 and early 1961, the relations between the Community and the United States of America grew considerably closer. There have been very fruitful contacts in various fields between the Community and the Mission of the United States to the Communities in Brussels.

President Kennedy, replying to a telegram of good wishes addressed to him by President Hallstein, stressed that the United States will continue resolutely to support the Community and that the Government of the United States is looking forward to close collaboration with the Commission of the EEC.

Nevertheless, the United States Government has on various occasions voiced some concern about the Commission's proposals on agriculture and about certain duties fixed in the common external tariff for a few products of particular interest to American exports, especially tobacco.

The relations between the Community and Canada have also been strengthened, although this country, too, has not failed to express its concern about the Commission's agricultural proposals and about duties established for certain products on List G of special interest to Canadian exports.

A Canadian trade delegation, led by Mr. Roberts, Under-Secretary of State in the Ministry of Trade and Industry, has paid a visit to the Commission.

These apprehensions, shared not only by the United States and Canada, but also by other major producers of agricultural commodities, were the subject of a meeting in Brussels between the Members of the Commission and representatives of the Governments of the United States, Argentina, Australia, Canada and New Zealand. The Commission delegation explained to these representatives the principles underlying the Commission's agricultural policy proposals and the procedures envisaged to implement them.

Relations between the Community and Latin America have become closer in several respects during the period under review. It is characteristic of this development that after the community's initiative in April 1958 in addressing to all the countries of Latin America a memorandum on the aims, objectives and probable effects of the Common Market, these countries themselves are undertaking to establish direct contact with Europe and in particular with the European Economic Community. Not only have there been official visits to the Community, such as that of Mr. Frondizi, the President of the Argentine Republic, to the President of the Commission and to the Governments of the Member States in the summer of 1960, or those of high officials of the United Nations Economic Commission for Latin America but mention must also be made of the establishment of a Brazilian and Mexican Mission to the Community, and of the impending establishment of other Latin American Missions.

Several Latin American countries have submitted a memorandum stating their apprehensions with regard to their exports of certain products; sixteen of these countries presented a memorandum on the problem of coffee, and Ecuador has taken similar steps with regard to the customs arrangements applicable to bananas. In September 1960 the problems connected with the import of bananas were thoroughly examined in Brussels with representatives of six Latin American countries.

The Brazilian Government has addressed to the Commission a detailed memorandum on the economic relations between Brazil and the Community. In reply, the Commission has, on behalf of the Community, proposed direct discussion of the problem raised. The Inter-American Economic Conference held by the Organisation of American States in Bogotá from 5 to 15 September 1960 and attended by representatives of the Commission as observers, showed the interest which the Latin American states take in the Community; this was reflected in a series of resolutions passed on the subject of the European Economic Community.

The symposium between the institutions of the Community, which was held in Strasbourg in November furnished very clear evidence of the Community's interest in the harmonious development of its relations with Latin America.

Likewise, the relations of the Community with the countries in other continents have become closer on many occasions.

The countries of Asia and Oceania have repeatedly shown the interest they attach to the future development of their trade with the European Economic Community. The participation of Australia and New Zealand in the consultations on the common agricultural policy has already been mentioned and is evidence of this. The staff of the Commission has given a great deal of attention to the difficulties which still stand in the way of a progressive expansion of trade between the Europe of the Six and Japan.

During the period covered by this report the number of missions established by non-member countries at the seat of the Community has grown considerably.

On 30 April 1960, 23 countries had diplomatic relations with the Community. They are, in alphabetical order : Australia, Austria, Brazil, Canada, Columbia, Denmark, Greece, Ireland, Israel, Japan, Mexico, Morocco, New Zealand, Norway, Peru, Portugal, Spain, Sweden, Switzerland, the Union of South Africa, the United Kingdom, the United States of America and Uruguay.

The procedure for the accreditation of the Heads of Mission to the Institutions of the Community has not yet been completed in the case of Portugal, Columbia, Peru and Uruguay.

Relations with international organizations

The Community and GATT

210. Since the publication of the Third General Report, the Commission has intensified its relations with the Contracting Parties to GATT. As these confirmed and extended their authority in dealing with increasingly large and complex issues, the important part which has fallen to the Commission in the Tariff Conference has been described above. In the other fields the Commission took part in the half-yearly meetings of GATT held in Geneva in the spring and autumn of 1960. It also contributed to the programme for the expansion of international trade and participated in the activities of several subsidiary organs.

At the plenary sessions the Commission provided information on the activity of the Community in a number of fields and on the development of trade between the EEC and non-member countries. This step has been very favourably received and many countries have recognized the dynamism which the Community has shown and the remarkable progress which it has made. Nevertheless, certain countries have restated their apprehensions concerning the future common agricultural policy and the incidence of the duties of the common tariff on trade in certain products.

During the period under review, the programme for the expansion of trade launched in 1958 made progress thanks to the work of the three Special Committees.

Committee I, which deals with tariff questions, defined the arrangements necessary for the Tariff Conference. As this Committee had finished its task, all the problems relating to the Conference were entrusted to the Tariff Negotiations Committee established under the rules of procedure of the Conference. This Committee is composed of the countries taking part in the negotiations, plus the EEC Commission.

Committee II continued its programme of consultations with the Contracting Parties on the subject of their agricultural policies. These consultations have shown the extent of the protective measures applied in agriculture by various countries. Using the results of these consultations as a working basis, the Committee has analyzed the effect which the agricultural policies have on international trade in many important products. The Committee has set up a small group to study the methods by which the degree of agricultural protection may be determined. The Commission, which is represented on this Committee, attaches great importance to its work, since the Community is at present giving particular attention to the elaboration of the common agricultural policy.

Committee III, whose main purpose it is to seek means by which the export earnings of the countries in course of development can be expanded, has continued its study of the difficulties likely to hinder these countries' exports of some products selected at an earlier stage. The fourth interim report of the Committee shows the results of these studies and once again places the emphasis on customs duties, non-tariff measures and internal fiscal charges applied by several countries to these goods. Though the report registers encouraging progress in the abolition of quantitative restrictions, it shows that very little headway has been made in the relaxation of other measures affecting the products studied by the Committee.

The working parties on the Stockholm Convention and the Montevideo Treaty are among the subsidiary organs of the Contracting Parties in whose labours the Commission has taken part; these working parties were set up by a procedure similar to that used in the case of the Treaty of Rome. At the end of the careful study undertaken by these working parties, the Contracting parties decided not to pronounce immediately on the compatibility of these instruments with the General Agreement, but indicated that the enquiry could be resumed at a later date, when certain legal and practical questions had been cleared up.

The Community, the United Nations and the Specialized Agencies

211. Relations between the European Economic Community and the United Nations and its Specialized Agencies have been developing favourably since the establishment of the EEC.

The Commission has taken steps to ensure the necessary liaison with the organs of the United Nations and their Specialized Agencies.

These relations have evolved within the framework of practical arrangements made with the various organs of the United Nations and their Specialized Agencies. Under these arrangements publications and documents can be exchanged and officials of the Commission can attend meetings organized by the United Nations in the framework of its economic and social activities.

These relations between the EEC and the United Nations have found concrete expression in the Commission's co-operation in several studies put in hand by the United Nations, particularly those of ECOSOC on long-term economic forecasts, and the study of the repercussions of Western European economic integration on African trade and development undertaken by the Executive Secretary of the Economic Commission for Africa.

The ever-growing tendency towards regional economic integration has led many international organizations and in particular the regional Commissions of ECOSOC to place this problem on the agenda of their meetings.

Observers from the Commission have generally been present at this work.

The Organization for European Economic Co-operation (OEEC)

212. Under the arrangements made between the Commission and the OEEC, representatives of the Commission have attended

all the meetings of the Council, the Executive Committee and most of the Committees of OEEC.

*The Organization for Economic Co-operation
and Development (OECD)*

213. At the same time work was proceeding on the reorganization of the OEEC and, on 14 December 1960 in Paris, the representatives of twenty governments ⁽¹⁾ signed the Convention setting up the Organization for Economic Co-operation and Development (OECD).

Two salient points should be noted in connection with this organization :

- i) The participation of the United States and Canada on a footing of equality;
- ii) The new objective of assistance to countries in the course of development.

To understand the significance of the new Convention, it is necessary to recall the circumstances under which the decision was taken to reorganize OEEC by widening its terms of reference and extending it to include the United States and Canada.

