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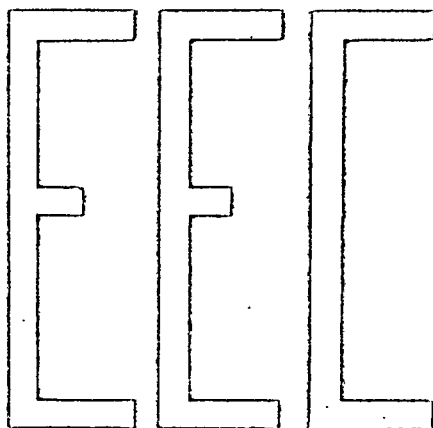
COMUNITÀ
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BULLETIN

of the

EUROPEAN
ECONOMIC
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SECRETARIAT OF THE COMMISSION OF
THE EUROPEAN ECONOMIC COMMUNITY

Table of Contents

	Page
I. The EEC and the Tariff Conference	5
II. Development of the social situation in the Community during 1959	11
Belgium	11
Germany	12
France	14
Italy	16
Luxembourg	18
Netherlands	19
Social trends in the Community setting	20
III. Activities of the Community	25
The speed-up of the implementation of the Treaty	25
External relations	27
Economic and financial affairs	35
The internal market	37
Competition	42
Social affairs	44
Agriculture	48
Transport	50
Overseas development	50
Administrative affairs	56
IV. Institutions and Organs	59
A. The Council	59
B. Conference of the Representatives of the Member States	60
C. The Court of Justice	60
D. The Economic and Social Committee	61
E. The Monetary Committee	61



I. The EEC and the Tariff Conference

by Jean REY, ⁽¹⁾
a Member of the Commission

The 1960/61 Tariff Conference opens at a time when the world seems to be going through profound changes and when the atmosphere is one of constant agitation. The Summit Conference has failed, the disagreement between East and West continues, Africa is in turmoil. Problems are emerging everywhere, young nations are acquiring independence, countries in the course of development are expecting help, consideration and an open door to prosperity.

Fifteen years after the second Great War, our world has not yet found its balance or the means which by less troubled roads would lead to economic growth and social progress.

This therefore is the time to strengthen international organizations whose task is constructive and whose authority is more than ever needed to substitute right for might, order for chaos, reflexion for improvisation and co-operation for antagonism.

The GATT is such an organization. At the opening of the Tariff Conference I rejoice to see the Contracting Parties confirming and extending their authority. Their number has not ceased to grow since 1947. The GATT's field of action is becoming ever wider and more complex. The great institution in Geneva more and more appears as an element of order in the economic field; it is no longer only the guardian but also the moving spirit of the constantly growing liberalization and normalization of world trade.

We owe this in the first place to the high quality of its work and the unceasing labours of its Secretariat inspired by Mr. Wyndham White, the Executive Secretary, and M. Royer, his deputy. On behalf of the European Economic Community as a unit, on behalf of its Member States, and on behalf of the Commission, I greet the Contracting Parties, express our confidence in them, and convey our good wishes for the success of the Conference which is opening to-day.

Our Community, too, aspires to be an element of order and co-operation between states, a pillar of economic liberalism and social progress. It is not unaware of its difficult internal problems nor of those which its very existence may entail for its partners in Europe and throughout the world. But it will not cease to strive, with good will, for solutions to these problems

⁽¹⁾ Address delivered on 1 September 1960 at the opening of the GATT Tariff Conference.

and it is convinced that the establishment of a large integrated market on the European continent constitutes in itself a force making for expansion and progress, the fortunate effects of which will be increasingly felt throughout the world.

The Commission of the European Economic Community attaches great importance to the meeting which is opening to-day. The liberal spirit in which the Community is entering these negotiations has been frequently stressed, especially so far as the second phase is concerned. I should now like to draw your attention to one or two points with regard to the first phase.

The purpose of the re-negotiations under Article XXIV is simply to maintain stability of the tariff reductions granted within the General Agreement, in order to preserve the contractual advantages to which the Contracting Parties are entitled. The only objective of the re-negotiations is to translate into the common tariff, and on an equivalent level, the tariff concessions previously granted in the four tariffs of the Member States.

In this part of the Conference, the Community cannot be called upon to grant compensations which would be more extensive than those required by the withdrawal or the modification of concessions resulting from the introduction of the common tariff. The Contracting Parties must therefore guard against extending the scope of these re-negotiations beyond the limits stipulated by GATT.

In these re-negotiations the Community puts forward a common external tariff, the general incidence of which is on the whole lower than that of the average of the tariffs of the constituent countries.

The offers made by the Community in connection with the re-negotiations of Article XXIV(6) result in the binding of a very large part of the common external tariff. These offers will be communicated this very day to the Secretariat.

These are not offers made individually to this or that Contracting Party which will then benefit from the concessions; they represent a whole, in which all interested countries will find equitable compensation for the alterations to duties necessitated by the alignment of national tariffs on the common tariff.

To facilitate the work of the Contracting Parties and to allow completion of the re-negotiations early enough for the second part of the Conference to begin at the time planned, the Community has already during the last few weeks given the following information requested by the Secretariat :

- A list of bound items in the national tariff of each of the Member States ;
- Import statistics for 1958 for each of the bound items ;

— An indication of those items which, in the opinion of the Commission, should be re-negotiated.

I should like to draw the attention of the Contracting Parties to the fact that :

— The offers made to them apply over a very wide area, because they cover territory with more than 165 million inhabitants;

— The previous concessions generally referred to one or two component territories of the EEC but not the remaining Member States;

— In many cases the bindings refer to low duties which, under the rules of the Conference, must be considered equivalent to a reduction of high duties.

I now come to the second stage of the Conference, which concerns the Dillon negotiations proper, and I should like in the first place to pay homage to the distinguished Under-Secretary of State and to the United States Government to whose initiative we are indebted for the present Conference.

It should not be forgotten that the Community will not be able to enter into the multilateral negotiations proposed for the second part of the Conference before the negotiations under Article XXIV(6) have been concluded. It will therefore be necessary to make an effort to bring the re-negotiations on the common external tariff to a quick and successful end.

Once the re-negotiations have been completed, the Community will be in a position to undertake multilateral negotiations and to grant new tariff concessions, thereby continuing the process of progressively reducing customs tariffs and extending the field covered by bound duties, a process begun by GATT in 1947. This Conference is occurring at a time when duties have already been considerably lowered and when, after the progress made in the abolition of quantitative restrictions, customs protection has become more important.

The Community believes that it should make a substantial contribution to the work of the Conference. In the spirit of the methods applied within its own confines during the transition period, and recalling previous efforts, it has therefore decided on a general across-the-board reduction of its common external tariff and invites its partners to do likewise. On behalf of the Community, I wish to-day expressly to recall the decision taken by the Council on the proposal of the Commission on 12 May last, the text of which was communicated to the Contracting Parties at the Sixteenth Session. According to this decision the first approximation, which will be made not later than 31 December 1960, will be based — except in the case of agricultural produce — on the common external tariff reduced by 20 % provided, however, this does not bring the effective duties to a lower level

than that of the common tariff. The tariff reductions thus granted to non-member countries will be of a provisional character, but the Community is prepared, subject to reciprocity, to bind them during this Conference. This is a substantial and general reduction offered by the Community to all its partners, by way of a contribution to the freedom of international trade.

The Community believes this method to be the most simple and the most practical; incidentally, it fits in with the objectives of the General Agreement, which aims at a substantial reduction in the level of customs tariffs. It consists therefore in obtaining from all the countries concerned a 20 % across-the-board reduction of customs duties. In this way the negotiations could help to narrow the existing disparities between tariff levels and to solve the problem of very high duties.

There would be no point in exchanging lists of requests for concessions.

Should, however, certain countries find it impossible to proceed along these lines, or if they feel that they should not do so, the Community would be prepared to seek to establish a balance by other means.

With this end in view, and independently of its offer for a general reduction, the Community has drawn up preliminary lists of requests for those countries which have expressed their intention of taking part in the multilateral tariff Conference. These lists are only intended to serve as a guide, and cover the products in respect of which concessions seem desirable to the Community. In submitting them to the countries concerned, the Commission reserves the right to alter or to extend them so as finally to arrive at reciprocal and mutually advantageous concessions.

The Commission points out that in view of the rules of negotiation, which lay down that concessions and benefits shall balance, the large blanket concessions offered by the Community can only be maintained if each Contracting Party that benefits considerably from them is prepared to make equivalent and substantial concessions.

I repeat, we attach very great importance to the Conference which is opening to-day:

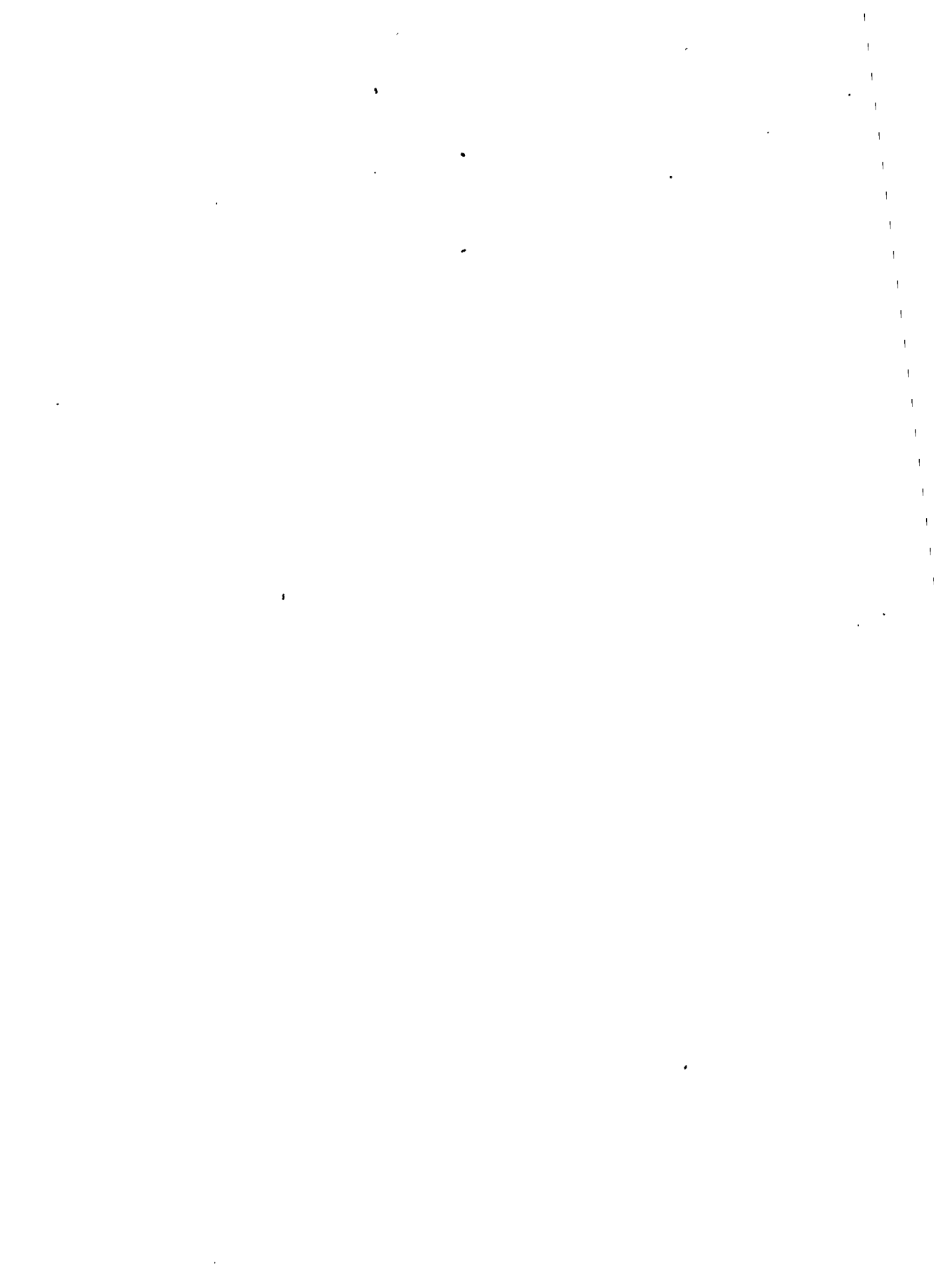
In the first place, it can make a substantial contribution to the solution of European trade problems. Without being considered as the only necessary or adequate means, it can indisputably lead to a reduction of tariff difficulties between the Community and its European partners, especially those belonging to the Free Trade Association; it can also help in removing difficulties in sensitive sectors and in settling specific cases which are a source of trouble.

In the second place, it can also meet the commercial problems of the countries in the course of development, which the Community has discussed with them in earlier consultations in the GATT.

