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EDITORIAL NOTE

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

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

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I.- "CUSTOMS UNION AND FREE TRADE AREA"

by

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President of the Commission of the
European Economic Community

To plan for the complete removal of customs and quotas in a modern economic system would seem to be realistic only if the five following main conditions are fulfilled:

- if a general equilibrium, reflected in the balance of payments, is maintained between the countries; to this end currency and economic policies must be co-ordinated;
- if the fresh competition that inevitably ensues is not distorted by private or government measures;
- if special aid is given to any underdeveloped partners, as otherwise the differences between the member states would be aggravated;
- if a joint policy is designed for markets which are not subject to free competition (our Treaty takes this into account in the fields of agriculture and transport);
- if a joint external trade policy is pursued, preventing in particular the distortion of competition between member states.

One might, therefore, sum up in saying that a customs union pure and simple, a union which is a customs union and no more, would not be realistic in a modern economy.

Can any lessons be learned from this for the Free Trade Area? The definition of the Free Trade Area which by now has acquired a kind of canonic force is to be found in Article 24, paragraph 8 (b) of GATT and reads as follows: "... a group of two or more customs territories in which the duties and other restrictive regulations of commerce are eliminated on substantially all the trade between the constituent territories in products originating in such territories." A comparison of paragraph (a) with sub-paragraph (a) of this paragraph shows that the distinguishing mark of a customs union is that it applies a joint external trade traffic.

This definition is a product of the negotiations which took place before the Havana Charter, and little has been published on its history. It seems to have been embodied in the Havana Charter, from which it later moved into GATT, at the instigation of Europeans seeking to keep all possibilities open for the OEEC negotiations which were going on at the time. The euphemistic heading seems to have been chosen in order to find at least some language which would meet the American Government, who were pressing hard for European economic integration in 1947 and 1948.

How do we put life into this formula? That is the great problem facing us. Will we find that here again is an indestructible link between the lowering of customs and quotas and the conditions I have just enumerated as I spoke of a customs union? Will the absence of a joint external tariff

lead on the one hand to shifts in the transport system and distortion of competition, and on the other to a general twist in favour of countries with low customs rates? After all, high customs walls lead to a relatively high rate of exchange. If then, within a free trade area, there is a partial reduction of customs duties while high customs rates are maintained vis-à-vis non-member countries, the rate of exchange is bound to drop. A new equilibrium is established. There will develop a surplus of exports to non-member countries and a surplus of imports from the free trade area. This equilibrium will then mainly favour the countries with low customs rates; they will have a net surplus of exports to the countries with high customs rates. If all these consequences are expected, how can they be counteracted where they are undesirable?

In this dilemma we are tempted to turn to past experience for an answer. Unfortunately it leaves us somewhat in the lurch. The most closely comparable precedent is that of the joint Swedish-Norwegian legislative arrangements, and these came to grief after many years of unending disputes, not least because after the opening of an overland rail connection between the two countries attempts at circumvention and the falsification of certificates of origin had reached an intolerable level. I am not aware of a free trade area ever having been put to the test amongst industrial countries, - that is under conditions comparable to ours. It would therefore seem that the concept of a free trade area is not an abstract of commercial experience, that in fact it is not an abstract at all, but a theoretical invention still waiting to be tried out.

The method adopted in the conference of OEEC Govern-

ments would seem to confirm these remarks. In default of any precedent - and what person drafting a law or treaty does not first of all seek a model? - that practice was adopted of going through the Treaty establishing our Economic Community, in order to see which parts of it would be suitable for incorporation in a free trade area treaty. A somewhat paradoxical procedure, if we remember that these negotiations were undertaken for the very reason that the other Member States of OEEC were not prepared to subject themselves to the sort of discipline characteristic of an economic union. If the conditions on which I have based my argument do indeed apply, then the fact that the Free Trade Area will have neither a common external tariff nor a common trade policy postulates a strengthening of the community discipline to make up for this defect.

The reason why the procedure of adhering to the model set by our Community was adopted is psychological rather than logical. This brings me - much to my regret - to the theory of discrimination. The other eleven Member States of OEEC wish to be treated in the same way as the six Member Countries of our Community, but they do not, in return, wish to submit to the same community rules, notwithstanding the fact that the door of our Community is open to all European countries. It is not we who have fixed membership at six, this is due to the countries who do not join. However, we do not intend to bring this up now as a reproach.