In the first place, it seemed that the principal aim of OEEC, which was the rehabilitation of the European economy, had been achieved : the commercial objectives in the field of the liberalization of trade had been practically attained. Preferential trading arrangements could no longer be justified by balance-of-payments difficulties.

(1) Austria, Belgium, Denmark, France, Germany (Fed. Rep.), Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom—and the United States and Canada.

The establishment of the European Economic Community and the European Free Trade Association were giving a new appearance to European relationships. Finally, the countries of Western Europe and the United States and Canada were facing the enormous task of aiding the countries in the course of development and an organization such as the reconstructed OEEC, in which they were all partners, seemed the best setting for such common action.

The establishment of the OECD is very much in line with the desiderata of the European Economic Community: permanent economic contact between the leading Western countries; better co-ordination of the activities of these countries with regard to areas in the course of development; a permanent forum in which problems of commercial policy or of any other kind can be studied jointly and on a footing of complete equality by the European countries and the United States and Canada.

The aims of the organization in its new form are largely the same as those repeatedly voiced by leading personalities of the Community, and especially by the Commission.

The representation in the OECD of the European Communities and the participation of the EEC and Euratom Commissions and the High Authority of the ECSC in the work of the new organization are provided for in Article 13 of the Convention and in Supplementary Protocol No. 1 to this Convention.

Council of Europe

214. The European Commission was represented at several inter-governmental meetings organized by the Secretariat-General of the Council of Europe on a number of problems such as cultural affairs, social questions, the harmonization of legislation on wine and spirits and the harmonization of legislation on conciliation in industrial disputes.

Western European Union (WEU)

215. The Commission was represented at the sixth session of the Assembly of the Western European Union in Paris from 29 November to 2 December 1960. The reports on the accession of Great Britain to the Communities of the Six and on energy problems were discussed at this session.

CHAPTER V

THE WORK OF THE INSTITUTIONS

The activities of the institutions and organs of the Community

216. The atmosphere of confidence characteristic of the collaboration between the various institutions of the Community was maintained during 1960-61, enabling important decisions to be taken in implementation of the Treaty and valuable consultations to take place between the Commission, the Council, the Parliament and the Economic and Social Committee. The Committee on Policy relating to Economic Trends was set up and started work under the chairmanship of Mr. Müller-Armack, Under-Secretary in the Ministry of Economic Affairs of the Federal Republic of Germany.

The measures adopted in 1959 in order to bring about a closer relationship between the Parliament and the Council ⁽¹⁾ have been fully effective, and the Parliament, which is kept periodically informed of the work being done by the Council, has been able to bring to the notice of the latter matters which have been a cause of concern.

As in the previous year, a symposium brought together members of the Parliament, the Council and the three Executives, who were thus able not only to discuss the problems of the European Economic Community itself, but also to situate these problems in the wider context of the foreign policy of the six countries and to study some of the possible future developments of the Institutions, such as the proposed merger of the Executives and the proposals on the election of the Parliament by direct universal suffrage.

(1) See Third General Report, sec. 35.

The European Commission has continued to consult the Parliament regularly, informing it of any proposals made and more often than not receiving parliamentary support in a form which often stressed the typically Community aspects and consequences of the proposals.

The Parliament has formulated several opinions on proposals made by the Commission. In some cases these had been requested as required by the Treaty, in others the request was voluntary.

THE PARLIAMENT

217. The European Parliament held six plenary sessions between 10 May 1960 and 30 April 1961.

The Parliament adopted a certain number of resolutions on the most important questions dealt with by the Community (agriculture, transport, budget, industrial safety and health, overseas countries, etc.). All these resolutions were taken into consideration by the Council.

The parliamentary year 1960-1961 witnessed several important debates on European policy in general and, in particular, on the political co-operation which needs to be established among the Six (French proposals), the merging of the Executives, the question of election by direct universal suffrage and the European University.

The following pages give a brief account in chronological order of the Parliament's debates and the resolutions voted.

Session of 10 to 17 May 1960

218. At this session the European Parliament adopted two resolutions. The first approved the proposed Convention on the

election of the Parliament by direct universal suffrage, which had been drafted under Article 138 (3). This Convention lays down the number of Representatives to be elected by each country but stipulates that, during a transition period (which shall extend at least up to the end of the second stage of establishment of the Common Market), one third of the Representatives shall continue to be elected by national Parliaments.

The other resolution dealt with the economic policy of the Community, in particular in its regional and structural aspects, and in those relating to economic trends. It requested the Commission to set up a Council for economic trends, to establish its own Consultative Committee on regional economy, to encourage the establishment in all the countries of institutions to co-ordinate policy on economic trends, and to organize close co-operation among the institutions working in this field.

In connection with the decisions taken by the Council to bring about a closer relationship between the Councils and the Parliament ⁽¹⁾, the President in office of the Councils, Mr. Eugène Schaus, Minister for Foreign Affairs of the Grand Duchy of Luxembourg, made a statement on the decisions recently taken by the Councils.

At the beginning of the session, the President of the Parliament had paid tribute to President Robert Schuman who, in his declaration of 9 May 1960, had laid the foundation for the building of Europe. To mark the 10th anniversary of this declaration, the Parliament adopted a resolution stating that "Europe owed a debt of gratitude to the Honorary President of the European Parliament, Mr. Robert Schuman".

219. On June 24 and 25 a joint meeting was held between members of the Consultative Assembly of the Council of Europe and those of the European Parliament, under the chairmanship

(1) See Third General Report, sec. 35.

of Mr. Furler and Mr. Federspiel ; the three Executives participated in the meeting.

A report on the work of the European Parliament was presented. A number of speakers, stressed the growing support, in public opinion and among leading personalities in European states which are not members of the Community, for an exhaustive study of the possibility of these states joining the Community of the Six.

Session of 27 June to 1 July 1960

220. The Third General Report on the Activities of the Community was presented to the Parliament by the President of the European Commission.

On this occasion, Mr. Eugène Schaus, President in office of the Council, made a statement on the work done by the Councils during his six months in office.

The Parliament adopted a certain number of resolutions :

a) A resolution on the co-ordination of energy policies stressed the indispensable character of the work undertaken by the Inter-Executive Working Party and drew attention to the need to harmonize as rapidly as possible the conditions of competition existing between coal and other sources of energy.

b) A resolution on the European University expressed the hope that the Councils would take a policy decision without delay on the basis of the proposals of the Interim Committee; the resolution contained a certain number of comments on the content of this Report.

In the course of the debate, President Furler informed the Parliament that on June 20 a European parliamentary delegation had met representatives of the Governments of Member States in connection with the resolution of 15 January 1960 on the

subject of a European district and the seat of the Parliament. Mr. Schaus, President in office of the Councils, recalled that the Governments were to take a decision regarding the seat of the Institutions before March 1962 and pointed out that a unilateral decision on the part of the Parliament regarding its own seat might jeopardize the whole principle of a single seat.

Session of 12 to 18 October 1960

221. This session was the occasion of several major debates.

An important political debate was held at which the recent talks among the six Governments on the subject of a European policy were examined from the angle of their possible effect on the functioning and the role of the institutions created by the Treaty of Rome. In the course of this debate President Hallstein, speaking in reply to a question tabled by Messrs. Birkelbach, Poher and Pleven, analyzed the role of the present Institutions, in the light of the Treaties and of experience, stressing in particular the responsibility of the Member States in the common task, and the necessary independence of the Commission. The discussion enabled the Parliament to demonstrate its resolve to maintain the letter and the spirit of the existing Treaties, to prosecute their development, to see the independence and authority of the institutions guaranteed and to follow, in a positive spirit, the development of any action which took these conditions into account.

An important debate on agriculture ended with the adoption of a resolution stressing in particular the need to place agriculture in a position to rectify its inadequate competitiveness in relation to other sectors of the economy, as well as the need to carry out structural improvement. The resolution also dealt with the stabilization of agricultural markets, the Community system for imports to the agricultural markets in the economy of the Community, the system of levies within the Community,

and the alignment of prices with the aim of establishing a common level for agricultural prices.

A debate on the free movement of workers also took place during this session, and the Parliament gave the opinion requested of it by the Council on the proposed regulation and directives drawn up by the Commission pursuant to Articles 48 and 49 of the Treaty. The Parliament expressed itself in favour of the Commission's proposals as a first stage and its hope that the Commission's powers in this field might be strengthened.

At the close of the debate on the commercial policy of the EEC, the Parliament adopted a resolution which deals in succession with the problem of the co-ordination of the commercial policies of Member States during the transition period, relations between the EEC and EFTA, and relations between the Community and countries in the course of development.