These countries will be the first to benefit from the liberalization and expansion of international trade which this Conference will bring about, and the Community will be glad to make a contribution to this effort which it regards as at least as important as financial aid itself.

I have been speaking on behalf of the European Community. Under the terms of the Treaty of Rome it falls to the Commission to negotiate on behalf of the Community in accordance with the directives which it may receive from the Council. We are, however, not unmindful of the fact that the negotiations may affect commodities for which the other European Communities are responsible; we shall therefore take care to act in these matters in agreement with the European Coal and Steel Community and the European Atomic Energy Community.

We have sixteen months of work before us; sixteen months of delicate and complicated negotiations. We are tackling them with good will, with confidence, and in the deep conviction that the Fifth Tariff Conference can become a milestone in the successful history of the Contracting Parties. Our Community will spare no effort to this end.



II. Development of the social situation in the Community during 1959

On 16 September the Commission submitted to the European Parliament its " Exposé sur l'évolution de la situation sociale dans la Communauté en 1959 ", which it had drawn up, in accordance with Article 122 of the Treaty establishing the European Economic Community, as an annex to the Third General Report on the Activities of the Community.

Extensive extracts from the introduction to this report are given below.

BELGIUM

Since the beginning of 1959 Belgian public opinion appears to have devoted its attention chiefly to employment problems. In addition to the consequences of the economic recession, which were particularly severe in Belgium, the crisis in the coalmining sector and the difficulties of other branches — felt above all in regions where a progressive decline of new economic activity has for some time been discernible — tended to depress the level of employment. These structural factors not only placed a certain number of marginal enterprises in a critical situation, but also rendered necessary a vast effort to rationalize the conditions of production. It was therefore only with a certain time lag that the economic recovery made itself felt in an upward trend of employment. The continuance of recessive trends on the labour market up to the middle of the year explains the primary importance accruing, on the trade-union plane especially, to the discussion of measures to guarantee stable employment and safeguard workers' incomes.

After a detailed examination of government measures in this field (law on the closing down of enterprises, guaranteed weekly wage) the report continues :

The general economic situation has also thrown into greater relief the trend to vest increased economic responsibilities in trade organisations. There were remarkable examples of this trend last year. It has been evident first and foremost in the general line of the claims made by both sides of industry and also in the part which these have taken in the general re-examination of the conditions of national economic development and of the relationships between economic and social policy. The intense activity of the consultative bodies and the important role of management and labour in the negotiations for the solution of certain specially urgent economic and social problems are significant in this respect. This trend, which has been accompanied at trade-union level by a policy aimed at the conclusion of agreements within enterprises, no doubt explains why the social climate in Belgium has remained satisfactory despite the grounds for tension inherent in present difficulties.

Examples of the positions taken up by the consultative organs and the two sides of industry on the various major economic problems, including fiscal reform, are then given to illustrate these considerations.

In 1959, in any case, trade organisations and large sections of public opinion have evidently concentrated their attention on problems in connection with the general line of economic policy. The consensus of opinion has been that further social progress would not be possible without a general upswing in economic activity and a new investment effort. This necessity, explicitly affirmed on the government side in the Prime Minister's statements at the joint meeting of the Economic and Labour Councils in March, was well received by both management and labour. On the management side the main emphasis was laid on the difficulties which the high cost of energy and the high level of wages and social charges entail for Belgium's competitive position; it was stressed that a better-balanced economic structure would have to be achieved, against the background of a general policy on productivity, by a large-scale effort to specialize enterprises and make them complementary to each other. On the trade-union side, the principal stress has been on the urgency of certain structural reforms which are considered indispensable if lasting economic recovery is to be achieved.

Finally, the section on Belgium contained in the introduction paints an overall picture of the Government's economic policy (a new start for the economy, regional development, economic planning office, etc.) as well as of government action for the reorganisation of public finances and the general improvement of certain parts of the economic and social infrastructure of the country (including a reform of compulsory sickness and invalidity insurance). The attitude of the various sectors of public opinion towards these questions is described.

GERMANY

Two basic factors dominated the development of the social situation in the Federal Republic in 1959: the vigorous renewal of economic expansion after the slight setback in the previous year, and the worsening of a situation of demographic imbalance which is due essentially to the gradual arrival at working age of the "lean" generation of the war years. The influence of these two factors has been most evident on the labour market, where they resulted in an appreciable excess of manpower demands over availabilities, especially in rapidly expanding sectors such as building and metal processing. Public anxiety over the social consequences of the structural crisis in the coal sector, for instance, died down after several months thanks to the favourable economic trend, as this quickly made possible the re-employment elsewhere of most of the workers thrown on to the market by the structural transformation occurring in the coal sector. The information available concerning the very high percentage of "voluntary" departures from the mines is particularly significant in this respect. This phenomenon, to which must be

added the serious scarcity of apprentices in the same sector, would seem to denote a growing trend for labour to abandon the more onerous types of work and those which offer less assurance of stable employment — a trend which has not failed to cause a certain amount of apprehension in managerial circles. The rapid turnover of personnel resulting from current trends on the labour market has given rise to equally grave worries among employers. The Confederation of Employers' Associations has emphasized the extent of the extra burden which this phenomenon imposes on production costs and has underlined, in an appeal addressed to all employers, the necessity of countering it by appropriate measures of managerial policy.

The emergence of these trends, which have been accompanied by the growing scarcity of apprentices in all sectors of the economy, has led numerous observers to speak of a state of "overemployment" which might well hamper economic development, and discussions between the two sides of industry on this question have been particularly vigorous.

The introduction points out that the difficulties met with in recruiting apprentices have widened the subject of the debate to the general structure of the system of occupational training, and adds :

The trend observed on the labour market has also had direct repercussions on rates of pay. The recrudescence of competition between enterprises has been seen chiefly in the form of increases in voluntary bonuses, and the trade unions have often demanded that these be written into agreements on pay. This practice has also constituted an important factor in the above-mentioned phenomenon of the turnover of labour. However, the most salient fact in this field is still the persistence throughout the present economic situation of the trend, which has been apparent since 1956, to reduce the agreed working week in all sectors. More than half the workers in the Federal Republic have already benefited by this reduction which, in several branches of industry such as metallurgy and textiles, has gone as far as the introduction of the 44-hour week.

The document then gives details on this point and continues with the statement that :

The gradual emergence, which has also been noticed in other countries, of a tendency to align the status of the whole body of workers on that of employees seems to be connected in part with the social phenomena just referred to. The tendency can be seen in such developments as the socio-economic enquiries into the situation of employees. This alignment seems to be followed with growing interest by the workers, who see in it a means of obtaining greater guarantees of stable employment and a more favourable social security system for cases of illness.

In 1959 these general trends are reflected in an important group of measures of economic and social policy taken by the Federal authorities in order to guide the social development of the country towards a broader distribution of property.

This policy tends to further in various ways the formation of private savings, to encourage the transactors to call more and more on outside sources of finance and to reduce the self-financing of enterprises characteristic of the first phase of the post-war economic recovery; it seems clearly intended to promote the better social distribution of income through greater recourse to private savings. From this angle mention should be made of the correlation between the governmental measures for the direct furtherance of savings through special conditions of credit to small savers and the simultaneous reduction of the part played by the State in the formation of income, which has found expression in the policy of transferring to private ownership enterprises owned by the State. At the beginning of the year the first such operation was carried out, when the major part of the capital of an important joint-stock company was transferred to private hands. This operation, carried out by offering "popular" shares on favourable conditions and for a limited amount to persons whose annual taxable income is below 16,000 Marks, was an undoubted success and resulted in the creation of about 200,000 new shareholders. The success of this first operation has encouraged the Federal authorities to work out two schemes which, though similar, differ in the procedure to be adopted. One of these is of particular importance, since the Government's intention is to return to the private sector the biggest motor car enterprise in the country. It should also be mentioned that for several years now a number of large and medium scale firms have been selling shares on preferential conditions to their staff and to retired employees. Decisions of this kind were taken in 1959 by important private groups.

In this context much space is devoted in the report to various Federal Government measures (minor reform of the law on limited companies, housing policy, reform of sickness insurance, etc.). The section ends by a brief summary of the various problems at present facing the trade unions.

FRANCE

The new economic policy introduced by the French Government in 1957 and completed between the end of 1958 and the beginning of 1959, with the reform of social legislation undertaken during the same period, has again drawn public attention to the basic problems facing the country's economy in the light of the new prospects opened by European integration. In this connection mention should first be made of the body of governmental decisions on economic and financial matters which made it possible, in the course of the year, to obtain a notable balance-of-payments surplus, while at the same time returning to liberalization of trade and to external convertibility. Chief among these measures were the devaluation of the franc, increased taxation, higher charges for many public services and the abolition or reduction of budget subsidies.

Coupled with the new direction of economic policy are certain measures of a purely social character, in particular those designed to ensure financial equilibrium in

the social security system by revising the conditions relating to the basis of calculation of contributions and to the level of benefits, especially in the matter of sickness insurance.

At the same time, the Government's policy for restoring the value of the currency could not neglect the basic sector of wages. Without intervening directly in the negotiations between employers and workers on this matter, the Government has been seeking to abolish the sliding-scale machinery of the wage agreements, in particular by declaring invalid clauses of this nature contained in agreements already concluded and by forbidding them for the future. The aim here has been to prevent the devaluation of the currency starting a new race between wages and prices. The Government's essential purpose has been to prevent a process of all-round wages increases being touched off by the rise in the guaranteed minimum wage, which is primarily intended to ensure that the less favoured categories of workers, particularly those in outlying regions, should not have to bear the main burden of the effort to breathe new life into the economy.

After describing the attitude of both sides of industry to this body of measures, the document recounts the principal stages of social developments during 1959.

The social situation at the beginning of 1959 was dominated by recessive business trends. It was therefore employment problems which particularly attracted the attention of the public. In this connection mention should be made of the scope of the agreement concluded on 31 December 1958 between the National Confederation of Employers and the democratic trade union organisations; this introduced a complementary system of unemployment insurance which was later generalised by a ministerial decree of 12 May 1959. The new system, which is on a contributory basis, supplements the unemployment allowances directly financed by the State; it met with general approval from both employers and workers.

The introduction refers to the improvement in general economic trends which began in the spring and points out that :

The stabilization of the employment situation and in particular the gradual mopping up of partial unemployment have brought to the fore the general question of the relation between the level of wages and the cost of living, taking into account the increased consumer prices registered at the beginning of the year.

However, new developments began to occur in the autumn.

In the autumn, the trend towards expansion became more marked while new price increases occurred. These were partly due to the scarcity of foodstuffs resulting from the exceptionally dry summer.

These increases, which were to result on 1 November in a further rise in the guaranteed minimum wage, led to a series of government moves to slow down the rise in food prices, in particular by means of imports, mandatory price-control measures and a public campaign to reduce middlemen's profits. Experiments in direct

sales to consumers at wholesale prices were also launched during this period. Meanwhile, the Government has again defined its position regarding wages claims and pointed out that it would not oppose a gradual increase in wages within the limits allowed by increased productivity and subject to the overriding requirements of the expansion of investment and the reduction of prices. Similarly, management seemed ready to admit that the moment had come to apply a new wages policy involving the renewal of collective bargaining agreements. However, these same circles again pointed to the continuing need to keep the purchasing of wage-earners within certain limits. In October and November, then, after a series of strikes, these developments led to numerous agreements in the private sector. These resulted in an appreciable improvement in the social climate, despite the maintenance of wide-spread claims for higher wages in the public sector.

The economic difficulties observed during the last months of the year and the measures adopted by the Government to apply a brake to rising food prices have again brought to the fore the general problem of the reforms needed to adapt the structure of the French economy to the new market conditions, by throwing light on the way in which the present distribution of the working population slows down the economic development of the country.

In this connection the Report mentions the social repercussions of various economic problems of the day and states, inter alia :

From the angle of the new economic and social policy, a special place should be reserved for a body of measures taken under the new law for social advancement. These measures, which have received a generally favourable welcome from public opinion and the trade organizations, constitute an important step in the adaptation of the social infrastructure of the country to a policy of balanced development in the framework of European integration.

Finally, special attention is given to the attitude of management and labour to Government action concerning the participation of workers in the management of the enterprise.

ITALY

In 1959 the attention of the Italian public continued to be concentrated on problems of economic development; these problems occupied a central place in discussions between the political parties and various organisations active in the economic life of the country. In this connection mention should be made of the detailed examination of the recent economic and social evolution of the country made during the annual congress of the Italian Confederation of Trade Unions. The conclusion of this examination was that balanced development of the economy demanded an investment programme which, to be effective, required selective credit control by the public authorities. The need for a new effort in the sphere of development

policy has also been emphasized by leaders of the employers' organizations. In this respect it is sufficient to recall that the general meeting of the Italian Federation of Industry has spoken in favour of more resolute and better co-ordinated action in the field of occupational training — the capital problem in the economic development of Italy. These statements from business and trade union circles have been echoed by several highly qualified economic authorities. We may for instance quote the report of the Governor of the Bank of Italy, which proposes that advantage be taken of the balance-of-payments surplus to accomplish an extra effort in the investment field — including public investments — and the report of the Chairman of the committee for the development of employment and income, concerning the review of the "Schedule of Development" (Vanoni plan) in the fifth year after its original submission. This report was made at the request of the Prime Minister and shows why, despite the fact that the increase in the national income is higher than expected and that savings are growing more rapidly than income, it has not been possible completely to achieve the basic aims of channelling investment into those sectors which determine the general economic development, of eliminating unemployment and of narrowing the gap between developed and backward areas.