How many more times must it be said that the theory of discrimination is quite untenable as an argument for the demands which are attached to it. Anyone who claims the advantages offered by a community without making the sacrifices it imposes, is asking for discrimination; not the other way

about. Thus the resolution passed by the European Parliament on 27 June of last year points to solutions which differ from those adopted by the Community. I admit that in order to understand this fully, it is necessary to embrace the whole of the life of our Community at one glance; it is essential to be able to envisage this Community in its fully developed state at the end of the transition period. At that stage it will be a unit in the commercial sense, just like any one of the other eleven states. If two people marry, that too constitutes an act of discrimination against all others. If, then, this so-called discrimination is to be eliminated, there is only one way of doing it, namely by removing the institution of marriage. However, economic union as an institution is legal. It is an arrangement which the world economic order permits and even desires and encourages. Therefore, there is no truth in the argument that this order contains but one, universal, principle- namely that of non-discrimination. To this principle there is opposed a regional principle, which favours customs unions and free trade areas.

It may not be amiss to quote the text of the relevant provision:

Article 24 of GATT says, in paragraph 4:

"The contracting parties recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or of a free trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of

other contracting parties with such territories." And paragraph 5 reads as follows: "Accordingly, the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free trade area." Specific conditions are then laid down for the formation of such a customs or free trade area.

Again, Article 8 of the OEEC Code of Liberalisation says:

"Two or more Member countries forming part of a special customs or monetary system may apply to one another, in addition to measures of liberalisation of trade taken in accordance with Article 2, other measures of liberalisation of trade without extending them to the other Member countries."

Nor have we yet heard of the BENELUX Customs Union, or the plans for a Nordic Customs Union, being charged with the offence of discrimination. Not to mention the fact that any such reproach, if it were justified, would also apply to the Free Trade Area itself; as recent discussion of the subject in the press has pointed out, this reproach would be the more bitter because the Free Trade Area is not an economic union.

I propose to limit myself to these few remarks on the subject of discrimination and would only point out once more that the confusion which has arisen is largely due to the element of time having been disregarded. Had it been given to us to establish our Community at one stroke, without any transition period, or if the question of the Association had

not arisen before the end of the transition period, the danger of such confusion would have been less great. I may also draw attention to all I said on this subject when addressing the Parliamentary Assembly in March of last year.

From what I said then I should only like to repeat that we regard the reproach of splitting Europe as unjust in view of the fact that, as a result of the establishment of our Community, thousands of kilometres of customs frontiers will disappear from the pattern of trade in Europe and that the number of entities of commercial policy, both in bilateral relations and in multilateral associations, is considerably reduced through the Community having been set up as a common authority on trade policy.

Since, however, we have touched on emotional arguments, let me turn to the reproach of protectionism which is levelled against the Community. That reproach, too, is unfounded. The Community's external tariff adheres to the conditions laid down by GATT for such purposes, namely that the general incidence of the duties on imports into the Community shall not be higher than it had previously been in respect of imports into the constituent Member States. Since the arithmetical mean of the existing customs burden has been adopted, this customs tariff will, in fact, mean a lessening of the burden as compared with the previous situation. The low customs rates of the Benelux countries have as much effect as those applicable in the so-called large Member States, although the Benelux area represents no more than a population of 20 million out of a total of 165 million in the Community as a whole. This means that there will be increases of customs rates for the

Benelux countries; to some extent there will also be increases for Germany, while on the other hand there will be reductions - in some cases considerable - on raw materials, foodstuffs and mineral oils. Major reductions of customs rates will apply to the 95 million Frenchmen and Italians. It must also be remembered that all this represents no more than the initial tariff, which will serve as a basis for customs negotiations. Our great dependence on imports and the need of markets for our expanding output will further encourage a liberal trade policy. (1)

(1) From the speech delivered 13 January 1959 by President Walter Hallstein before the European Parliamentary Assembly.

II.- THE ACTIVITIES OF THE COMMUNITY

EXTERNAL RELATIONS

The European Economic Association

1. On 15 December 1958 the Council of Ministers of OEEC studied the transitional arrangements which the Council of the Community, after its meeting of 3 and 4 December 1958, had offered to apply to OEEC member countries not belonging to the Community. The Council of the Community had decided to grant member countries of OEEC and GATT, and other countries benefitting by the most-favoured-nation clause, a reduction of 10 % in national customs duties wherever these were higher than those laid down in the common external tariff, without, however, reducing them to a rate lower than that of the said tariff. Furthermore, the Member States of the Community had offered their OEEC partners, on a basis of reciprocity, a 20 % increase in existing quotas for industrial products (see Bulletin No. 1, p. 21).⁽¹⁾

The Council's idea was that these transitional arrangements would remain in force until such time as a solution was found to the problems raised by the negotiations on the association of the Community and the other member countries of OEEC.