After a discussion on the free movement of goods, the Parliament adopted a resolution in which it recommended in particular that Member States should cease substituting internal taxes for customs duties of a fiscal nature and urged the European Commission to take steps leading to the adjustment of monopolies of a commercial character.

Finally, the Parliament discussed energy policy and instructed the Inter-Executive Working Party to submit to it, as soon as possible, proposals for a common energy policy.

The question of the European University was again discussed at this session, and the Parliament adopted a resolution in which it regretted that the Council was unable to reach unanimity on this matter, the preparation of which is already at an advanced stage, and invited the members of the Parliament to make representations to their respective Governments in order that a positive decision might be taken by the Council of Ministers.

Session of 17 to 24 November 1960

222. Following a debate on the links between the European Economic Community and the associated overseas countries and territories, the Parliament adopted a resolution on the problem of the association of these countries with the Community; the resolution dealt first with the political and legal problems of association (the need for such relations to be established on a basis of equality), then with economic problems (recommendation that machinery be established to stabilize raw materials prices) and social problems.

By a further resolution the Parliament set up, in accordance with Article 38 of its Rules of Procedure, a temporary Special Committee entitled "Delegation of the European Parliament for a study and information visit to certain overseas countries and territories". This Delegation, composed of 13 members, will report to the Parliament.

A debate on transport was followed by a resolution on the problem of transport infrastructure in Europe; in this the Parliament welcomed the initiative taken by the European Commission in opening negotiations with the Governments on the development of infrastructure and suggested to the Commission certain ways and means of expanding its projects in this field.

A debate on industrial health and safety led to the adoption of a resolution in which the Parliament urged the Councils to provide the European Executives with the funds and support required to achieve the objectives of the Community.

During this session the Parliament also held a debate on information and adopted a resolution dealing with the problem of information within the Community (in particular the need to prepare public opinion for European elections based on direct universal suffrage), information in the associated overseas countries and information in non-member countries.

After examination of the draft budget of the EEC for the 1961 financial year, the Parliament adopted a resolution which contained certain amendments. In particular, it proposed a symbolic increase of 1 franc in the credit of 1000 million Belgian francs shown under item 900 (provision for expenditure by the Social Fund), as a token of the possibility open to Member States to submit applications for refunds in respect of previous financial years.

With regard to the Statute of service, the Parliament adopted, after a debate, a resolution stressing the need for a very early establishment of a Statute common to the officials of all the Institutions of the three Communities.

The Parliament adopted a resolution on the right of legation and the right to a flag, expressing the wish that the decision on the principle, taken by the Councils on 1 February, should be translated into practice as soon as possible.

Earlier, at the close of a broad debate during the symposium held jointly with the Councils and the Executives on the preceding days (see below), the Parliament had voted a resolution on the merger of the Executives of the Communities. The Parliament considered that this merger, which it stated was desirable, should not prejudice the choice of the single seat for the Communities.

223. The symposium between the Institutions of the Communities, which was held for the first time in 1959, was repeated on 21 and 22 November 1960. As in the previous year, it enabled representatives of the Councils, the Parliament and the Executives to have a broad exchange of views. The first subject discussed was the foreign policies of Member States as they affect the EEC. As President in office of the Councils, Mr. Luns, Foreign Minister of the Netherlands, opened the debate, in which more than 40 speakers, including several Ministers for Foreign Affairs, took part. The main points discussed were the position of the existing

Institutions, the value of the principle of integration, which forms the very basis of the Communities, the need to develop links among the Six at political level, and the elections to the Parliament on the basis of direct universal suffrage. The majority of speakers felt that the proposed political co-operation should be kept within the framework of the Communities. The need for democratic parliamentary control was stressed, as well as Europe's duties towards overseas countries.

The second subject for discussion, the merger of the Executives, also enabled the various political groups and the Presidents of the Executives to express their views. There was general agreement in favour of such a merger. The rapporteur asked that it should become effective at the end of 1961.

Session of 16 to 20 January 1961

224. The President informed the Parliament of changes which had been made in the organization of its Secretariat.

Mr. Wigny, President in office of the Councils, made a statement on the work of the Councils during the second half of 1960, confining his remarks to two problems: the association of overseas countries with the Community, and agricultural problems.

The Parliament expressed its satisfaction at the initial success achieved with regard to the establishment of a common agricultural policy, and also voiced its approval of the decisions relating to the association of those overseas countries which had become independent.

It stressed the need to maintain this association while modifying, to suit the new conditions, the relations of the Community with associated countries which had achieved independence.

Political action to be taken within the framework of the Six (French proposals) was the subject of a certain number of comments, and the Parliament expressed the hope that heads of Governments would take account of these at their future meetings.

A debate took place on the application of the rules of competition to agriculture and on minimum prices and levies.

At the request of the Council, the Parliament formulated the opinion requested of it on the proposed regulations concerning the application of certain rules of competition to production of and trade in agricultural products, in accordance with Article 42 of the Treaty. This opinion contained a certain number of amendments to the proposed regulations.

The Parliament also adopted a resolution on the application of a system of levies to trade in agricultural produce. While giving general approval to the Council's initial conclusions, it set forth a certain number of considerations to be taken as a basis for the application of any system of levies.

Although it had not yet been officially consulted on the matter, the Parliament also adopted a resolution on the decision proposed by the Commission to the Council determining objective criteria for minimum price systems and for the fixing of certain prices.

The social condition of agricultural workers was the subject of another debate.

A statement on the economic situation of the Community and its probable trends in 1961 was made by the Vice-President, who presides over the Economic and Financial Affairs Group within the EEC Commission. He reviewed the situation in 1960, analyzing the immediate causes of the increase in production. After noting the reduced rate of expansion and mentioning the economic situation of the United States, he discussed the outlook in the various countries, forecasting continued expansion and, in some cases, stability; this favourable prospect should be used by

governments and by the Community to prepare measures which might become necessary if difficulties arose.

At this session the Parliament also decided to set up a "Special Temporary Committee" to prepare its opinion on the draft association agreement between Greece and the Community.

Session of 7 to 10 March 1961

225. The Parliament re-elected the out-going President, Mr. Hans Furler, and elected its new officers. Speaking after his re-election, Mr. Furler recalled that the essential task of the Parliament was to combat the increasingly pronounced trend to give way to national interests. He added that the Parliament should act in three fields :

- a) Pursuit of economic integration
- b) Association with the African states (in this context the President of the Parliament emphasized the importance of the joint work of the European and African parliamentarians) and
- c) The influence to be brought to bear on inter-governmental co-operation in the field of foreign policy.

At this session the Parliament adopted three opinions which has been requested by the Council :

- a) An opinion on the Commission's proposal for the levying, on the basis of Article 235, of a tax on the import into a Member State of certain goods manufactured from agricultural produce;

In this opinion the Parliament by and large supports the Commission's proposals, but adds some clarifying details.

- b) An opinion on the abolition of the restrictions on freedom of establishment in which the Parliament approves the general programme proposed by the European Commission on condition

that account be taken of the comments made in the report of the Internal Market Committee. These concern in particular the problem of public contracts;

c) An opinion on the general programme for the abolition of restrictions on the free supply of services, in which it proposes a certain number of amendments, chiefly in the fields of cinematography, public contracts and re-insurance. In addition, the Parliament invites the Commission to formulate proposals on the freeing of services furnished by suppliers established in the Community who are nationals of a non-member country, and also to prepare the necessary measures to prevent the misuse of fictitious subsidiaries.

The Parliament adopted a resolution on the social situation of agricultural wage-earners, in which it expressed its satisfaction with the Commission's plans in this sphere and its desire that the Governments should lay down minimum provisions on agricultural wages and should entrust the Social Fund with certain tasks in the re-adaptation of surplus agricultural workers. Finally, the resolution underlines the need to create a Consultative Committee on social affairs for agriculture.

The Parliament also adopted a resolution on the working of the Development Fund.

A working party was set up to prepare the basic documents for the Euro-African Parliamentary Conference of 19-24 June 1961.

The Parliament agreed on the new names for its Committees.

In a political debate on the results of the governmental conference which took place on 10 and 11 January last in Paris, Mr. Wigny, President in office of the Councils, commented on the communiqué published after the conference. In the ensuing debate various tendencies became apparent. A majority accepted the building of Europe "on two pillars"—progressive integration by

means of the Treaties and inter-governmental co-operation in other fields. Some members expressed regret that the initial plan of the President of the French Republic had not been accepted. Finally, a third tendency rejected the formula of unification through inter-governmental co-operation and affirmed that "Europe will be made by integration on Community lines or it will not be made at all". Winding up the debate, Mr. Wigny accepted the view that Europe was progressing too slowly towards unity and emphasized that the role of the Parliament was to incite the Governments to act more rapidly.