The exceptional increase in the national income and in particular of industrial output recorded during the past year — an increase accompanied from the summer onwards by an appreciable rise in the level of employment — has done nothing to diminish the supreme importance of finding a solution to the problem of ensuring a balanced growth leading, by way of better distribution of employment and income, to a better balanced society in Italy.

After mentioning various proposals intended to establish greater co-operation between the State and the two sides of industry in development policy, the report continues :

It is impossible to leave out of account certain Government actions which seemed to spring from a desire that the economic agents and local bodies should be more closely associated with development policy. From this angle, which is of special importance for social development, particular attention must be given to the decision to work out plans for regional economic development and entrust them to the Chambers of Commerce. The purpose of these plans is to pinpoint concrete possibilities of development in the different regions of the country by shifting the emphasis from the generalities of overall economics, suited to the "Schedule of Development", to more direct programmes. The first important example is the recently approved regional plan for Sardinia.

.....

Similar remarks may be made about Government measures for the provision of credit on preferential conditions to small and medium-sized enterprises wishing to make investments which, by their nature or the locality concerned, conform to the general line of economic policy.

Among the aspects of government action

The need to reconsider this policy of structural transformation in the light of new factors which have recently appeared, in particular the Common Market, has also brought to the fore the problems of the agricultural sector, both from the angle of the composition of the national income and from that of the distribution of the working population. The first proposals of the European Economic Commission for a common agricultural policy have contributed beyond all doubt to making Italian public opinion aware of this problem. While expressing a certain number of reservations on the various proposals of the Commission, farmers' organizations have laid particular emphasis on the need for the public purse to bear a large share of the cost of reshaping the structure of agriculture in preparation for economic integration. It is known that Government action in this field has led to the establishment of the "Green Plan", providing more than 500,000 million Lire of credits in five years. The plan includes an imposing body of measures with the special purpose of stabilizing farm prices, narrowing the gap between agricultural incomes and those of other sectors, and improving conditions of production.

A special place is also given in the Commission's document to various problems which were of particular interest to the Italian public in 1959 (rules governing the conditions of competition, educational reform, method of financing the various social security systems). The introduction then goes on :

The relation between wages policy and development policy has given rise to lively discussions between management and labour. Whereas the employers, particularly in the light of certain conclusions of the report concerning the re-examination of the development plan, were emphasizing the necessity of resisting pressure for higher wages in order to invest on a larger scale, the trade unions were expressing the opinion that the extension of collective bargaining agreements and the improvement in wages which this would bring about at all levels could be a decisive factor in stepping up consumption and keeping the development of the national economy in balance. The tone of these polemics was heightened by the fact that many agreements expired during the year and that they gave rise to social conflicts on a considerable scale.

The section dealing with Italy ends by giving a great deal of information on the development of the trade union situation, particularly in the light of the discussions between the two sides of industry provoked by the entry into force of the law giving general validity to collective bargaining agreements.

LUXEMBOURG

The structural dependence of Luxembourg's economy on the trend of world conditions in the iron and steel sector, coupled with the preponderance of steelworkers and miners among wage-earners, explains the exceptional importance of the conflict which arose in these sectors as a result of the non-renewal of the collective bargaining

agreements at the end of 1958. This dispute, which went on throughout the whole of 1959, was a focal point of public discussion and was one of the main concerns of the Government, of management and of labour. It provoked wide discussions on the conditions for favourable integration of the Luxembourg economy into the Common Market and on the consolidation of the high living standards which Luxembourg has achieved.

The report goes on to describe this long social dispute and lays particular emphasis on the scope of the arbitration procedure followed by the parties in settling it. It brings out the public interest aroused in Luxembourg by the general considerations of the award made by the arbitrators and states that

it would indeed seem that in Luxembourg also there is a growing awareness among the public of the need to reconsider the problem of collective bargaining agreements from an angle which must be wider than that of the sectional interests and must assume a growing responsibility on both sides of industry for the framing of general economic policy.

Among the other current economic and social problems, particular emphasis is laid on recent trends in the Luxembourg social security system.

NETHERLANDS

In 1959 the development of the social situation in the Netherlands was dominated by the problem of wages and the re-examination of the system of "controlled" wages introduced immediately after the second world war. As is known, the salient feature of the present system is that both sides of industry must submit new collective agreements for prior approval to a State College of Mediators responsible for the carrying out of government directives on working conditions. This system has enjoyed the general approval of those immediately concerned and of public opinion. In the setting of an economic policy which gives priority to maintaining the balance of external payments, it is considered a factor making for stability in development and for a fair distribution of the national income. The need to introduce greater flexibility into the detailed application of the system had already become obvious in 1956 as a result of the boom, and it led the Government to publish directives allowing for differential wage increases between minimum and maximum limits. However, the increase in internal demand resulting from the alignment of these increases on the maximum percentage was reflected in reduced exports and a consequent deterioration in the balance of payments; the authorities were thus obliged to impose a general wage freeze during the following two years.

Numerous causes contributed to bringing this problem to the front again in 1959. The first factor which should be mentioned was the general economic recovery, which was already perceptible in the second half of 1958, and which led in the

course of the year to a great expansion of productive activities and made the need for higher wages felt in all sectors.

During this period, too, the Government began a policy of limiting the budget deficit by reducing the large subsidies which it had been paying out in order to maintain stable prices for certain essential products or services such as milk and housing.

The introduction proceeds to give details of the opinions expressed by the various groups in the Economic and Social Council concerning the economic policy measures and their incidence on the wages and prices structure.

The Government finally accepted the opinion expressed by the majority of the members of the Economic and Social Council and agreed that it was advisable within certain limits to accept differential wages increases. It was nevertheless anxious to avoid any generalization of this increase leading, through the renewal of collective bargaining, to higher prices, particularly as it had itself decided that the effects of the reduction on 1 April 1960 of the subsidies granted to building and the production of milk should be compensated by the grant of an all-round wage increase on the same date. The Government therefore issued directives to the effect that higher wages under the agreements must be justified by a corresponding increase in productivity during the period covered by the agreement or, for the initial period, during 1959. Another aspect of these directives is definitely of interest. This is the reference to the concept of profitability, which observers consider is destined to take on particular importance in later developments of the wages system in the Netherlands. These guarantees are accompanied by provisions aimed at avoiding the difficulties which might arise on the labour market if improvements in working conditions went beyond the average increase in national productivity. Increased productivity, when it is higher than this average, cannot be entirely reflected in pay increases; it must result in lower prices or, in the case of products for export, greater participation of staff in profits.

The report then states that the trend in wages which followed the publication of these directives seems largely to conform with the principles of the new policy. Other aspects of government action are also brought out (in particular the law introducing general insurance for widows and orphans and the measures to help increase the share of wage-earners' incomes put to savings). The document ends by discussing various current social problems, including the advisability of statutory regulation of the right to strike.

SOCIAL TRENDS IN THE COMMUNITY SETTING

After pointing out that

In 1959 public opinion in the Member countries has become increasingly aware of the problems posed by European integration,

The Social Report emphasizes that :

From this angle emphasis should be placed on the efforts made on both sides of industry to adapt themselves to the needs of the Common Market. Among other signs of these efforts are the establishment of European Secretariats grouping the employer and trade-union federations of the member countries and the establishment of co-ordination between the associations representing occupational categories or sectors within the Community. By their nature as economic bodies directly concerned in the process of fusing the various economies and by their growing participation in the economic and social policy of each country, the associations of employers and workers indeed seem destined to play an essential part in shaping a Community public opinion. Their progressive entry into the new economic stage may therefore be considered to a large extent as the leaven of the political dialogue which is indispensable if this opinion is to emerge. The specifically political development of European integration and, in particular, the election of the European Parliament by universal suffrage will, however, be decisive in this respect.

A detailed examination of the positions taken up by the two sides of industry in the Community as a whole on the chief problems of European integration leads to the conclusion that :

Even when allowance is made for the different stress laid by management and labour on the problems of economic integration and for undeniable divergences of principle, it appears that employers and workers have given their approval to certain fundamental points which should be brought out. Above all they have been unanimous in the vital importance which they attach to the problem posed by the establishment of the European Economic Community and they have made no secret of their intention of being associated, at all levels, with a development which will increasingly condition their mutual relationships on the national plane. In this connection the decision of the trade unions with communist leanings to further regular co-ordination of their action at the Community level is significant. Furthermore, both sides of industry have shown their awareness that, under present circumstances, priority must be given to the effort necessary to adapt the economic and social structure of the different countries to the new Community framework. Even polemics between the parties have often had as their subject the details of this adaptation. In addition, the employers' and trade union organizations have clearly recognised the political nature of the problems arising from the economic integration now going on within the Common Market. These organizations are closely following the development of the Community's institutions and taking an active part in these by submitting demands of general scope, in particular on the approximation of legislation and the coordination of economic and social policies. Finally, these organizations have expressed their agreement to the principle of fitting the Community into a " global " setting of international trade.

Although we must be wary of hasty generalizations, it would seem possible to discern from the above remarks some of the main lines of development being followed by the Community as a whole. These appear clearly beneath the diversity of economic and social structures and in spite of economic trends which differ from country to country. From this angle, mention should above all be made of the accentuation of the tendency to ensure greater stability of employment and income to wage-earners. This tendency, which has been reflected either in the overriding concern to guarantee a minimum wage to all workers or in measures to improve the social security system for the unemployed and to stabilize workers' purchasing power, has been particularly felt in those countries which were hardest hit by the recession and in those which still have large manpower reserves. On the other hand, in the countries which, in 1959, benefited by a more marked recovery of productive activity and where the labour market has been suffering from manpower shortages, the social trend has been chiefly towards a general rise in salaries and contractual improvements in other working conditions, among which the progressive reduction of the working week takes pride of place — a reduction which began to be perceptible some time ago. In these countries the general improvement in living standards has also brought greater inclination to save, thus proving the success of policies to encourage the acquisition of property, particularly real property, by wage-earners. Relations between management and labour have naturally been affected by the diversity of economic and social situations from country to country. The influence of these situations has been seen in the development of various forms of workers' representation in enterprises and of participation in the management, and in the reactions of the different circles to the measures worked out or in preparation in certain member countries to interest workers in the results of the enterprise.

Despite these marked differences between the situation in the different countries, which have largely reflected the divergent lines of collective bargaining and of workers's claims, both sides of industry, as we have seen, have in all Community countries shown an evident desire to collaborate increasingly in defining the main lines of economic and social policy, in particular through the consultative bodies. This participation has been particularly outstanding in relation to the general re-examination of the conditions of economic and social development with the aim of fitting the national economies into the Community framework. Development problems have assumed varying aspects in the different countries: some of these aspects have been the persistence of areas of underdevelopment and structural unemployment, the need to adapt the economic and social structures to the prospects of continued and balanced expansion or to give a new impetus to productive investments and to remedy certain lacunae in infrastructure. Among other specific aspects of this complex body of problems, mention should be made of the widely felt need for a re-examination of the responsibilities incumbent respectively on the State, on enterprises, and on the insured persons themselves, in financing the various systems of social security. Similar problems have arisen

in relation to the cost of housing. Although the various solutions envisaged so far have been diversely appreciated, it is possible to note general agreements on the need for a renewed effort, both public and private, in the sphere of occupational training. At present this problem more than any other is before the mind of the Community, as is shown by the important measures approved or prepared in many countries in 1959. The framing of a common policy on this matter, which the Commission will undertake shortly on the basis of the provisions of the Treaty of Rome and the declaration of intention adopted by the Council of the Community in preparation for the speed-up of the Common Market, thus appears in the light of the facts as a choice dictated by the real evolution of the situation.

III. Activities of the Community

THE SPEED-UP OF THE IMPLEMENTATION OF THE TREATY

1. On 28 July 1960 the President of the Commission addressed to the President of the Council the following communication relating to the steps taken by the Commission since 12 May in connection with the speedier implementation of the Treaty :

“ When the Representatives of the Member States of the Community, meeting in the Council, decided on 12 May last on a speedier implementation of the Treaty, the Council formally declared ‘its intention to proceed as expeditiously as possible with a more rapid implementation of the Treaty, not only so far as the customs union is concerned, but concurrently in all sectors of economic integration.’ To this end the Council requested the Commission to submit within three months concrete proposals on the various subjects enumerated in the Declaration of Intention.