2. The offer made by the Council of the Community was

(1) Not available in English

judged insufficient for the eleven countries not members of the Community. At the meeting of 15 December 1958, their criticism was essentially directed to the failure to include in the transitory arrangements the measures which the Six are to take between them to raise to 3 % of the national output low or non-existent quotas (Article 33 § 2 of the Treaty). The British delegation submitted a counter-proposal to the effect that the advantage of the so-called 3 % clause be extended to all member countries of OEEC.

The proposals of the Community and the British counter-proposal will be further discussed at a coming meeting of the Council of OEEC.

However, the measures of tariff disarmament which the Community, without demanding a quid pro quo, had decided to apply to member countries of OEEC and GATT, and to other countries benefitting by the most-favoured-nation clause, have already become effective.

3. On 14 January 1959 the Council of Ministers of the Community met to examine the situation resulting from the attitude adopted by the other OEEC countries to the transitional arrangements proposed by the Community. The Council expressed the wish that bilateral negotiations between the Community and the other OEEC countries be initiated. At the present stage, these negotiations, the purpose of which is to facilitate the conclusion of a provisional modus vivendi among the Seventeen, will have to be conducted in the framework defined on 3 and 4 December by the Council. The Franco-British negotiations have already begun in Paris.

4. In accordance with the Council's instructions at its eleventh meeting (see Bulletin No. 1, p. 22), the Commission has set about the task of examining the different possible solutions of the problem of the economic association of the European countries.

The Commission considered that certain discussions with the Governments of the Member States were necessary before any formal proposal was drawn up. To this end, members of the Commission met representatives of the Governments of the Member States during the last week in January in the different Community capitals. At a later stage there may be contacts with some of the other interested OEEC countries.

The Community and the work of GATT

5. The Commission has continued the study of the problems posed by the tariff negotiations which will have to be undertaken at a later date, on the basis of the common external tariff, within the framework of the provisions laid down in Article XXIV of GATT. The Commission is carefully assembling all the statistical material required for the purpose of determining the scope of the negotiations to be undertaken should alignment on the common external tariff mean that one or more Member States increase certain duties which are consolidated in the lists annexed to the General Agreement.

Study is also going on to examine whether, and in what conditions, the Community might be led to participate in a new series of multilateral tariff negotiations following the proposal made at the October 1958 meeting of GATT by Mr. DILLON, United States Assistant Under-Secretary of State.

6. All these problems are scheduled for discussion in February in Committee No. 1, which the Contracting Parties set up during the XIIIth session of GATT to examine measures for the furtherance of international trade (see Bulletin No. 1, p. 25).

The Commission has also begun preparatory studies with a view to its participation in the work of Committee No. 2, on agriculture, and of Committee No. 3, on aid to under-developed countries, both of which were instituted by GATT in the same framework.

Relations with International Organizations and non-member Countries.

7. In implementation of the liaison agreement concluded with the International Labour Office, the Commission has participated in a series of studies and meetings organized by the Office (the European Social Charter - the status of migrant workers).

The Commission has entered into contact with the Food and Agriculture Organization (FAO) and preliminary negotiations for the establishment of a liaison and co-operation agreement with this agency have taken place.

8. In order to facilitate the co-ordination of the trade policy of the Six, the Commission has undertaken a thorough and critical study of the relationship existing between each of the Member States and third countries. Relations between the Six and the countries of Latin America as a whole have been among the important problems studied in this con-

nection, and possible means of increasing trade between the Community and the countries of the Middle East, Eastern Europe, and the Far East are being examined within the competent services of the Commission.

Finally, the Commission has examined concrete measures calculated to bring about stabilization of trading prices and so to improve the situation of countries producing raw materials.

As a result of the examination the Commission may be led to work out proposals for a uniform raw materials policy for Member States.

The problems just mentioned (Latin America, raw materials, GATT) have been studied within the Council with the participation of the Commission.

ECONOMIC AND FINANCIAL AFFAIRS

Summary note on general economic conditions

9. The latest studies carried out by the Commission would seem to show that industrial production has been characterized by stabilization at the level reached at the beginning of 1958, but that the autumn recovery was not inferior to the normal and that a certain improvement in the rhythm of activity is becoming apparent even in the Federal German Republic and the Benelux Countries. Moreover, in 1958, the volume of employment in the Community countries remained high and even increased in the Federal Republic, where unemployment reached its lowest level since the war. A comparison of the trend of

unemployment, employment and production during recent months seems to indicate a certain improvement in productivity such as is generally noted at this point of the economic cycle.