The Parliament also debated the economic situation in the Community. This debate followed a statement made by a Vice-President of the Commission at the previous session. Replying to other speakers, the Vice-President of the Commission re-affirmed his optimism about the underlying trend of the economy and declared that the Commission had welcomed the revaluation of the Mark and the Florin.

THE COUNCIL

226. The Council has generally met once a month. Its work has been rendered more efficient through an improvement of method, consisting in a better preparation of the decisions to be taken; as a result, it can devote more time at each session to discussing general policy matters in the Community.

In conformity with Article 146 of the Treaty, which stipulates that the office of the President of the Council shall be exercised in rotation by each member for six months in the alphabetical order of the Member States, the representative of Luxembourg presided up to 1 July 1960, the representative of the Netherlands from 1 July to 31 December 1960 and since 1 January 1961 the Belgian representative has been in the chair.

The Representatives of the Member States have met several times during Council sessions to deal with various appointments or to discuss problems of general policy concerning the Communities.

The measures taken by the Council are discussed in detail in the various chapters of this General Report, since all the deliberations of the Council and the meetings of the Representatives of the Member States are closely bound up with the activities of the Commission. For this reason only a chronological account will be given here of the meetings which have taken place since the publication of the Third General Report, with the principal decisions taken.

On 20 June the Councils of the three Communities received a delegation from the Parliament, led by Mr. Furler.

M. Furler handed to the Commissions on behalf of the Parliament the draft convention concerning the election of the Parliament by direct universal suffrage as well as a certain number of resolutions in this sphere adopted by the Parliament. Mr. Furler pointed out that the Parliament had thus carried out the duty incumbent on it under Articles 108, 21 and 138 respectively of the Euratom, ECSC and EEC Treaties.

Mr. Eugène Schaus, President of the Councils, assured the delegation that the Councils would examine the draft convention with all the attention it deserved.

Thirty-third session (20-21 June 1960)

227. The Council met under the chairmanship of Mr. Eugène Schaus, Minister of Foreign Affairs of the Grand Duchy of Luxembourg. It examined the report prepared by the Interim Committee for the European University and instructed this Committee to make the first contacts with the Italian authorities for the establishment of the University at Florence, the city provisionally chosen as its seat.

The Council continued its work on the Statute of service for the staff of the Community.

The Representatives of the Governments of the Member States, assembled in the Council, discussed the proposals on the

application of Articles 95 and 97 of the Treaty which had been put forward by the European Commission. Agreement was reached that any State considering changes in the rates of drawback on exports or in compensatory charges on imports would hold prior consultations with the others.

Thirty-fourth session (27 June 1960)

228. The Council met under the chairmanship of Mr. Pierre Grégoire, Minister of Transport of the Grand Duchy of Luxembourg. Acting on a proposal of the Commission and having consulted the Economic and Social Committee, the Council laid down the rules required by Article 79 (3) concerning the abolition of discrimination in transport rates and conditions [Article 79 (1)].

Thirty-fifth session (19-20 July 1960)

229. The Council met with Mr. J.M.A.H. Luns, Netherlands Minister for Foreign Affairs, in the chair.

It ruled on the Commission's proposals concerning the harmonization of certain rates of duty fixed on 13 February 1960 in the light of the duties decided on for certain tariff headings in List G. It also dealt with certain alterations to ad valorem duties, coupling them with a minimum specific charge.

It made a preliminary examination of the Commission's proposals on the rate applicable to unmanufactured tobacco, as it is fixed in List F annexed to the Treaty.

The Council held a preliminary general discussion on the new proposals put forward by the Commission for the shaping and the application of the common agricultural policy. It decided to set up a special Committee to prepare its decisions.

The Council received the Commission's proposals on the free movement of workers and decided to seek the opinion of the European Parliament and the Economic and Social Committee.

The Councils also continued the discussion of the proposals drawn up by the Interim Committee for the European University.

The Ministers of Foreign Affairs took the opportunity provided by their attendance at the Council session to examine the third interim report submitted to them by the ad hoc Committee examining the problems of aid to countries in the course of development.

Thirty-sixth session (6-7 September 1960)

230. The Council met under the chairmanship of Mr. H.R. van Houten, Under-Secretary of State in the Ministry of Foreign Affairs of the Kingdom of the Netherlands.

The Council continued its work, begun at the previous session, on the rates for unmanufactured tobacco in the common customs tariffs (heading 24.01). It agreed to amend the rate for the heading 24.01 by coupling the ad valorem duty of 30 % in the common customs tariff with a specific maximum and minimum levy.

With regard to the proposals for the common agricultural policy, the Council agreed to convene on 9 September the special Committee established at its previous session. The chairmanship of the Committee falls to the representative of the country providing the President of the Council.

In dealing with the application of the speed-up measures in the agricultural field, the Council discussed the problems arising in connection with trade in certain goods obtained by the processing of agricultural produce; it took note that the Commission is inclined to consider the use of Article 226 in settling these problems.

In co-operation with the Commission, the Councils of the European Economic Community and the European Atomic Energy

Community agreed on a draft Statute of service for the officials of the Communities. In accordance with the provisions of the Treaties these texts were submitted to the Court of Justice and the European Parliament for their opinion.

On the occasion of the session of the Councils on 6 September the representatives of the Governments of the Member States, meeting under the chairmanship of Mr. H.R. van Houten, Under-Secretary of State in the Netherlands Ministry of Foreign Affairs, appointed Mr. Jacques Rueff a member of the Court of Justice of the European Communities.

Thirty-seventh session (27 September 1960)

231. The Council met under the chairmanship of Mr. H.R. van Houten, Under-Secretary of State in the Ministry of Foreign Affairs of the Kingdom of the Netherlands.

It was informed by the Commission of the measures the latter had taken to implement the Declaration of Intention on the speedier implementation of the Treaty adopted by the Representatives of the Governments of the Member States assembled in the Council on 12 May 1960.

The Council agreed to the setting up of a working party for the co-ordination of policy on credit insurance, guarantees and financial credits.

The Council appointed the members and alternates of the Committee of the European Social Fund. The Committee's task is to assist the European Commission in the administration of the Fund.

The Councils, acting by unanimous vote on a proposal of the Commissions, have agreed the text of the regulations concerning the establishment and implementation of the budget of the European Economic Community and the operational budget of the European Atomic Energy Community.

On the expiry of his term of office the Chairman of the Economic and Social Committee, Mr. De Staercke, made a statement to the Council on the work done by the Committee since its inception and, more especially, during the period of his chairmanship.

The President of the Councils congratulated the Committee on the results obtained during the two years of its activity.

Thirty-eighth session (17-19 October 1960)

232. The Council met under the chairmanship of Mr. J.M.A.H. Luns, Minister of Foreign Affairs of the Kingdom of the Netherlands.

It agreed unanimously that until further notice those associated countries and territories which so desired could continue their association with the Community. The Council at the same time recognized the necessity for practical adjustments in the relations between these newly independent countries and the Community, and agreed on certain measures to be taken.

Following a proposal contained in the third report of the ad hoc Committee instructed to study problems of aid to development countries, the Council decided to set up a Technical Assistance Group ⁽¹⁾, one of those tasks would be to promote active co-ordination between the Member States and the European Commission and work out common solutions to the problems arising in this field.

On the basis of the preliminary drafts submitted by the Commissions, the Councils of the EEC and of Euratom drew up the draft budgets for these two Communities for the fiscal year 1961.

They began their study of the draft convention for elections by universal suffrage drawn up by the Parliament. This subject is to be discussed between the Councils and a parliamentary delegation.

⁽¹⁾ See Official Gazette of the European Communities, No. 73/60.

The Councils have decided that the provisions of the Statute of service will apply to the officials of the Economic and Social Committee, the Supply Agency of Euratom and the Committee of Control.

Thirty-ninth session (14-15 November 1960)

233. The Council met under the chairmanship of Mr. J.M.A.H. Luns. It approved the outline of the report submitted by the Special Committee for Agriculture. An ad hoc Working Party was instructed to examine as soon as possible the Commission's proposals on minimum price systems.

The Council held an initial discussion on the proposals laid before it by the Commission in connection with the speedier implementation of the Treaty in the field of relations with the associated overseas countries. It instructed a group of experts to study the procedure proposed for speeding up the operations of the European Development Fund.