I have the honour to submit to you for the information of the Council an account of the steps taken by the Commission since 12 May to implement the Declaration of Intention. Thanks to the support of the Council it has already been possible to take concrete decisions in certain cases.

In the social field, the Commission has passed draft regulations and directives on the free movement of workers within the Community and forwarded them to the Council on 4 July 1960.

With a view to speeding up the implementation of the provisions of Article 119 of the Treaty on equal remuneration for men and women workers, the Commission on 20 July 1960 passed the recommendations to the Member States which have now been transmitted to these. As regards the occupational training of workers, the Commission on 4 July 1960 submitted to the Council proposals for recommendations to be addressed by the Council to certain Member States concerning the implementation of accelerated occupational training programmes. The recommendations were based on the studies of labour market problems in the Community undertaken during the first months of this year on the initiative of the Commission and with the agreement of the Council. The Commission hopes to submit to the Council in the autumn further communications of more general scope on the problems of occupational training.

Working with the International Labour Office, the Commission has furthermore begun to elaborate proposals to enable those workers (seasonal and frontier workers) most immediately concerned to benefit by the provisions of Regulations Nos. 3 and 4 on the social security of migrant workers.

Dealing with competition, the Commission has been anxious to encourage the speedy solution of problems arising from the implementation of Articles 95 to 97 of the Treaty, which deal with internal charges or drawbacks on export. It laid pertinent proposals before the Council on 21 June 1960. The representatives of the Member States meeting in the Council at its 33rd session on 20 and 21 June 1960 were able to reach agreement on the basis of these proposals.

On transport, the Commission has underlined the very great importance which attaches to the development of an adequate infrastructure in the light of the establishment of the Community and the requirements of the Common Market. To this end it prepared and forwarded on 23 June 1960 to the Member States and the Council a number of detailed recommendations.

The Commission is moreover pursuing its work on the abolition of discrimination in the field of rates and conditions of goods transport, which do not come under the provisions of Article 79 (1) of the Treaty, and on the common rules to be drawn up for international transport in accordance with Article 75 (1). On 13 and 16 June the Commission laid before the Council some preliminary suggestions on these issues.

On 1 June the Council was informed of problems related to the procedure applicable to the assessment of cost prices in transport and to the elaboration of a uniform nomenclature of goods. At the same time the Commission has specified for the Council the nature and details of the standstill in transport affairs under Articles 5 and 76 of the Treaty.

In the matter of the right of establishment the Commission had already, on 24 March 1960, submitted to the Council a proposal for a general programme for the removal of restrictions to the freedom of establishment. Before the end of July the Commission will put before the Council its proposed general programme for the removal of restrictions to the free supply of services.

The Commission is of the opinion that its proposals and recommendations in these various fields, together with the measures already taken by the Council, constitute important elements of a policy for economic integration in step with the pace of development in other fields of the Common Market. The Commission expects to continue its work in the same spirit.

The Council had left no doubt about the importance which it attaches to the economic development of the associated overseas countries and territories. It has seemed to the Commission that before any new initiative is taken satisfactory solutions should be found to ensure the continued association of overseas countries which have attained independence, or will attain it, in the course of 1960. The first deliberations in the Council at its 33rd and 35th sessions have already produced some positive results. The Commission hopes that it will be able this autumn to lay before the Council proposals on measures which might be taken with regard to the associated countries in the spirit of the Declaration of Intention."

An analogous communication was addressed by President Hallstein to the President of the European Parliament.

2. The decision relating to the speedier implementation of the Treaty ⁽¹⁾ taken by the Council at its session of 10, 11 and 12 May 1960 was published in the official gazette on 12 September 1960.

The decision to publish was taken after a discussion of the problems connected with trade in certain commodities based on the processing of agricultural produce.

On the same occasion the Council took note that the Commission was disposed to consider applying the procedure and details laid down in Article 226 for the settlement of these problems.

EXTERNAL RELATIONS

The Community and GATT

The tariff conference

3. On 1 September 1960 the Fifth General Tariff Conference of GATT opened in Geneva. At the inaugural session the delegation of the Commission, representing the Member States of the Community in the negotiations, was headed by M. Rey, a Member of the Commission ⁽²⁾.

The Tariff Conference consists of two separate stages :

The first concerns the re-negotiations with the European Economic Community which have become necessary through the raising of duties bound by the Member States at rates lower than those of the common external tariff;

The second deals with multilateral negotiations amongst all the Contracting Parties following upon the proposals submitted in 1958 by the United States Under-Secretary of State, Mr. Douglas Dillon.

When the conference rules were being drawn up the representatives of the Commission, complying with paragraph 1 of the Council decision dated 5 May 1959, insisted that a distinction be made between these two types of negotiation, and made it quite clear to all Contracting Parties that the Community could not engage in the second stage before the first had been concluded.

It is important that the Community enter into the Dillon negotiations with a tariff to which GATT has given its de facto agreement.

⁽¹⁾ See Bulletin 4/60, Chapter II, sec. 1.

⁽²⁾ See this Bulletin, Chapter I.

Negotiations under Article XXIV (6)

4. In accordance with the Conference rules, the Commission has prepared and submitted to the Contracting Parties

A) The complete lists of items bound in the various tariffs of the Member States. Some of these items refer to products contained in Annex IV to the Treaty establishing the EAEC. It should be pointed out in this connection that the two Commissions have worked together very closely in the preparations for the Tariff Conference.

B) The 1958 import statistics for each of the headings on these lists;

C) A list of those headings which in the opinion of the Commission require re-negotiation. In order that this list should not comprise all the bound headings, which would so prolong the negotiations that the multilateral phase of the Conference could not be begun in time, the Contracting Parties agreed that the Community itself should distinguish between headings in respect of which :

a) Internal compensation seemed adequate, so that these headings could be eliminated from the negotiations;

b) Increase of duties were higher than reductions so that re-negotiation would be necessary;

c) Internal compensation was higher than that actually required, and which would in principle constitute a credit in favour of the Community;

Article XXIV (6) offers each Contracting Party the opportunity to claim a compensation whenever any measures taken by the Member States to align their national tariff with the common external tariff, involves increases of bound duties. For reasons both tactical and practical the Commission proposes to lay before the other Contracting Parties a complete list of the items concerned, which will balance if the total volume of trade between the Community and non-member countries is taken into consideration.

5. Working in very close co-operation with government experts, the Commission has prepared for the second stage of the Conference the list of requests to be submitted on behalf of the Community to non-member countries taking part in the Conference.

As the other Contracting Parties will submit their lists to the Commission at a later stage, it will not be able before the last quarter of 1960 to consider the extent to which these requests can be met. In the course of this study, too, the Commission will undertake further preparatory work with the government experts; the Special Committee set up under Article 111 will be consulted.

From information received from the Executive Secretary of GATT as well as from the Contracting Parties themselves it does not seem as if the number of countries

wishing to take part in the Dillon negotiations is very great. So far only a limited number of countries have clearly expressed their intention to enter into negotiations with the Community.

Consequently, the lists of requests prepared by the Commission refer exclusively to those countries which have already declared their readiness to negotiate, but further lists would need to be drawn up at a later stage if it should appear that other Contracting Parties are prepared to join in the second stage of the Conference.

6. The negotiations differ according to the groups of countries concerned. The first group comprises those countries which have already Contracting Party status, whereas those applying for accession to the General Agreement form the second group. According to the rules of the Conference, the negotiations with the first group should be conducted on the basis of reciprocity and mutual advantage.

The second group includes Cambodia, Israel and Tunisia, with the recent additions of Spain and Portugal. So far as these countries are concerned the advantages which they will enjoy as a result of their accession to the General Agreement must be taken into account in assessing reciprocity. The lists of requests to be addressed to these countries will be drawn up during the second half of 1960.

7. In compliance with the decision of the Council of Ministers of 5 May 1958 taken by virtue of Article 111 of the Treaty, the Commission will represent the Community in conducting these negotiations.

Inter-European trade problems

8. The Committee on Trade Problems, representing the twenty member and associated States of the OEEC and the Commission of the European Economic Community decided at its meetings of 9 and 10 June to "establish a study group open to all the participants in the work of the Committee".⁽¹⁾

The study group met in Paris on 7 and 8 July. It drew up a programme of work under which the Member States of the Community and of the European Free Trade Association will, before 10 September, provide information on :

The level of duties applicable on 1 January 1960 to their respective Member States and to other member countries of the Committee on Trade Problems;

The statistics of overall imports in 1959 and imports from other member countries of the Committee which do not belong to their group.

⁽¹⁾ See Bulletin 5/60, Chapter II, sec. 2.

The Association of Greece with the Community of the Six

9. At its session of 6 and 7 September 1960 the Council heard a statement by the Commission on the talks it had with the Greek delegation. The Council and the Commission discussed the problems still unsettled in these negotiations, especially with regard to the financial aid to be granted to Greece. The Council has determined the position to be taken up by the Community on the subject of the common customs tariff for raw tobacco in the present negotiations with Greece.

The Council has instructed the Commission to continue the negotiations with the Greek Government for the conclusion of an association agreement.

Relations with non-member states and international organizations

10. The Ministerial conference on the re-organization of the OEEC took place in Paris on 22 and 23 July 1960 under the chairmanship of M. Krag, the Danish Foreign Minister.

The delegation of the Commission of the European Economic Community was led by M. Rey, a Member of the Commission.

The conference nominated M. Kristensen (Denmark) to be Secretary-General of the new organization and has set up the Preparatory Committee over which he will preside.

The Preparatory Committee is instructed

“ *a*) to complete the Draft Convention on the OECD;

b) to carry further the review of the Acts of the OEEC; to determine which Acts should be recommended to the Council of the reconstituted Organization for approval; and to propose, where necessary, the modifications required in order to adapt these Acts to the functions of the reconstituted Organization as currently agreed by governments;

c) to define the structure of the reconstituted Organization and to draw up the terms of reference of the main organs necessary for the accomplishment of the tasks currently agreed for the reconstituted Organization;

d) to draft the instrument relating to Article 15 of that Convention;

e) to prepare a list and summary description of all agreements and contracts of the OEEC which will remain in force after 30th June 1961;

f) to prepare a Report on its work by 10th November 1960;

g) to arrange for a Ministerial Meeting to consider the Report of the Preparatory Committee and reach agreement on the Articles of the Convention before the end of 1960.”

The Conference further adopted three draft resolutions, one concerning trade, one on aid to development countries and one on Article 15 of the draft convention (concerning the lapsing of the Acts of the OEEC).

The Conference has decided to establish within the new Organization a Trade Committee which shall carry out, in particular, the following functions :

a) Confrontation of the general trade policies and practices at regular intervals or whenever requested by a Member; having in mind the need for maintaining a system of multilateral trade which would enable Members to exchange goods and services freely with each other and with other countries under conditions of reasonable overall equilibrium in international balance of payments.

b) Examination of specific trade problems primarily of interest to Members and their overseas territories.

c) Consideration of any short and long-term trade problems currently being considered by the Committee on Trade Problems established by the Ministerial Meeting of 13th - 14th January, 1960, which remain outstanding. ”

The resolution concerning the Trade Committee provides the following :

“ Any member country should be enabled to obtain prompt consideration and discussion by the Committee of trade measures by another Member which adversely affect its interests, with a view to removing or minimising such adverse effects. The undertakings of the Code of Liberalization with regard to liberalization of trade should not be continued in the OECD. All other Acts on Trade in the OEEC shall be studied by the Preparatory Committee ⁽¹⁾.

The Preparatory Committee shall be responsible for working out ways and means in accordance with which the Trade Committee shall exercise its functions ”.

So far as the aid to development countries is concerned the Conference has decided :

a) That the OECD shall have as one of its major objectives the carrying out of economic co-operation and consultation designed to facilitate the economic development of less-developed countries in the world by appropriate means.

b) That the Secretary-General Designate shall be authorized to establish appropriate liaison with the present Development Assistance Group referred to in the Preamble above.

c) That this Development Assistance Group shall, upon the inception of the OECD, be constituted as a Development Assistance Committee continuing the present functions and characteristics of the Development Assistance Group. The activities of the OECD in this respect shall be conducted with due regard to the activities of other international organizations.

(1) The Swiss Delegation would prefer the whole text of paragraph 40 of OECD(60)5.

d) That specific assistance, of whatever category, extended to less-developed Member countries shall be considered by bodies in the reconstituted Organization other than the Committee referred to in paragraph *c*).

e) That the Preparatory Committee shall work out in detail how the provisions of the preceding paragraphs should be implemented, with particular reference to paragraph *d)* ”.