The Councils increased from 15 to 16 the number of officers of the Economic and Social Committee. The sixteenth member will be a national of one of the associated overseas countries.

The Councils approved in the four languages of the Community the texts of the financial regulations on the establishment and the implementation of the budgets of the Communities.

The Councils also heard a statement from Mr. Colombo, the Italian Minister of Industry and Commerce, to the effect that the Italian Government is in a position to provide the building sites required for a European University and that it is also prepared to seek a provisional solution for financing the initial expenditure involved.

Meeting in Paris on 31 October 1960 for one of their regular consultations, *the Ministers for Foreign Affairs* of the EEC Member States gave the Greek Minister for Foreign Affairs, Mr. Averoff, the

opportunity to make a statement of the views of his Government on the Agreement, negotiated by the Commission, for the association of Greece with the Common Market. The Commission was represented at the meeting.

Fortieth session (6-7 December 1960)

234. The Council met under the chairmanship of Mr. Stijkel, Under-Secretary of State in the Netherlands Ministry of Transport, and then of Mr. J.M.A.H. Luns, Minister for Foreign Affairs of the Netherlands.

The Council discussed the Commission's recommendations to the Member States on the development within the Community of the transport infrastructure.

The Ministers of Transport, assembled in the Council, also expressed their agreement on the setting up of a Committee of government experts to help the Commission in preparing a programme of joint work on studies of costs and in collating the results obtained. The first purpose of the work would be to find out how much was to be spent on infrastructure and how the cost would be distributed.

The Ministers noted a communication from the Commission concerning its memorandum on the applicability to transport of the rules on competition set out in the Treaty and on the interpretation of the Treaty with respect to shipping and aviation.

On the subject of the implementing regulation pursuant to Articles 85 and 86, the Council took note of the discussion at the meeting of the Ministers responsible for questions of competition which was held in Luxembourg on 29 November 1960. It decided to convey the Commission's proposals on the first implementing regulation to the European Parliament and to the Economic and Social Committee, with a request for their opinions.

The Council took note of the Member States' promise to try out during 1961 certain measures to ensure a genuine increase in trade in finished tobacco products.

On the subject of agriculture the Council took note of the report presented by the chairman of the Special Committee concerning measures proposed by the Commission to dispel certain difficulties caused on the German Market by distortions of competition. The Council then went on to its first thorough discussion of problems relating to the speed-up of the Treaty as it affects agriculture.

The Councils finally approved the budget of the EEC for the financial year 1961, and both the research and investment budget and the operational budget of the European Atomic Energy Community.

Forty-first session (19-20 December 1960)

235. The Council met first with Mr. H.R. van Houten, Netherlands Under-Secretary of State in the Ministry of Foreign Affairs, in the chair, and later under the chairmanship of Mr. J.M.A.H. Luns, Netherlands Foreign Minister.

The Council gave the French Government the approval required under sub-paragraph 3 of Article 93 (2), thus authorizing the system of granting aid to certain categories of paper pulp. The permit expires on 31 December 1966.

The Council adopted a decision proposed by the Commission fixing duty on newsprint and paper for periodicals under the common customs tariff.

The Council heard from the Commission a statement of the steps it intends to take on any quota applications made by the Member States under the terms of Article 25 (1 and 2) and certain protocols attached to the List G agreement.

As regards the system of trading with the associated overseas countries and territories, the Council took note of the Member States'

wish to apply to the associated overseas countries and territories the speed-up they would introduce between themselves on 1 January 1961. It requested the Commission to submit by the end of February concrete proposals on the stabilization of the export income of the associated overseas countries and territories.

The Council noted the fourth report of the Special Committee on Agriculture. After thorough examination, agreement was reached on a certain number of proposals made by the Commission for solving problems arising from distortions of competition. The Council further adopted a resolution concerning the principles of a levy system, for trade both with member countries and with non-member countries.

The Council agreed unanimously that progress had been made in establishing the common agricultural policy, and in consequence decided that the acceleration arrangements for trade in agricultural products should come into force on 1 January 1961. This decision, which confirmed the definite adoption of the measures for the speedier implementation of the Treaty, constitutes an important stage in the life of the Community.

Forty-second session (30-31 January 1961)

236. The Council met under the chairmanship of Mr. Wigny, Minister for Foreign Affairs of Belgium.

The Council made an initial study of the Commission's proposal concerning the application of the Treaty provisions on minimum prices and instructed a group of experts to continue its study of the practical results which would follow if the system worked out by the Commission were put into effect.

The Council made an initial study of the Commission's proposal for granting tariff quotas to certain Member States and instructed a group of experts to go more fully into certain aspects of the problems involved.

On the subject of relations with the countries of Latin America, the Council reached agreement on the text of the reply to be addressed to Brazil in answer to this country's memorandum of July 1960.

The Council took note of the communication, dated 20 January 1961, in which the President of the Republic of Ivory Coast suggested to the President of the European Commission that there should be a meeting at ministerial level between the Council of the Community and the representatives of the Governments of the associated states, at which a number of common problems could be examined; it has given instructions for an enquiry into the practical steps that could be suggested in the light of this request.

The Councils adopted the draft financial regulation on the terms and procedure whereby the contributions by the Member States should be made available to the Commission and on the conditions under which the European Social Fund shall operate.

237. On 7 February 1961, the Representatives of the Member States appointed, by written procedure, Mr. Lionello Levi Sandri to membership of the Commission, replacing Mr. Giuseppe Petrilli. Mr. Levi Sandri took up his duties on 8 February.

Forty-third session (23 February 1961)

238. The Council met under the chairmanship of Mr. Pierre Wigny.

The Council, having received from the Republic of Dahomey and the Congo (Brazzaville) requests made after that already submitted by the Republic of Ivory Coast, agreed to propose to the Governments of the associated states that a preparatory meeting be organized at ambassadorial level with a view to a later meeting at ministerial level.

Forty-fourth session (20-21 March 1961)

239. The Council met on 20 and 21 March under the chairmanship of Mr. Pierre Wigny.

It examined the Commission's proposals on the determination of objective criteria for the establishment of minimum price systems. It welcomed and took formal note of the German Government's announcement that it will contribute three million Marks to the financing of a programme of rapid occupational training for Italian workers to be employed in the Federal Republic of Germany.

The Council also examined the Commission's proposals on the granting of tariff quotas pursuant to Article 25 (1) and, in conformity with Article 28, agreed to suspend until 31 December 1961 the common tariff's duties for four products.

Other work

240. From session to session the Council has throughout the year been studying a certain number of questions which called for investigation or decisions. Among these were the association of Greece with EEC and the negotiations carried on by the EEC Commission with the GATT tariff conference, the application by the Netherlands Antilles for association with EEC, the work of the Special Committee for Agriculture, that of the Technical Assistance Group, periodical reports by the Monetary Committee, the Community's external relations, administrative and budgetary questions, and the preparation of the Statute of service for the staff of the Communities.

*THE COURT OF JUSTICE
OF THE EUROPEAN COMMUNITIES*

241. The composition of the Court of Justice is as follows :

President : Mr. Andress Matthias Donner

Presidents of Chambers : Mr. Charles Léon Hammes
Mr. Nicola Catalano

Judges : Mr. Otto Riese, Mr. Jacques Rueff, Mr. Louis Delvaux,
Mr. Rino Rossi

Advocates-general : Mr. Karl Joseph Roemer, Mr. Maurice Lagrange

Registrar : Mr. Albert van Houte.

On 1 October 1960 the Court elected Mr. Hammes, President of the Second Chamber and Mr. Catalano, President of the First.

In conformity with the provisions of Article 7 (2) of the rules of procedure of the Court, Mr. Hammes will be the first to assume the Presidency of the Court should the President himself be absent or prevented from attending.

Mr. Rueff, who has already been a member of the Court, had resigned on 12 November 1959; he was re-appointed to the Court on 6 September 1960 by the Representatives of the Governments of the Member States of the three European Communities. The appointment of Mr. Rueff took effect on 13 September, the date on which he accepted his nomination.

242. On 15 July 1960 the Court of Justice pronounced its first judgement on decisions of the Commission of the European Economic Community. The judgement concerned three joint complaints brought against the Commission by employees appealing for the annulment of a decision to terminate their services and for an award of damages. In its judgement the Court established principles applicable to the nature of the recruitment of staff by the Institutions of the Community before the entry into force of the Statute of service for officials of the Community provided for in Article 212 of the Treaty.

In application of these principles, the Court rejected the claims that the dismissal decision should be declared null and void. But it noted that no proper statement of the reasons for dismissal had been made, and awarded each plaintiff Bfrs. 60 000 as damages.

In a fourth case the Court delivered a judgement on 16 December 1960 confirming the law which is derived from the previous judgement. In this case it also rejected a plaint of abuse of power put forward by the plaintiff against the dismissal decision.

Taking into account the plaintiff's age and family responsibilities the Court fixed compensation at Bfrs. 100 000.

The Commission referred two cases against the Italian Government to the Court of Justice on 20 March and 12 April 1961 ⁽¹⁾. They are now sub judice.

This is the first time since the establishment of the European Community that one of the Member States has been cited by a Community Institution under the procedure laid down in Article 169 of the Treaty.

THE ECONOMIC AND SOCIAL COMMITTEE

243. During the period covered by the present General Report three requests for an opinion were referred to the Economic and Social Committee by the Council as required by the Treaty, and one further opinion was requested on the European Commission's draft for a first implementing regulation to Articles 85 and 86 of the Treaty.

The Economic and Social Committee was also consulted by the European Commission, on a voluntary and unofficial basis, on the latter's note concerning discrimination in the field of transport rates and conditions for goods traffic not covered by the provisions of Article 79 (1) of the Treaty.

⁽¹⁾ See Chapter I, secs. 6 and 22.

Tenth session of the Committee (30 June 1960)

244. At its tenth session on 30 June 1960 the Economic and Social Committee formulated an opinion complementary to that adopted on 6 May 1960 ⁽¹⁾ on the first proposals of the European Commission in the field of the common agricultural policy. This complementary opinion, which was adopted unanimously, deals with the various sectors of agricultural products. It was adopted only after the Commission had transmitted its revised proposals to the Council and was immediately brought to the attention of the latter.

Eleventh session (28 September 1960)

245. The Committee heard from Mr. de Staercke, the Chairman who was retiring on expiry of his term of office, a report on the work accomplished since it had been set up.

The Committee then heard a report by the Commission on the speed-up in the implementation of the Treaty.

Twelfth session (29 September 1960)

246. This session was devoted to the election of the new Chairman and officers.

Mr. Rosenberg, Germany (Workers' group) was elected Chairman. Mr. Cantoni, Italy (General Interests group) and Mr. de Staercke, Belgium (Employers' group) were elected vice-chairmen.

A 16th member, Mr. Lambert Aman Tanoh, was nominated at the following session as representative of the associated overseas countries, following the amendment made by the Councils, on a proposal from the Committee, to Article 3 of the Committee's rules of procedure; this revision raised the number of officers of the Committee from 15 to 16.

(1) See Third General Report, Chapter II, sec. 64

Thirteenth session (29 and 30 November 1960)

247. The Committee heard a review by the EEC and Euratom Commissions on the energy policy of the Communities.

The Committee adopted by unanimous vote with one abstention its opinion, which was on the whole favourable, on the Commission's note concerning discrimination in the field of transport rates and conditions for goods traffic not covered by Article 79 (1) of the EEC Treaty.

The Committee adopted by unanimous vote an opinion concerning the proposal for a regulation and directives on the free movement of workers within the Community. Broadly speaking, this opinion is in favour of the Commission's proposal.

Fourteenth session (1 and 2 February 1961)

248. The Committee elaborated two opinions, on the two proposals by the Commission for general programmes for the elimination of restrictions on the freedom of establishment and on the free supply of services.

The Committee approved the opinion on the general programme relating to the freedom of establishment unanimously, less 10 abstentions. The opinion on the general programme for the elimination of restrictions on the free supply of services was adopted unanimously, less 5 abstentions.

The two opinions issued by the Committee approve in general the two programmes worked out by the Commission; the amendments requested chiefly concern the elimination of restrictions in the matter of public tenders and the acceleration of the time-table for a few activities.

Fifteenth session (27 and 28 March 1961)

249. This session was devoted to the elaboration of the opinion on the proposed first regulation for the implementation of Articles 85 and 86 of the Treaty, which had been submitted by the Commission to the Council.

The Committee heard a statement from the Commission explaining the guiding lines on which the proposed regulation is based.

The Committee adopted the opinion by 77 votes to 2, with four abstentions ⁽¹⁾.

*THE COMMITTEE ON POLICY RELATING
TO ECONOMIC TRENDS*

250. The Committee on Policy relating to Economic Trends, established by a decision of the Council of 9 March 1960 ⁽²⁾, held five meetings in the period under review. Professor Müller-Armack, Under-Secretary of State at the Ministry of Economics of the Federal Republic of Germany, presided over these meetings. The Committee consists of three representatives appointed by each of the Member States from among those personalities who participate in the various countries in the working out of policy on economic trends, and of three representatives from the Commission.

The conclusions of the Committee's work were set forth in reports to the Commission which the latter has submitted to the Council.

THE MONETARY COMMITTEE

251. The Monetary Committee held 11 sessions during the period under review; they were presided over by Jonkheer E. van Lennep,

⁽¹⁾ See Chapter I, sec. 48, c).

⁽²⁾ See Third General Report, sec. 54.

Treasurer-General of the Netherlands, who was re-elected President of the Committee on 16 May 1960.

In 1960 the Committee continued its periodical reviews of the monetary and financial situation of the Member States. In certain cases it also studied, at the request of the Commission or on its own initiative, the incidence of monetary and financial measures decided upon or envisaged by certain Member States.

The Committee has also undertaken a review of the means of monetary and financial policy at the disposal of the Community countries; its first review concerned the means of action open to the monetary authorities to influence liquidity.

The Committee, which had been associated by the Commission with the preparatory work on the first directive for the freeing of capital movements, was instructed, under that directive, to watch over the trend of exchange rates in the free market and to review annually the restrictions on the movement of capital in order to determine which of these could be dispensed with.

The Committee also studied the international payments situation and the problems of the relations of the Member States with the International Monetary Fund, after they had all accepted on the same date the full obligations contained in Article VIII of the Statutes of the IMF.

All this work is covered by the third report on the activities of the Committee. This was forwarded to the Commission and the Council by the Chairman of the Committee on 20 April 1961 and its publication has been authorized by these two bodies. The report was formally presented to the Commission on 20 April by the Chairman of the Committee and it is intended that the formal presentation to the Council shall be made at the Council session of 2 and 3 May 1961.

THE COMMITTEE OF CONTROL

252. On 25 June 1960 the Councils appointed Mr. Eduard Sina (Germany) to replace Mr. Heck (Germany), a member of the Committee of Control who died on 24 February 1960.

On 15 March 1961 the second report of the Committee of Control, covering the accounts of the financial year 1959, was presented to the Commissions of the two Communities. That part of the report dealing with the joint services was prepared by the Committee of Control and the Auditor of the European Coal and Steel Community working together. Under Article 206 of the Treaty establishing the European Economic Community and Article 180 of the Treaty establishing the European Atomic Energy Community, the accounts of all the income and expenditures of the budgets of the Communities must be examined by the Committee of Control, which is composed of six members.

THE CONSULTATIVE COMMITTEE ON TRANSPORT

253. On 3 May 1960 the European Commission requested the Consultative Committee on Transport for an opinion on the priorities to be given to questions likely to call for the common international transport rules provided for by Article 75 (1a).

At its sixth session, on 7 and 8 June 1960, the Committee examined the basic document prepared by the Commission's staff. It met again on 15 July to draw up a final opinion in a report.

The first part of this report presents a number of general considerations, particularly on procedure. The second part contains the opinions expressed by the experts at the meetings. The Committee's opinion proper is in the third part, which lists the points agreed or added by the Committee and indicates the order of priority to be given to the establishment of common rules.

During the first quarter of 1961 no meeting was possible on account of the procedure for replacing the members of the Consulta-

tive Committee on Transport in conformity with Article 4 of its Statute. As soon as this replacement has been completed, the first 1961 meeting will be devoted to the problem of the right of establishment in the transport field. Since the term of office of the Consultative Committee expired on 21 January 1961, this Committee has been renewed.

Co-operation between the European Executives

254. The three Executives have expanded and improved their means of co-operation. For instance, officials of the Euratom Commission have taken part in certain work being done by the EEC Commission on matters such as the unification of industrial property rights in the six countries of the Community, the free movement of workers, regional policy, studies on structure, long-term expansion, economic trends, oil problems and the negotiations in GATT.