At their meetings of 23 July 1960 the Ministers agreed that there should be the greatest possible degree of certainty concerning the implementation of the proposals of the Preparatory Committee by the Council of the OECD. To this end

a) The signatories of the Convention will conclude an agreement in the form of a binding instrument. This agreement will commit their representatives at the Council of the OECD, by virtue of Article 15, to approve all decisions (including recommendations and resolutions) which the Preparatory Committee has agreed to retain either as they stand or in amended form. Nevertheless, an exception from this undertaking is provided for in the following paragraph.

b) Under the instrument, Canada and the United States, being new members of the Organization, would be allowed to deviate to some extent from the undertaking given in paragraph *a)* above subject to their adhering to the procedure laid down in paragraph *c*).

c) If Canada or the United States wishes to invoke this procedure they must, not later than ten days after the ratification or the approval of the OECD Convention, notify the Preparatory Committee of any decision or part of a decision which the Committee has agreed to retain and in respect of which they wish to be relieved of the commitment mentioned in paragraph *a)*. Such notification will not preclude the Council of OECD from approving this decision so far as the other members of the organization are concerned.

d) Since, should such a case arise, the decisions will be those which were obligatory for the members of the OEEC only and which were approved by the Preparatory Committee, it may be expected that normally the members, other than the new member carrying out notification in accordance with paragraph *c)*, will desire such decisions to remain in force amongst them.

At any rate, each signatory will be entitled within fourteen days from notification to ask for re-negotiation in the Preparatory Committee of any decision or part of a decision which has been the subject of notification in accordance with paragraph *c)*, if such signatory considers that notification by Canada or the United States changes the situation in relation to such decision or part of a decision in one of its important aspects.

e) If the above proposals are accepted the signatories will be as certain as possible under the circumstances that the conclusions of the Preparatory Committee will be approved by the Council of OECD. Thus the last sentence of Article 15 can

be adopted as it was proposed, in substance, by the Four Wise Men : the decisions, recommendations and resolutions of the OEEC shall require approval of the Council to be effective after the coming into force of the new convention.

11. The European Commission was represented at the 30th session of the Economic and Social Committee of the United Nations which took place in Geneva from 5 July to 5 August 1960.

The staff of the Commission has co-operated effectively in the work undertaken by the United Nations in Geneva in connection with "long-term economic forecasts".

12. In July 1960 the head of the Brazilian mission to the European Communities presented to the Commission a memorandum listing a certain number of economic sectors on which the Brazilian Government feels that the Community should take positive action to prevent injury to the economy of Latin American countries and to assist them in their present efforts at economic improvement. The stabilization of raw material prices, export credits for equipment goods, the co-ordination of technical assistance and investment figured amongst the sectors quoted in the above mentioned memorandum.

13. Mr. Ezra Taft Benson, United States Secretary of Agriculture, has paid a fact-finding visit to the Member States in the course of which he met M. Mansholt, Vice-President of the Commission; they discussed the common agricultural policy. Mr. Benson recalled the formal desire of the United States that the Community should adopt a liberal agricultural policy calculated to preserve and expand trade with non-member countries, especially the United States.

At the end of this talk Mr. Benson said that the meeting had been very useful and fruitful, that it had enabled him better to understand the difficulties which the Community had to face in working out its agricultural policy and the manner in which it hopes to overcome them, and that the United States for its part had availed itself of this opportunity to present its views on the subject.

Mr. Benson added that the explanation he had received on the matter of the proposed financial aids had completely put his mind at rest, since the Commission had in mind re-adaptation aid to be made available to farmers in certain regions for a limited period and on a diminishing scale to assist them in giving up unprofitable production so as to improve their income.

M. Mansholt stated that the Community wished to import grain and to export animal produce, that it was aiming at a liberal commercial policy and that great progress would be made if certain countries abandoned State trading and reverted to free commerce; he said that the import policy of the Community would thus be more liberal than that at present pursued by most of the Member States, but that such a liberal policy depended on a reduction of the present high price level

of grain in certain Member States. He added that the Commission had already submitted pertinent proposals and that it was now up to the Council to take a decision.

14. On 26 July 1960 the President of the Commission received M. Abderrahim Harkett, who presented his letters of credence as head of the Moroccan Mission to the European Economic Community.

Aid to development countries

15. At their meeting on 19 and 20 June in Brussels the Foreign Ministers of the six Member States examined a proposal prepared by the ad hoc committee for the problems of aid to the countries in the course of development; the proposal dealt with the establishment of a standing co-ordination group known as "the standing group for the co-ordination of policy on credit insurance, guarantees and finance credits". The Ministers arrived at a decision in principle concerning the establishment of such a group. It was agreed on this occasion that no formal decision would be taken until the Commission had pronounced its views on the content as well as on the legal aspects of the terms of reference to be given to this co-ordinating group.

On 26 August 1960 the Commission laid before the Council a draft decision for the establishment of a co-ordinating group. In the terms of the proposal the main tasks of the group will be to work out suggestions for bringing into line among the Member States — in so far as this falls within their terms of reference — the conditions of export credit insurance, finance credits and investment guarantees. So far as export credit guarantees are concerned, due regard will be paid to the rules of the Berne Union, and the work done by the organizations in the Member States in this field. The group will seek the appropriate means to encourage the multilateral use of the financial resources placed at the disposal of the countries in course of development.

Commercial policy (safeguards applied under Article 115)

16. The Commission has considered the recourse by certain Member States to Article 115 of the Treaty which deals with safeguards in connection with the free movement of goods originating in non-member countries and circulating freely in the Member States. By invoking Article 115 certain Member States have refused Community treatment to a number of commodities (some 60 products in all) originating in non-member countries but provided with a free customs circulation certificate. These Member States have invoked Article 115 because of diversions of traffic which have occurred through the different commercial policies pursued towards non-member countries (differences in import systems, differences in customs treatment, the existence of bilateral commercial agreements).

The Commission's enquiry has shown that the Member States were justified in applying these safeguards because of the disparities — found to exist product by product — in the import systems applied by the States concerned with regard to certain non-member countries.

Since, however, these safeguard measures were applied under the terms of sub-paragraph 2 of Article 115, which refers to emergency cases only, the Commission has found that such procedure is not in exact conformity with the letter of the Treaty, as the motives invoked by the Member States refer to situations long familiar and to which therefore Article 115 sub-paragraph 1 should have been applied. Under this sub-paragraph the authorization of the Commission is required before such protective measures can be taken.

The Commission has, therefore, admitted that these measures had been taken for good reasons, but requested the Member States to adopt in future the normal procedure under Article 115 sub-paragraph 1 except in properly justified cases of emergency.

ECONOMIC AND FINANCIAL AFFAIRS

Note on economic trends

17. On 21 September the Commission passed the third quarterly report on the economic situation in the Community relating to the first half of 1960 and the further outlook.

This study shows that though economic expansion has continued during these last months throughout the Community, the growth of exports has nevertheless slowed down. This is due in part to the marked falling off of demand from the United States, but also to the intense utilization of the factors of production in certain industries. The rate of increase in exports, which in January-February had been 27% compared with the same period in 1959, fell to 23% in March-April and 16% in May-June.

The development of internal demand, on the other hand, has quickened. In most of the member countries fixed investments have continued to increase. Private consumption also has generally speaking grown at a more lively rate than at the beginning of the year. It was still directed mainly to durable consumer goods and services, but demand for certain traditional consumer goods has also become noticeably stronger.

The slow-down in the rate of growth in industrial production, which had already been noted in the first quarter of 1960, has continued in recent months despite the fact that production was 13% above the level of the corresponding period in 1959. Elasticity of production, which was exceptionally high at the beginning of 1960, has recently fallen to a remarkable extent in some countries, especially

the Federal Republic of Germany and the Netherlands, and in certain sectors largely because of manpower shortages. In some industries, however, the slow-down of growth was due to decreasing demand.

Economic expansion is keeping Community imports on a very high level; now that stocks of raw materials have been replenished, the increased purchases from non-member countries again relate mainly to finished products and in particular to investment goods.

After deteriorating considerably in the first quarter of 1960 the trade balance of the Community is still slightly unfavourable. It has thus followed a course contrary to that of the second quarter of the preceding year. The terms of trade have improved slightly as a result of the continued weakness of world prices and the strengthening of export prices.

However, the gold and foreign currency reserves of the official monetary institutions have on the whole continued to increase because the net receipts for services and the influx of capital have more than offset the deterioration of the trade balance. As a result liquid funds within the Community have increased; for certain countries this entails some danger to their internal financial stability and their monetary authorities have had to take new restrictive measures.

The level of prices has remained more or less stable. However, in certain countries there was a tendency during the summer for consumer prices to rise. In some, this has been a purely seasonal development or has meant no more than the adjustment of the price for certain services to the general level of costs, but, in the Federal Republic of Germany especially, there has been a stronger trend to review industrial prices schedules.

In these circumstances it should be the economic policy of the Member States to put an end to existing imbalances or prevent new tensions and to establish the conditions required for the maintenance of balanced expansion. These aims can be simultaneously pursued by a monetary and financial policy better suited to mop up excessive liquidities and by the introduction of new measures to stimulate internal supply through external trade.

Comparative study of budgets

18. The working party for the comparative study of budgets of the Member States of the EEC met in Brussels on 19 and 20 July. The experts examined the problems connected with the functional classification of public expenditure. They agreed for the time being to adopt the method used in the Benelux organization; at their next meeting they will examine on the basis of facts and figures to what extent this method can be combined with the type of economic classification employed elsewhere.

Long-term problems of structure and expansion

19. The working party for long-term problems of structure and expansion, which works under the chairmanship of M. Pierre Uri, held its 12th meeting in Brussels on 13 September 1960.

It adopted the first part of its interim report to the Commission and will meet again on 25 October.

THE INTERNAL MARKET

Elimination of restrictions on the free supply of services

20. On 28 July 1960 the Commission submitted to the Council a draft general programme for the abolition of restrictions on the free supply of services within the Community, as required by Article 63 of the Treaty ⁽¹⁾.

The Commission added an explanatory memorandum to the draft general programme; the salient points of these two documents are as follows :

A. What is to be understood by "services" within the meaning of the Treaty ?

They are services (in the main those of an industrial, commercial or artisan character and those rendered by the liberal professions) "normally supplied for remuneration, to the extent that they are not governed by the provisions relating to the free movement of goods, capital and persons" (Article 60), nor by those relating to transport (Article 61 (1)). The chapter on services is therefore *residual*; this negative definition differs appreciably from the concept of "services" usually accepted by economists and statisticians.

The Treaty intends that there shall be free supply of services "within the Community", and the supplier must be "established in a State of the Community other than that of the person to whom the services are supplied (Article 59 (1)). The service therefore represents a link across a frontier, which can result from :

a) *The supplier moving to the recipient of the service.* These are mainly services supplied by the liberal and cultural professions in the wide sense (consultations, expert opinions, entertainments), by industrial engineers (mounting, repairing or maintenance of machinery) and by those in certain ancillary activities (travelling

(1) See Bulletin 5/60, Chapter II, sec. 34.

representatives, market research workers, after-sales service) or by certain craftsmen or agricultural workers, who are relatively rare and almost always frontier workers;

b) *From the recipient moving to the supplier* of the services. These are mainly services supplied on the arrival of the recipient for personal reasons (tourism, family visits, study), for business, for medical and para-medical care, etc., in the Community country where the service is supplied;

c) *From the service itself being moved* (the supplier and the recipient each remaining in his own country). This may apply :

— To goods into which the service is “ incorporated ” (processing, analyses, cinema film to be printed, etc.), or

— To the essential element of the service being moved (films to be shown, pictures for exhibition, expert opinions in writing, plans, translations, etc., which members of certain liberal professions supply without leaving their own country).

B. Where will the measures freeing the supply of services be applied ?

a) Geographical

The Overseas Countries and Territories do not come within the scope of the measures for the freeing of services. However, as regards Algeria and the French Overseas Territories, “ the general and special conditions of the Treaty relating to the free movement of goods... shall apply as from the date of entry into force of the Treaty ” (Article 227 (2)).

b) Personal

The abolition of restrictions on the free supply of services applies to the following :

— “ nationals of Member States who are *established* in a State of the Community ” (Article 59 (1));

— companies “ established in a State of the Community ” (as well as their agencies and branches similarly established). Such companies are treated on the same footing as natural persons, by virtue of Article 66 of the chapter on services, which refers to Articles 55 to 58 of the chapter on the right of establishment.

“The Council... on a proposal of the Commission, may extend the benefit of the provisions of this chapter to cover services supplied by nationals of any third country who are established within the Community ” (Article 59 (2)). But no proposal to this effect is envisaged for the time being.

C. What are the exceptions to the abolition of restrictions on the free supply of services ?

These can be found in Article 55 (1) (activities which include, even incidentally, the exercise of public authority); Article 55 (2) (activities which the Council may

exclude); Article 56 (provisions justified by reasons of public order, public safety and public health), to all of which Article 66 refers, and in Article 232 (items covered by the ECSC and Euratom Treaties).

Mention should also be made of the residual character of the chapter on services in relation to the provisions of the Treaty concerning the free movement of goods, capital and persons (Article 60 (1)), and transport (Article 61 (1)).

D. What restrictions are to be abolished and how soon ?

The restrictions to be abolished are found at all stages of the supply of the service : prior conditions for the performance of the service, the actual performance of the service, utilization of the service, payment for the service. In many cases the freeing of services has an *absolute character*, which contrasts with the relative character of the freedom of establishment ⁽¹⁾. As in the case of free movement of goods and capital, the aim is the abolition of all restrictions and not only of those that are discriminatory.

Certain obstacles which are troublesome to the recipient of the service (limitation of the right to acquire the service and to its full effect, etc.) are of great importance when they do serious harm to the supplier of the service, even if only indirectly.

However, when the supplier goes to the country of the recipient in order to perform the service, equality of treatment remains the rule. It may then be said that the conditions in which the service is rendered are those of " establishment without duration ".

a) Restrictions affecting professional activities only

These affect the person supplying the service, either directly, or (more rarely) indirectly through the recipient.

They chiefly concern services for which the *supplier*, when he comes into the country of the recipient to perform his service, encounters de jure or de facto discrimination on the ground of nationality and differences in the regulations and qualification requirements which, although not discriminatory, sometimes constitute very serious obstacles. In this respect the supplier finds himself in a situation in many ways similar to that which he would experience if he wished to set up definitely in the country of the recipient.

Without prejudice to the maintenance of the level of freedom which in fact existed at the date of the entry into force of the Treaty (Article 62), and with any distinction on grounds of nationality or residence excluded (Article 65), a proposal has been

⁽¹⁾ The " free movement of services " is mentioned several times in the Treaty outside Articles 59 to 66 — (in particular in Article 106).

made for a liberalization procedure accompanied by measures, similar to those already planned for freedom of establishment, for the co-ordination and mutual recognition of diplomas and other qualifications (Article 57).

It is much rarer, and occurs only in respect of services in the third category (no movement of the supplier or the recipient) that restrictions on the "acquisition" of the service by the person for whom it is performed have to be abolished.

For the same reasons, the procedure and the time-table of liberalization will generally be the same as those of the liberalization of establishment (however, the solution of some specific problems will call for appropriate measures).

In both cases, however, although "right of establishment" and "services" will often be regulated by the same directive, shorter time limits and less complex measures will sometimes be decided for services, thus giving effect to the intention expressed by the national experts.

b) Restrictions (of an administrative and police nature) on movement and residence of persons.

In practice, the effect of these restrictions is much mitigated by the greater tolerance prevailing here than in other fields. It is nevertheless proposed that the elimination of restrictions of this kind, which were already met with in relation to establishment, as well as the co-ordination of certain provisions which are justified for reasons of public order, public security and public health (Article 56 (2)) shall be effected by the same procedure and within the same time limits as the measures on the right of establishment (before the expiry of the second year of the second stage).

c) Restrictions on the movement of the object or of the essential elements of the service or of the instrument used to perform it.

These are, so to speak, the residue of the restrictions — generally applied by the customs services either on their own account or on that of the "technical" ministries — eliminated elsewhere under the provisions of the Treaty concerning the movement of goods. The question concerns in particular certain provisions of the procedures for *temporary* export and import which are not covered by Articles 30, 33 and 34 of the Treaty.

d) Restrictions of a currency nature.

These affect the three categories of services and their importance is emphasized by the close relation between Articles 59 to 66 and Article 106 of the Treaty.

— Transfer of the payment connected with the service.

(Although it is not restrictive, the list of invisible transactions at Annex III of the Treaty, to which Article 106 refers, seems to cover a great number of services).

For those services which involve no other restrictions than that on the transfer of the payments connected with them (Article 106 (2)), the General Programme provides for the freeing of such payments before the expiry of the first stage.

As regards payments connected with services which involve *other restrictions* than that on payment, the Member States have undertaken, in Article 106 (1), to free these in accordance with the time-table laid down in the General Programme for the abolition of the other restrictions (of a professional nature) on these services. However, for various reasons (the possibility of speedier liberalization in the event of favourable general economic conditions provided for in Article 64 and in the second paragraph of Article 106 (1), the need to simplify administrative operations), the Commission is considering recommending that, with some exceptions, these be freed also before the end of the first stage.

In the case of payment for services supplied when the recipient moves to the supplier (chiefly tourism), it is proposed in the General Programme and the explanatory memorandum that the solution of lump sum payments rising progressively from the end of the first stage be adopted; this solution would be implemented by a directive which would become effective before the end of the first stage.

— Transfer of the funds required to perform the service

The example may be quoted of a building enterprise which has to lay out large sums before it begins to receive any payments, and must therefore bring with it considerable sums of money when it arrives in the country where the service is to be performed. It is proposed in the General Programme and the explanatory memorandum, that the transfers necessary in such case be freed before the end of the first stage.

Some branches of activity will, however, call for *special measures*, either because the time-table for the right of establishment cannot be applied to them, or because the extreme complexity of the laws involved and the way they vary from one Member State to another still necessitate very detailed study.

The branches in question are insurance, banks, cinematography and agriculture. The same applies to services rendered in connection with public contracts.

The common customs tariff

21. At its session of 6 and 7 September the Council continued the work it had begun at its session of 19 and 20 July 1960 concerning the rate to be laid down in the common external tariff for raw tobacco (1). After a thorough discussion

(1) See Bulletin 5/60, Chapter II, sec. 31.

the Council laid down the position to be taken by the Community in the negotiations at present going on with Greece and in those which will take place in the GATT.

22. During the Council discussions on 6 and 7 September the problem of trade in finished tobacco goods between the Member States was raised; agreement in principle was reached and the details will be worked out shortly.

COMPETITION

Approximation of legislation

23. The co-ordinating committee on industrial property rights held its second meeting from 13 to 15 June ⁽¹⁾. It was the purpose of the meeting to discuss on Community level the problems connected with the proposed revision of the Hague Arrangement on international deposit of designs and models. The Members of the co-ordinating committee received a report on the basic problems created by the introduction of a European patent alongside the national patents. This report will be used in working out a programme for the "patents" working party. The co-ordinating committee will discuss the details of this programme at its next meeting in October 1960.

24. A "public contracts" working party composed of government experts and representatives of the Commission has held its first meeting and discussed the possibility of creating, by means of an approximation of legislation, equal conditions within the various countries for foreigners and nationals wishing to submit tenders for public contracts.

25. From 11 to 13 July the government experts, acting at the request of the Commission, considered in what way the recognition of judicial decisions and other awards and their enforcement might be facilitated within the Community in accordance with Article 220, last sub-paragraph, of the Treaty of Rome. In conformity with the Community's desire to co-operate with all European institutions working for the approximation of legislation, observers from the Hague Conference on International Private Law and from the Belgian-Dutch-Luxembourg Committee for the study of the unification of law also attended this meeting of experts.

The Commission has emphasized the outstanding importance which attaches throughout the Community to the enforcement of judicial decisions and has upheld the view that the best solution would be for all the Member States to conclude a single enforcement convention. The government experts have given this matter their thorough consideration; on the basis of an aide-mémoire prepared by the Commission they have studied the main problems connected with the conclusion

of such a single enforcement convention. The European economic organizations have provided opinions on these fundamental questions and their indications and suggestions have been of great practical value. The government experts must now continue their work. At their next meeting they will consider whether a convention on bankruptcy is necessary for the common market.

Fiscal problems

26. In connection with the work for the harmonization of the finance and fiscal policies of the member countries the Commission has set up an academic committee under the chairmanship of Prof. Neumark and composed of eminent men of learning. This committee will study :

a) Whether and to what extent disparities existing at the moment between the financial systems of the Member States are hampering or even preventing the institution of a common market establishing and guaranteeing conditions corresponding to those of an internal market;

b) To what extent and by what means these disparities should and could be mitigated or remedied.

The Committee met for a preliminary exchange of views in Brussels on 21 and 22 July. A number of points were discussed in detail, especially the question whether competition between the six countries could be distorted by either the existing differences in the total of fiscal charges or the different breakdown between direct and indirect taxes in each Member State. Further, the problem of whether direct taxation could be harmonized and, if so, to what extent, was discussed.

27. The staff of the Commission has continued its work on the subject of the harmonization of turnover tax. Two of the three study groups composed of fiscal experts of each Member State have met twice in Brussels.

Study group B has examined in detail a number of points which are essential to understand the theory of turnover tax levied at the stage prior to retail trading. The discussion was in particular concerned with the system to be applied to investment goods.

Study group C has considered in detail the possibilities for the introduction of taxation at the final stage of production as a common system. It will shortly study the theories of a multistage production tax and of an added value tax.

The working party instructed to study the problems arising from Articles 95 and 96 of the Treaty has concerned itself with elaborating a common method of calculation for import and export turnover taxes.

A comparison of the methods and techniques applied in the Community countries has revealed that fundamental differences exist between them and shown the need for a common method to facilitate the supervisory work of the Commission and to give better guarantees to the Member States if one of them alters its existing rates. A certain number of common criteria have been worked out and they will be retained when the method is finalized.

The working party instructed to study indirect taxes other than turnover tax has taken note of the initial studies completed by the Commission and has recognized the need for a certain harmonization of these taxes, with a priority for consumer taxes.

The studies must be carried out product by product and the very special structure of excise duties must be borne in mind. Certain excise duties such as those on salt, tobacco, beer, sugar, coffee and tea will be given priority consideration.

State aids

28. The Commission has imparted to the Italian Government views on several draft laws laid before the Italian Parliament on the subject of state aids. These drafts had been submitted to the Commission in accordance with Article 93 (3).

Since these are drafts of outline laws, the Commission has asked to be informed of any decisions to grant aids under these laws so as to be able to observe their implementation.

Where the state aid exceeds a certain level, such information must be furnished prior to the grant of the aid.

SOCIAL AFFAIRS

Equal remuneration for men and women workers (Article 119)

29. The Commission has addressed to the Governments of Member States a recommendation concerning the implementation of Article 119 of the Treaty. In view of the speed-up measures taken, the Commission recommends that the equality of remuneration stipulated in the Treaty be realized with effect from 30 June 1961, that is to say before the end of the first stage. The Commission has also stated how, in its view, the provisions of Article 119 should be interpreted.

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 professional qualification, 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 as 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 ⁽¹⁾.

The following is the complete text of the recommendation :

“ Recommendation by the Commission to the Member States relating to Article 119 of the Treaty.

Considering Article 119 of the Treaty establishing the European Economic Community;

Whereas this Article implies the abolition of all discriminations based on the sex of workers so far as their remuneration is concerned;

Whereas equal remuneration for equal work implies

— That where there is a statutory or agreed compulsory minimum salary such salary shall be the same for men and women workers and that where such salary is paid at piece rates it shall be calculated on the same basis for men and women;

— That where wages are fixed in accordance to a system of occupational classification, categories shall be the same for men and women workers and the criteria of classification shall apply equally to men and women;

⁽¹⁾ Article 8 (3) reads as follows :

“Transition from the first to the second stage shall be conditional upon a confirmatory statement to the effect that the essence of the objective specifically laid down in this Treaty for the first stage has been in fact achieved and that, subject to the exceptions and procedures provided for in this Treaty, the obligations have been observed.

This statement shall be made at the end of the fourth year by the Council acting by means of a unanimous vote on a report of the Commission. The invocation by a Member State of the non-fulfilment of its own obligations shall not, however, be an obstacle to a unanimous vote. Failing a unanimous vote, the first stage shall automatically be extended for a period of one year.

At the end of the fifth year, the Council shall make such confirmatory statement under the same conditions. Failing a unanimous vote, the first stage shall automatically be extended for a further period of one year.

At the end of the sixth year, the Council shall make such a statement acting by means of a qualified majority vote on a report of the Commission.”

— That the factors affecting the cost or the yield of female labour shall not be taken into consideration in case of work paid by time;

— That no difference in remuneration based on sex shall be allowed where the qualifications required for a certain job are the same (diplomas, professional experience, and so on);

— That all differences in remuneration based on the worker's sex shall be forbidden in individual work contracts.

Whereas remuneration as defined in Article 119 covers all the pay a worker receives in return for his work except such benefits as he is granted for reasons not connected with this work.

Whereas the representatives of the Governments of the Member States meeting in the Council have passed a decision on the speed-up of the implementation of the Treaty, and have published a Declaration of Intention concerning internal acceleration in which the Council has affirmed its wish to speed up the implementation of social measures including the equal remuneration of men and women workers,

The Commission

Recommends that the Member States

1. Take all necessary measures for the implementation of Article 119 before 30 June 1961.

2. Ensure this implementation in the private sector of their national economies by taking action to exclude any discrimination based on sex so far as the remuneration of workers is concerned, in particular :

— By inviting the workers' and employers' organizations to apply this principle in collective agreements and by giving them all assistance in doing so;

— By subjecting official approval of collective agreements, where such approval is required, to the condition that such agreements shall not contain any wages discrimination based on sex;

— By adopting, where necessary, statutory or administrative measures to ensure the observance of the provisions of Article 119, such observance to extend to individual labour contracts also.