Co-ordination between the Executives has also led to agreement on a common attitude towards the preparation and investigation of certain matters that have been submitted to the Council, such as the problem of establishing a European university, the representation of the Communities in OECD and non-member states, aid to countries in the course of development and the Statute of service.

255. The inter-Executive Working Parties have continued their activities.

The inter-Executive Working Party on Social Affairs organized, amongst other things, the conference on "Technical Progress and the Common Market", sponsored by the three Communities and held in Brussels from 5 to 10 December 1960.

256. Co-operation on transport matters between the High Authority of ECSC and the European Commission, based on an agreement made at the end of 1958, has developed satisfactorily in the year under review.

The members of Executives who are more specially responsible for transport matters have met frequently to discuss common problems.

On the administrative plane the arrangements for permanent liaison between the Executives of EEC and ECSC have worked satisfactorily. Important questions of common interest have been studied by working parties.

The European Commission has had thorough discussions with the High Authority of ECSC on the problem of the general line to be followed in formulating the common transport policy.

As and when the common transport policy is implemented, co-operation between the two Executives is certain to increase in scope. This applies to the study both of measures planned by the Commission and of steps taken by the High Authority of ECSC.

There have been contacts between the EEC and Euratom Commissions with regard to the measures envisaged for the harmonization of the legal systems governing ownership of industrial trade marks and patents and for the introduction of European law that would be complementary to any municipal legislation on the matter.

The purpose of these contacts has been to prepare the way for representatives of the Communities to participate in the meetings of the ad hoc co-ordination committee set up in Brussels in November 1959.

Similarly, contacts have been established with the High Authority in order to work out a general programme and directives for the right of establishment and the free supply of services. Since its own Treaty does not deal with these matters, ECSC is planning to make use of the EEC provisions in this field once they are finally settled.

257. The inter-Executive working party ⁽¹⁾ on energy policy established at the end of 1958 has continued its studies. These have

⁽¹⁾ See also Chapter II, sec. 96 to 99.

been prepared by ad hoc groups set up in October 1959 which, after experience had shown that it was more practical to combine them, have worked as one group and have met regularly throughout 1960 ⁽¹⁾.

In April 1960 the inter-Executive working party submitted to the Council of Ministers of ECSC a first report entitled "Interim Memorandum", which constitutes a long-term approach to the problem. This memorandum was later completed by annexes dealing with certain special aspects: conditions of competition, trade policy, etc.

Continuing the task entrusted to it, the working party has also elaborated an immediate action programme which includes, on the one hand, a first series of concrete proposals for the approximation of the energy policies of the six countries, and on the other, a body of safeguard measures to take effect should there be any serious worsening of the coal situation. This programme was set out in a memorandum handed to the Council of Ministers of ECSC on 7 January 1961.

It has become evident that there is need for collaboration between the European Institutions in the conversion of coal-mining areas in decline. Although this problem primarily concerns ECSC, it is also of importance for EEC, since it comes into the purview of overall regional policy. During the year the necessary collaboration developed as the EEC participated in the preparation and holding of an intergovernmental conference, organized by ECSC, on the conversion of the coal-mining areas to other industries. It has been further continued by the establishment, at the beginning of 1961, of an ad hoc group consisting of EEC, ECSC and the European Investment Bank, with the aim of co-ordinating the activities of the European Institutions for the conversion of areas adversely affected by the closing of pits.

⁽¹⁾ Third General Report, sec. 71.

The Joint Services

THE LEGAL SERVICE OF THE EUROPEAN EXECUTIVES

258. In implementation of the decisions on the organization and the administrative management of the Joint Services adopted in 1960 by the three Executives, a Supervisory Board was set up for the Legal Service and met for the first time in May 1960.

This Board, consisting of Mr. Sassen, a member of the Euratom Commission as Chairman, Mr. Rey, a member of the EEC Commission, and Mr. Wehrer, a member of the High Authority of ECSC, has met regularly to take the administrative decisions which are of its competence, in particular those concerning recruitment and grading of personnel.

On the operational plane the close liaison and the practice of mutual consultation instituted between the three branches have been confirmed and developed during the study of questions likely to have repercussions for more than one Community. Such questions of common interest have sometimes been handled by a legal advisor representing the Service as a whole. Finally, certain members of the Service are engaged on permanent tasks of documentation and study of concern to all three branches.

259. In its specific tasks on behalf of the EEC Commission the Legal Service, being closely associated with all activities of the Commission, has had to handle a considerably increased amount of work.

The Legal Service also assumed the representation and defence of the Commission in the first four litigations brought against it before the Court of Justice of the European Communities (cases nos. 43/59, 44/59, 45/59 and 48/59), and has been given the same task for the two cases brought by the Commission in connection with infringement of the Treaty.

*THE STATISTICAL OFFICE
OF THE EUROPEAN COMMUNITIES*

260. The Statistical Office of the European Communities, which handles all statistical questions of concern to the three Executives, has continued and expanded its work in Luxembourg and in Brussels.

The Supervisory Board, consisting of Mr. Coppe, Vice-President of the High Authority of ECSC, as Chairman, Mr. Levi Sandri, a member of the Commission of EEC, and Mr. de Groote, a member of the Commission of Euratom, has submitted to the Executives for their decision the general programme of work for the Office. It has also settled the personnel and budget questions for which it is competent.

261. In addition to the special sections for agricultural and social statistics, the Statistical Office includes the following four Directorates which are under the authority of one Director-General: general statistics, trade and transport statistics, energy statistics, industrial and handicrafts statistics.

The activities of the Office which are of most direct interest to the European Economic Community concern surveys, nomenclatures and publications.

Two large-scale surveys were put in hand in the autumn of 1960.

A survey of the size and structure of working population in the six countries

This enquiry covered about 250 000 interviews and was carried out in strict conformity with the technique of lottery sampling.

A survey of manpower costs

This second survey, organized on the basis of a Council regulation (Regulation No. 10 of 25 August 1960), concerns the costs of manpower ⁽¹⁾.

⁽¹⁾ See sec. 149.

A nomenclature of goods transported by road has also been drawn up by the Statistical Office with the collaboration of experts from the Community countries and of certain international organizations concerned. At present this nomenclature is before the United Nations Economic Commission for Europe for adoption.

The Statistical Office has continued the series of its periodical publications; in addition to the "Informations statistiques", special booklets have been published concerning agricultural statistics, industrial statistics, statistics of external trade and social statistics.

A "Bulletin général de statistiques" appears monthly.

Meetings to prepare the programme of work for 1961 have taken place with the directors of the Statistical Services of the six countries and also with the various services of the three Executives, and special committees have been set up. The Committee on Industrial Statistics met for the first time on 16 and 17 May 1960. Its work has included the preparation of a systematic table of the branches of industry. The Committee on agricultural statistics has meanwhile been constituted and held its first meeting in January 1961.

Among other committees functioning are the Committee for Transport Statistics (as part of ECSC) and the ad hoc Committee for questions of external trade statistics.

INFORMATION

262. For its information activities the Commission has two instruments at its disposal: the Porte-Parole Group, which is part of the Commission's staff; the Joint Information Service of the European Communities.

Activities of the Porte-Parole Group

263. Since the Third General Report appeared, the personnel of the Group has been brought up to strength, and on 1 January 1961 it was attached to the Commission for administrative purposes.

Two sections have been set up within the Group : one to deal with information for Community countries and the other with information for non-member countries.

The action of the Group is planned deliberately in terms of current day-to-day information on the activities of the Commission and its services. The information transmitted to countries outside the Community has increased notably during the period and has also become more diversified. In addition to press releases proper, the group puts out "information memos", which give a résumé of important or specially complex problems related to the decisions and proposals of the Commission.

As regards non-member countries, 1960 saw the launching of the "Courrier", a bi-monthly bulletin for diplomatic representatives abroad of EEC countries, with a present circulation of 1400 copies. These same diplomatic representatives have also received a number of consignments of documentary matter concerning the Commission.

Oral information is given by daily contact with press agencies, journalists accredited in Brussels and special representatives visiting the city. The number of accredited special correspondents and of visiting journalists is constantly increasing. To this must be added press conferences organized in Brussels, in the capitals of the Community countries and in certain large provincial centres.

Another essential activity of the Group is the supply of information to the National Offices established in the capital cities of the member countries, in London and in Washington.

*THE INFORMATION SERVICE
OF THE EUROPEAN COMMUNITIES*

264. The Supervisory Board of the Joint Information Service consists of Mr. Caron, Vice-President of the EEC Commission as Chairman, of Mr. Sassen, a member of the Commission of Euratom and of Mr. Wehrer, a member of the High Authority of ECSC.