3. Ensure the immediate application of this principle in public and assimilated services.

4. Organize the supervision of the measures they propose to take in implementation of Article 119 in accordance with the present recommendation.

5. Inform the Commission of the measures covered by point 4 above ”.

Employment and manpower problems

30. At its session of 19 and 20 July the Council took note of the Commission's proposals for the solution of certain manpower problems raised by economic developments in the Community (1).

The Council decided that the Governments most immediately concerned (those of Italy, the Netherlands and the Federal Republic of Germany) and the Commission should take up discussions to consider what might be done on the practical plane and to examine the occupational problems of training which might arise from the suggestions drawn up by the Commission. The Commission will resume the consideration of these suggestions — especially from the human, economic and financial points of view — in the light of the results of the discussions between the Governments concerned.

Social services

31. From 15 to 20 July the Commission held a European seminar on social services. The work of the seminar was directed by M. P. Laroque, Member of the French Conseil d'Etat. Representatives of international organizations and trade unions participated in the work which related to the tasks and scope of social service in relation to the movement of persons, occupational training of workers and areas in course of development within the Community.

Study periods with representatives of both sides of industry

32. A second cycle of study periods with representatives of trade unions and employers' associations from the Member States has been organized on the initiative of the Commission (2). It consisted of meetings in Düsseldorf with the German Federation of Trade Unions (Deutscher Gewerkschaftsbund), in Rome with the "Confederazione italiana sindacati lavoratori and Unione italiana del lavoro" (C.I.S.L. — U.I.L.), the "Confederazione italiana dirigenti d'azienda" and with the "Confederazione generale dell'industria italiana", and at Eindhoven with the four employers associations and the three trade union organizations of the Netherlands :

Algemene Werkgeversvereniging (A.W.V.),
Centraal Sociaal Werkgevers Verbond (C.S.W.V.),
Katholiek Verbond van Werkgeversvakverenigingen (K.V.W.),
Verbond van Protestants-Christelijke Werkgevers (V.C.W.),
Nederlands Verbond van Vakverenigingen (N.V.V.),
Nederlandse Katholieke Arbeidersbeweging (K.A.B.),
Christelijk Nationaal Vakverbond (C.N.V.).

(1) See Bulletin 5/60, Chapter II, sec. 47.

(2) See Bulletin 5/60, Chapter II, sec. 53.

AGRICULTURE

33. In the Council deliberations of 18 December 1959 on the Commission's proposals to include further products in Annex II to the Treaty ⁽¹⁾ the Commission drew the Council's attention to the difficulties which could arise for a number of agricultural processing products if certain goods were not included in Annex II. The Council adopted at that time a declaration of intention to the effect that the matter should be further studied and the appropriate solutions sought.

At the 36th session of the Council on 20 July 1960, the Commission reported on the general conclusions which it had drawn on these problems. It informed the Council of the immediate measures it proposed to take to meet the requests of certain governments who wished to apply to various products the safeguard measure under Article 226 of the Treaty; the Commission also declared its intention very shortly to submit to the Council a proposal for a decision in accordance with Article 235 of the Treaty.

34. The Government of the Federal Republic of Germany had lodged with the Commission a request to invoke the safeguard measures under Article 226 in respect of certain agricultural processing industries; in order to meet the immediate difficulties the Commission has taken a decision laying down the safeguard measures applicable to the import of bread and fondant paste into Germany. In this decision, which it communicated to the governments concerned on 28 July 1960, the Commission authorized the Federal German Government to levy an import duty on bread and fondant paste from the Netherlands and on fondant paste from Belgium. The Commission has fixed the amount of this duty. The Government of the Federal Republic of Germany cannot, however, levy the import duty if the Netherlands and Belgian Governments impose an export duty of the same amount on these two products.

The Commission's decision will remain in force until 31 December 1960 but it will be revoked before that date should the measures proposed by the Commission to the Council under Article 235 come into force.

When it has received further information the Commission will take similar action in respect of other products concerning which the German, Italian and French Governments have submitted requests under Article 226.

35. On 28 July 1960 the Commission laid before the Council a proposal for a decision in line with Article 235 of the Treaty, conferring additional powers on the Community in order to ensure a lasting settlement of the difficulties arising from the situation

of certain agricultural processed goods until the common agricultural policy can be put into effect ⁽¹⁾.

At its session of 5 and 6 September the Council discussed with the Commission the problems relating to trade in certain agricultural processed goods.

The Council took note that the Commission is disposed to apply Article 226 for the settlement of these problems in accordance with the procedure and modalities laid down in that Article ⁽²⁾.

The common agricultural policy

36. At its session of 5 and 7 September the Council agreed to convene on 9 September in Brussels the Special Committee established at its previous session and instructed to prepare the Council's decisions on the subject of the common agricultural policy based on the proposals of the Commission. The Council decided that the chairmanship of the Committee should fall to the representative of the country providing the President of the Council; until the end of this year, therefore, the Netherlands will provide the chairman.

37. At this meeting the delegations were led by the following representatives

Belgium : Ambassador Forthomme;

The Federal Republic of Germany : Ambassador Lahr;

France : Ambassador Gorse;

Italy : Ambassador Cattani;

Luxembourg : M. Buchler, Minister Plenipotentiary;

Netherlands : M. Staf, former Minister.

The Commission was represented by M. Georges Rabot, Director-General of Agriculture.

The Special Committee held its first meeting on 9 September 1960.

Ambassador Forthomme, head of the Belgian delegation, acted as chairman in place of the head of the Netherlands delegation who was not able to attend.

(1) Article 235. If any action by the Community appears necessary to achieve, in the functioning of the Common Market, one of the aims of the Community in cases where this Treaty has not provided for the requisite powers of action, the Council, acting by means of a unanimous vote on a proposal of the Commission and *after the Assembly has been consulted*, shall enact the appropriate provisions.

(2) See Chapter IV, sec. 46.

The following decisions were taken concerning the work of the Special Committee.

— The Committee will hold its next meetings on :

19/20 September 1960,

29/30 September 1960,

11/12 October 1960.

In October and November 1960 the Committee's work will have to be so timed that, in accordance with Article 5 (4 and 5) of the acceleration decision, the Council shall be in a position to take note of the progress made before 31 December 1960.

— From the beginning of its work the Committee will pay particular attention to the difficulties caused by different conditions of competition arising from differences in general policy in the agricultural and foodstuffs sectors. To this end each delegation will submit a list of sensitive products to the Secretariat as soon as possible.

— The report to be submitted by the Committee before 15 October 1960 will be an interim report showing any results already achieved in studying the Commission's proposals and indicating the future work of the Committee.

TRANSPORT

38. The Consultative Transport Committee (Article 83) to which the Commission had addressed a request for an opinion concerning the priorities to be laid down for the common rules on international transport in accordance with Article 75 (1 a), has made its report to the Commission. The Committee's opinion lists old and new points with an indication of their degree of urgency.

39. The Commission has asked the Member States to supply information on certain rates and conditions of transport the conformity of which with the provisions of Article 80 of the Treaty is to be examined.

OVERSEAS DEVELOPMENT

40. Professor Hallstein, the President of the Commission, attended the ceremonies which on 30 July 1960 marked the independence of the Madagascan Republic. On 5 August he gave a dinner in honour of President Tsiranana and his Government and made the following statement :

“ I felt greatly honoured, Mr. President, at your kind invitation not only to attend the ceremonies to celebrate the independence of your beautiful country but also to visit other parts of the Great Island before I return to Europe.

.....

Mr. President, I look upon this gesture, which followed the greatly appreciated and very important visit paid to us by a delegation under the leadership of your distinguished Minister of Foreign Affairs immediately after the Franco-Madagascan agreements were signed, as a confirmation that to you and the people of Madagascar independence does not mean the breaking off of previous relations. You know that this is also the attitude of the European Economic Community. The association organized under the Treaty of Rome between our Community and 24 overseas countries is a manifestation of solidarity and mutual help to promote the well-being of all concerned. Independence does nothing to change these aims. Certain adjustments of the present system will of course be necessary; these we will seek together with all countries involved. Meanwhile, however, it seems to us, if you agree, that what has been begun should be continued without interruption but also without prejudice to any final solution found for the settlement of the relations between the EEC and the countries associated with it.

.....

I was already aware of the importance which the problem of communications has for Madagascar, of the acuteness of the water problem in the South of the country, of the need for rural equipment in order to meet the requirements of the rapidly increasing population, and I was also aware how pressing it is to renew certain obsolete or overburdened social equipment. Our European Development Fund has already devoted some 3,000 million Frs. CFA to action in these various fields.

My journey has, however, taught me something new, and something of the greatest importance; I have learnt that these numerous, complex and difficult problems are approached and handled with enthusiasm, competence and devotion by the men you have assembled around you. I have been struck not least by the fact that this operation is going on with the active, efficient and generous assistance of France in an atmosphere of co-operation based on mutual respect and confidence. As you have said yourself, Mr. President, I see in this a highly important example for all peoples and all countries. Allow me to say here very frankly and very simply how much I admire the work already done in this country and how much I value the methods used to ensure active participation in the enterprise of the population without whom it is clear that nothing can be done.

Permit me also to point out that it is not the plan of the European Economic Community to take over the rôle of any one else. We do not wish to alter what is being done already; we want to contribute something additional

in order to further the progress of the country. We shall do so without bias and in close liaison with all those whom the Madagascan Government chooses to appoint; we shall do it in compliance with the very objectives of the European Economic Community which was established—in the words of the Treaty of Rome—to enhance the prosperity of the nations, to promote international trade in all fields and thus to contribute to the growth of peace and security throughout the world.

I am convinced, Mr. President, Gentlemen, that in this spirit the European Economic Community can make a useful and effective contribution to the solution of the problems of Madagascar.

.....

Mr. President, we shall lend you our assistance in conformity with our charter and in conformity with our very *raison d'être*. We do not believe that any country—whichever it may be—can develop in isolation or introspection. Expansion implies ever wider relationships.

We believe that we can be useful to you on this road, not by helping to set up any system which would sooner or later isolate your country from the flow of trade, but by bringing to you the means required to strengthen your economy so that you shall be better able to face international competition.

.....

The journey which I have just made thanks to the kindness of the Madagascan Government confirms to my mind the great possibilities which the association envisaged in the Treaty of Rome offers for co-operation between Madagascar and the EEC.

This association has no objective other than that assigned to it in the Treaty of Rome, namely to stimulate the economic, social and cultural progress which the peoples desire.

This association cannot develop except in an atmosphere of co-operation based on reciprocal confidence and mutual respect and in close liaison with all those imbued with the spirit which is at the origin of the EEC.

Mr. President, I have seen that this spirit prevails in Madagascar.”

41. The Commission was represented at the celebrations marking the independence of the Republic of Upper Volta on 4 and 5 August 1960.

42. M. Félix Houphouët-Boigny, Head of State of the Republic of the Ivory Coast, has informed the Commission of his Government's desire to retain the links of

association between the Ivory Coast and the European Economic Community and to establish direct relations.

43. In a letter of 20 April 1960 addressed to the President of the Commission, the Prime Minister of the Republic of Togoland announced his Government's desire to be associated with the European Economic Community. After deliberations in the Commission and the Council on 20 June and 20 July 1960 ⁽¹⁾, the President of the Commission informed Mr. Sylvanus Olympio in a letter of 20 July 1960 that the wishes of the Community coincided fully with those of the Togo Government; the Commission believed that, in accordance with the wish expressed by that Government, the association with Togoland should be maintained.

The Commission holds that until further notice the provisions of Part IV of the Treaty and of the implementing Convention may continue to govern this association. The accession of Togoland to independence will, it is true, necessitate certain adjustments in its relations with the Community, especially with regard to its representation at the latter's seat. These changes could in practice be brought about immediately with the agreement of all the governments of the Community. The Commission hopes that its views, which have been laid before the Prime Minister of the Republic of Togoland, may find his approval.

The accession of Togoland to independence has in no way prejudiced the normal pace of the implementation of the Treaty and has in particular not caused any slowing down in the financing operations which the Development Fund is carrying out for projects proposed by the Togoland Government.

The European Development Fund

44. In July and August the Council, on the proposal of the Commission, approved the financing by the European Development Fund of the following economic projects :

In the Republic of the Congo (ex French)

1) A project involving the Central African Republic, The Republic of the Congo, the Gaboon and the Republic of Chad :

The construction of two new berths in the port of Pointe-Noire for a provisional commitment of 3,241,000 units of account (approximately 800 million Frs. CFA).