The Supervisory Board has finalized the organization of the Joint Service, the directorate of which is installed in Brussels. The Service consists of special sections whose staff are divided between Brussels, and Luxembourg, and of external offices in Bonn, The Hague, Paris, Rome, London and Washington.

The activities of the Joint Information Service have included work in the following fields :

Fairs and exhibitions

265. Efforts have been made wherever possible to ensure that at general or specialized fairs and exhibitions the exhibits of the six Member States shall be grouped around the contribution made by the European Communities.

The Joint Service arranged for the Communities to take part in the "GrüneWoche" in Berlin (30 January—7 February 1960) and the Rassegna Nucleare in Rome (June 1960), at the International Fair in New York, at the Paris Fair and on other occasions of less importance. The Service also arranged for participation by the Communities at the International Labour Exhibition organized in Turin from 1 May to 31 October 1961 by the Italian Government to mark the centenary of Italian unity.

Publications

266. The following publications are brought out by the Service :

Periodical bulletins

Six different editions of the bulletin "European Community" are published by the information offices : Bonn (5 000 offset copies a week), The Hague (20 000 copies a month), Paris (35 000 copies a month), Rome (30 000 copies a month), London (20 000 copies a month), Washington (25 000 copies a month).

Supplementary publications to the bulletins

The information bulletins are supplemented by several series of non-periodical publications which deal more thoroughly with the activities of the Communities and the main problems of European integration.

In French, three series of publications complete the information found in the Bulletin entitled "Communauté Européenne" : the "Cahiers de la Communauté Européenne", the pamphlets "En bref" and the "Documents de la Communauté Européenne".

In Italian, the special "Quaderni" serve to complete the Bulletin entitled "Comunità Europee".

Other publications

Many other publications were brought out in 1960, of which one, "The Facts", is intended mainly for non-member countries. It is distributed in Dutch, English, French, German and Spanish. Again, there have been several other folders for the general public and two series of graphs.

In addition, a "Bulletin of the European Economic Community" is prepared monthly by the Secretariat of the European Commission in the four languages of the Community, in English and in Spanish. It contains accurate and official information on the various activities of the Institutions during the preceding months and is considered the official organ of the Commission.

Radio, television, cinema

267. The action of the Joint Information Service includes constant collaboration with the leading radio and television networks on the occasion of important events with a bearing on the life of the Communities.

Talks are in progress with a view to attaining closer co-operation between the Joint Information Service and all the radio and television networks and newsreels of the six countries.

Information days and study periods

268. The number of applications for visits or study periods in Brussels and Luxembourg is increasing.

In 1960 about 150 groups, totalling 5 000 persons, were received in Brussels, Luxembourg and Strasbourg (without counting the training periods for specialists, which will be discussed below).

Provision of information for workers and trade unions

269. Thirty-four courses for trade union leaders in which more than 1 000 persons directly participated were held in Brussels and Luxembourg in 1960.

In the other countries of the European Community, twelve information sessions were organized on such problems as : degree of mechanization and methods of remuneration, industrial safety, conversion and readaptation, etc.

Apart from these study periods and days, the Joint Information Service has helped to organize courses on European problems in trade union colleges, to provide numerous lecturers for trade union congresses and other events of national or international character, and to launch a programme for the training of trade union lecturers (ICFTU and IFCTU).

Agricultural information

270. Information activities in the agricultural sector have developed in 1960 parallel with the working out of the Commission's proposals on the common agricultural policy.

Participation in the "Grüne Woche" (Agricultural Show) in Berlin provided an opportunity to try out on the public at large certain themes in the presentation of European agricultural problems. In addition, three specialized courses were organized in liaison with the Joint Committee of the young farmers' organizations of EEC. The lessons learned will be made available in brochure form to young farmers.

Information overseas

271. Activity in this field has a twofold purpose :

1) To acquaint public opinion in the Member States with what the European Community is doing with regard to the developing countries associated with it ;

2) To publicize all aspects of the association in the Associated Countries.

This second activity is specially important at present because of the profound changes which these countries are undergoing and the powerful propaganda which is being directed at them. Information activities, chiefly in the West African countries, have assumed various forms : special pages in the local press, radio broadcasts, publication of a brochure and documentary folders on the European Development Fund, tours and courses for Africans, and participation in the symposium on information in Africa held in Dakar from 14 June to 4 July 1960 and attended by Africans, Europeans and Madagascans.

University information and educational action

272. The delay in approving the 1960 budget hampered the development of the activities undertaken in 1958 and 1959.

Several courses for teaching staff and students at university level have been organized in Brussels and Luxembourg and also outside the seat of the Communities.

In addition, the preparation and distribution of audio-visual teaching aids have been undertaken in liaison with the national administrations and with firms specializing in the production of this material.

Civic training of youth and further education for adults.

273. In conformity with a resolution of the European Parliament, a special credit was made available in 1960, when the budget was finally approved, for the particular purpose of training young people in a European spirit.

The budget was finally approved in June 1960. By the end of the following month two agreements had been concluded with various national and international organizations concerned in adult education and European training. In this way it has been possible to establish a first programme of systematic contacts with the educational authorities of the member countries.

Change in the membership of the European Commission

274. On 18 October 1960 Mr. Giuseppe Petrilli, who had been offered a senior appointment at home by the Italian Government, submitted his resignation as a member of the European Commission.

On 7 February 1961 the Representatives of the Member States appointed Mr. Lionello Levi Sandri, Councillor of State, to

replace Mr. Petrilli for the rest of his term of office, i.e. till 9 January 1962.

The internal administration of the European Commission

275. In the period under review the European Commission has continued to consolidate its staff organization. The Council has fixed at 1848 the Community's establishment for 1961.

On 15 April 1961 the European Commission had recruited 499 officials of Group A, 346 officials of Group B, 756 officials of Group C, and 117 interpreters and translators.

It had also engaged 58 auxiliary employees who do not occupy established posts.

The Joint Services accounted for 58 officials of Group A, 30 of Group B and 41 of Group C administered by the Commission.

Among the services installed in 1960 mention should be made of the first aid room and of the printing and duplicating workshops, including an offset printing department, now used for a part of the Commission's publications, and a microfilming workshop which enables archive to be kept in handy form.

276. In collaboration with the Commission, the Council has continued work on the Statute of service of officials and on the system applicable to the "other employees" of the Community. The necessary drafts were given their first reading on 27 September and 23 February 1961 respectively. In conformity with the provisions of Article 212 of the Treaty, the European Parliament and the Court of Justice were consulted on the drafts.

With a view to exploring jointly with the competent ECSC organs the means of unifying the provisions applicable to personnel

of all the European Communities, the Council also conveyed these drafts of the Committee of Presidents of ECSC.

277. On 21 June 1960 the Council approved a supplementary Community budget which increased by eight million Bfrs the total expenditure initially provided for. This adjustment was to cover exclusively the EEC contribution to the budget of the Joint Information Service of the European Communities following the expansion of certain tasks entrusted to the Service.

278. The preliminary draft budget for the financial year 1961 was transmitted to the Council by the Commission on 20 September 1960. The Parliament received the draft on 23 October 1960 and the Council definitely adopted the budget at its meeting of 7 December following. In this way the time limits laid down in Article 203 of the Treaty for the adoption of the budget were strictly observed.

With regard to administrative expenditure in the true sense, the amount of the budget has remained roughly the same as in 1960. However, the credit to finance the European Social Fund, which was fixed at 500 million Bfrs in 1960, was doubled in 1961 to compensate for the credits not taken up in the 1959 budget.

Two regulations ⁽¹⁾ in the financial field were definitely agreed on. They are : the financial regulation on the procedure for establishing and implementing the EEC budget and on the responsibility of pay-commissioners and accountants; the financial regulation on the methods and procedures whereby the contributions of Member States referred to in Article 200 (1 and 2) of the Treaty establishing the European Economic Community shall be made available to the Commission and the procedures by which financial operations in connection with the European Social Fund shall be effected.

The report of the Committee of Control on the accounts for the financial year 1958 was published in February 1961. The com-

(1) See Third General Report, sec. 83.

petent authorities to whom the report was transmitted have been requested to give the Commission a discharge in respect of this budget.

The report on the accounts for the financial year 1959 is being drawn up.

The rules of administrative and budget management for the Joint Services adopted by the three European Executives came into force on 1 February 1961.