The port of Pointe-Noire, which is the terminal point of the railway line from the Congo to the sea, is the only deep-sea port in the Republic of the Congo and the principal port for the imports and exports of the four countries of Equatorial Africa, the Gaboon, the Republic of Chad, the Republic of the Congo and the Central African Republic.

⁽¹⁾ See Bulletin 5/60, Chapter II, sec. 89.

The continual increase in the traffic of this port as a result of the exploitation of new forestry reserves and of mineral deposits in Ogooué requires the construction of a new pier with two berths alongside the five already existing. The work will be put out to contract after call for tenders.

2) Three projects concerning the Republic of the Congo :

a) Main Northern outlet from Brazzaville, for a provisional commitment of 815,000 u.a. (approximately 210 million Frs. CFA);

b) Le Briz Bridge for a provisional commitment of 244,000 u.a. (approximately 60 million Frs. CFA);

c) Road infrastructure and equipment for the cocoa growing area of Sangha for a provisional commitment of 1,216,000 u.a. (approximately 300 million Frs. CFA).

The first two of these projects fit into a programme for the improvement of road communications. Communications between Brazzaville and the North of the country are made difficult by the poor quality of the soil which does not allow of the roads being kept in good condition. The first project, therefore, concerns the final stabilization of a stretch of road approximately 40 km in length on the Batekés plateau.

The second project on the other hand is to replace the two ferries at present operating on the Niari by building a permanent bridge which will guarantee a securer and constant link between the road Mouyoundzi-Le Briz and the Congo-Ocean railway.

It is the purpose of the third project to encourage cocoa growing in the region of Souanke in the North of the Republic of the Congo; to that end the following action is to be taken :

— Road infrastructure is to be improved to ensure better collection and regular despatch of the production;

— Stockpiling facilities are to be increased;

Tenders will be invited for all these operations.

In July and August the following financing conventions were signed :

— Two financing conventions with the Sudanese Republic for two social projects and one economic project with a provisional commitment of 282,000 u.a.;

— Two financing conventions with the Republic of Chad for two social projects and one economic project with a provisional commitment of 4,903,000 u.a.;

— A financing convention with the Republic of Upper Volta for two economic projects with a provisional commitment of 665,000 u.a.;

— A financing convention with the Republic of Dahomey for a social project with a provisional commitment of 594,000 u.a.;

**OPERATIONS OF THE EUROPEAN DEVELOPMENT FUND
FOR THE OVERSEAS COUNTRIES AND TERRITORIES**

Financing approved — Situation on 31 August 1960

(in thousands of units of account)

Countries and Territories	Number of Projects	Total amount	Payment authorizations 1958 and 1959
Congo Republic (Former Belgian Congo)	6	6,554	3,300
Ruanda Urundi	7	1,886	1,886
	13	8,440	5,186
Cameroon	5	4,788	4,788
Central Africa	3	710	710
Comores	1	81	81
Congo	4	2,768	2,768
Ivory Coast	4	3,486	3,486
French Somali Coast	1	742	742
Dahomey	5	1,077	1,077
Gaboon	3	1,018	1,018
Upper Volta	5	2,290	2,290
Madagascar	12	11,505	8,639
Mauritania	3	2,343	2,343
Niger	2	7,290	5,633
New Caledonia	4	273	273
Polynesia	1	295	295
Senegal	2	9,176	7,122
Sudan	8	754	754
Chad	6	8,067	6,858
Togoland	5	660	660
	74	57,323	49,537
Somali Republic (formerly Somaliland under Italian Trusteeship)	1	1,950	1,125
Netherlands New Guinea	3	7,418	4,267
Total	91	75,131	60,115

— A financing convention with the Territory of Ruanda Urundi for an economic project with a provisional commitment of 130,000 u.a.;

— A financing convention with the Territory of New Caledonia for four social projects with a provisional commitment of 273,000 u.a.

ADMINISTRATIVE AFFAIRS

Statute of service

45. During their meeting of 6 and 7 September 1960 the Councils of the EEC and the EAEC in co-operation with the Commission decided on a draft statute of service for the staff of the Communities.

Special provisions for the scientific or technical personnel of Euratom and the arrangements applicable to other employees of the Communities will be considered by the Councils in a later session.

In accordance with the provisions of the Treaties establishing the European Economic Community and Euratom, these texts will be submitted to the Court of Justice and the European Parliament for their opinion before any definite decision is taken on them.

In accordance with the desire expressed by the various European institutions and by the national delegations, the draft was prepared in such a manner as to allow of the formation of a single European civil service. For that reason it aims at being true to the spirit (and frequently to the letter) of the statute of service for the staff of the ECSC.

Nevertheless certain innovations have proved inevitable; they refer mainly to the following points :

In accordance with Article 212 of the Treaty establishing the European Economic Community and Article 186 of the Euratom Treaty, the draft is limited to the statute of service for the "officials" of the Community. Arrangements for the "other employees", especially the temporary employees, will be laid down in special regulations. In consequence, only those provisions in the ECSC statute of service which refer to "officials" or "trainees" have been taken over and not those concerning persons "temporarily" or "locally" employed.

Also, in accordance with a decision taken by the Council as far back as in 1958, the classification of posts and the system of promotion differ slightly from those applicable in the ECSC. In particular the various grades are sub-divided into four categories and not three.

The pay system, which had already been adopted by Councils on 24 November 1959, also differs from that of the ECSC. It has been worked out so as to allow of a

budget economy amounting to approximately 6% as compared with the ECSC system. The pensions arrangement adopted by the European Economic Community and Euratom likewise differs from that of the ECSC. Pension rights will be acquired after 10 and not 8 years of service. The maximum pension, equal to 60% of the official's average pay during the last three years of his service, can only be reached after 33 years of service, whereas the ECSC officials qualify after 30 years of service.

The age limit has been fixed at 65 years as a general rule.

Personnel changes in the staff of the Commission ⁽¹⁾

46. M. Berndt von Staden, head of division in the Directorate-General of External Relations, has taken over the functions of the Head of the Private Office of the President of the Commission in place of M. Swidbert Schnippenkoetter, who has been appointed Counsellor in the Embassy of the Federal Republic of Germany in Washington.

M. Pierre Millet, Director of National Economies and Economic Trends in the Directorate-General of Economic and Financial Affairs, has succeeded M. Louis Duquesne de la Vinelle as Director of Economic Structure and Development in the same Directorate-General.

M. Horst Steffe, Head of Division in the Directorate-General of Economic and Financial Affairs, has succeeded M. Pierre Millet as Director of National Economies and Economic Trends.

M. Paul van den Bempt has replaced M. Horst Steffe as head of the Economic Trends Division in the Directorate-General of Economic and Financial Affairs.

M. Duquesne de la Vinelle, who will hold the chair of European Political Economy in the University of Louvain, will continue to make his service available to the Commission in the capacity of consultant ⁽²⁾.

⁽¹⁾ These are appointments which have occurred since the publication of Bulletin 4/60 (Annex : Organization of the European Commission).

⁽²⁾ Commission decision of 27 July 1960.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that proper record-keeping is essential for ensuring transparency and accountability in financial operations.

2. The second part of the document outlines the various methods and tools used for data collection and analysis. It highlights the need for robust data management systems that can handle large volumes of information efficiently.

3. The third part of the document focuses on the role of technology in modern data analysis. It discusses how advanced software solutions can streamline processes and provide deeper insights into complex datasets.

4. The fourth part of the document addresses the challenges associated with data security and privacy. It stresses the importance of implementing strong security protocols to protect sensitive information from unauthorized access.

5. The fifth part of the document explores the ethical implications of data collection and analysis. It discusses the need for transparency in data practices and the importance of obtaining informed consent from individuals whose data is being collected.

6. The sixth part of the document provides a detailed overview of the various data analysis techniques and models used in the industry. It covers both traditional statistical methods and more advanced machine learning algorithms.

7. The seventh part of the document discusses the importance of continuous monitoring and evaluation of data analysis processes. It emphasizes that data analysis is an ongoing process that requires regular updates and adjustments.

8. The eighth part of the document concludes by summarizing the key findings and recommendations. It reiterates the importance of a holistic approach to data management and analysis, one that integrates technology, security, and ethics.

IV. Institutions and Organs

A. THE COUNCIL

47. The Council held its 36th session on Tuesday 6 and Wednesday 7 September in Brussels under the chairmanship of M. H. R. van Houten, Under-Secretary of State for Foreign Affairs in the Kingdom of the Netherlands.

The Council continued the work begun at its previous session concerning the rates for raw tobacco in the common customs tariff.

The Council laid down the position to be adopted by the Community on this subject in the negotiations with Greece and with the GATT.

In the course of these discussions, agreement was reached in principle on how to increase trade in finished tobacco products between the Member States ⁽¹⁾.

After a statement by the Commission on its most recent negotiations with the Greek delegation, the Council discussed the problems still unsettled in these negotiations, in particular that of financial aid to Greece. At the end of these discussions the Council instructed the Commission to continue its negotiations with the Greek Government for the conclusion of an association agreement ⁽²⁾.

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 and instructed to prepare the Council's decision on the subject. The chairmanship of the Committee will fall to the representative of the country providing the President of the Council; until the end of this year, therefore the Netherlands will provide the chairman ⁽³⁾.

In dealing with the application of the speed-up measures in the agricultural field, the Council discussed the problem arising in connection with trade in certain processed agricultural goods; it took note that the Commission is disposed to apply Article 226 to settle these problems ⁽⁴⁾.

The decision taken by the Council at its session of 10, 11 and 12 May 1960 concerning the speedier implementation of the Treaty was published in the official gazette of the Communities on 12 September 1960 ⁽⁵⁾.

The Council took note of the work of the Special Committee which it set up in accordance with Article 111 of the Treaty; it instructed the Committee to continue

⁽¹⁾ See this Bulletin, Chapter III, sec. 21.

⁽²⁾ See this Bulletin, Chapter III, sec. 9.

⁽³⁾ See this Bulletin, Chapter III, sec. 36.

⁽⁴⁾ See this Bulletin, Chapter III, sec. 35.

⁽⁵⁾ See Bulletin 4/60, Chapter II, secs. 1-4.

studying the problems submitted to the Council on the subject of the tariff negotiations within the GATT.

In co-operation with the Commission, the Councils of the European Economic Community and the European Atomic Energy Community have worked out a draft statute of service for the officials of the Communities. The special provisions applicable to other employees of the Communities and to the scientific and technical personnel of Euratom will be considered at a later date by the Councils ⁽¹⁾.

In accordance with the provisions of the Treaties, these texts will be submitted to the Court of Justice and the European Parliament for their opinion before any definite decision is taken on them.

B. CONFERENCE OF THE REPRESENTATIVES OF THE MEMBER STATES

48. 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 M. H. R. van Houten, Netherlands Under-Secretary of State for Foreign Affairs, appointed M. Jacques Rueff a member of the Court of Justice of the European Communities ⁽²⁾.

C. THE COURT OF JUSTICE

49. On 15 July 1960 the Court of Justice of the European Communities 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 the following principles :

— Under Article 129 of the Treaty the Court is competent to rule on litigation between the Community and its employees even though the statute of service has not yet been promulgated.

— The contracts of employment concluded by the Commission, which is a legal person, with employees attached to a service the activity of which partakes of the public character of the Commission " come under public law and are subject to the general rules of administrative law."

— Under Article 246 (3) of the Treaty such contracts are nevertheless of a provisional character and therefore do not confer any title to permanent employment.

⁽¹⁾ See this Bulletin, Chapter III, sec. 44.

⁽²⁾ M. Jacques Rueff had resigned from this post on 12 November 1959 (see Bulletin 1/60, sec. 73).

— Termination of such contracts under public law nevertheless needs to be justified “ by the exigencies of the service exclusive of any arbitrary element ”; any lack of grounds engages the contractual liability of the Commission.

Applying these principles, the Court rejected the pleas that the decisions to terminate be cancelled. Finding that insufficient grounds had been stated in these decisions, the Court awarded an indemnity of Bfrs. 60,000 to each of the plaintiffs.

D. THE ECONOMIC AND SOCIAL COMMITTEE

50. The section for social questions of the Economic and Social Committee held its 5th meeting on 1 September 1960. It heard a statement by the Commission on its proposal for rules and directives for the free movement of workers within the Community.

The section decided to set up a working party which will give more detailed study to the Commission's proposal.

E. THE MONETARY COMMITTEE

51. The Monetary Committee met on 6 and 7 September under the chairmanship of M. van Lennep. It studied the means of influencing liquidity in the countries of the Common Market so as to be able to compare the means of monetary policy at the disposal of the Member States and to appraise their efficacy. The Committee discussed the consequences of a possible adoption by the countries of the Community of the system laid down in Article VIII of the Charter of the International Monetary Fund.

M. Carli has resigned his functions as a member of the Monetary Committee by reason of his appointment as Governor of the Bank of Italy.