The stabilization of consumer prices which has made itself felt throughout the Community is attributed in part to the fall in the prices of imported products and, as a result of the favourable 1958 harvests, to the fall in prices of food products. The cyclical drop in demand for consumer goods has also exercised an influence in the same direction. In France, where a tendency to stabilization had also been felt during recent months, the latest measures (devaluation, abolition of subsidies, new taxes) lead us to anticipate a certain rise in prices.

Despite the general slackening of world markets, the volume of exports from the Community has not declined; it even showed a tendency to rise during the second quarter of 1958 in most Member States. Similarly, the overall value of Community exports is increasing in relation to the previous year as a result of the relative stability of export prices. As for imports, they have appreciably diminished in value compared with 1957, by reason of the fall in prices of raw materials and freight rates. These import and export trends have led to a diminution of the deficit in trade balances or, in the case of the Federal Republic, to an increase in the surplus. The favourable trend of the terms of trade also largely contributed to the improvement in the trade balances of the Community. This favourable trend has ceased, however, since the middle of 1958 and has even given way to a worsening for most Member Countries.

The improvement of trade balances has contributed to the increase in the gold and currency reserves of the Community countries. However, the trend of trade gives only an imperfect idea of the trend of the reserves, which is also affected by variations in the terms of payment and short-term movements of capital. These have been due both to speculation on the rates of exchange and differences in interest rates between countries. The currency decisions taken in France and the reductions in discount rates recently decided on in the Federal Republic and the Benelux Countries will contribute to a more balanced situation in this respect.

10. The Monetary Committee met on 19 December 1958. There was an exchange of views on the prospects of convertibility of certain European currencies and the Committee examined modifications likely to take place in the payments system of Member States of the Community.

The Committee also studied the financial and currency situation of Belgium, Luxemburg and France.

The economic and financial measures in France

The re-establishment of convertibility

11. On 28 December 1958 the Commission published the following Communiqué:

"In the course of a meeting held in Brussels, the Commission of the European Economic Community was informed by the French Government of the economic, financial and currency measures which it had decided to take.

After a preliminary examination of these decisions, the Commission wishes to express its satisfaction with the general characteristics of the reform thus put into operation. By freeing her imports up to 90 %, France fully carries out the commitments she undertook in OEEC at the very time when the six Community countries are taking the first steps along the road to the implementation of the Treaty of Rome. The fixing of a new exchange rate should enable France to ensure the equilibrium of her balance of payments at this high level of liberalization. The maintenance of the deficit at a figure which, on a comparable basis, does not exceed that of 1958, and the elimination of certain elements of rigidity in the structures of French economy constitute a guarantee of stability for the currency.

These measures of financial and monetary re-organization will reinforce the cohesion of the European Economic Community. They create the necessary foundation for a policy of expansion of production in conditions of currency stability. The Commission also notes with pleasure the re-establishment of the convertibility of the Pound sterling and of the currencies of the Community. Thus a new stage has been reached on the road towards that freedom of movement for goods, capital and persons which constitutes one of the essential objectives of the economic policy of the countries of the free world."

12. The communiqué refers inter alia to the simultaneous decision of the Member States of the Community to make their currencies convertible.

This convertibility is limited for certain Community countries to non-residents and to current operations. Other

countries, which were already practicing a more liberal regime vis-à-vis their nationals - notably the Federal Republic - have been able to adopt a wider definition of convertibility, benefiting residents also and extending to movements of capital.

THE INTERNAL MARKET

The date-line of 1 January 1959

13. The first measures of tariff and quota disarmament taken by the Member States in implementation of the Treaty instructions entered into force on 1 January 1959.

The Commission is at present examining how far these measures conform with the opinions which it was required to give before 1 January 1959 for the purpose of ensuring harmonious implementation of the Treaty by the Member States.

Elimination of quantitative restrictions

14. When examining the quota systems established by the Member States, the services of the Commission carry out a precise check of the figures used in calculating global quotas. They check whether the percentages of increase have been correctly calculated, in particular in the matter of the application of the 3 % rule, and, finally, they inquire into the criteria and the methods used by each country to enlarge its quotas or to convert them into global quotas.

Various meetings are being held with the experts of each of the Member States, on the one hand to discuss the

principal observations arising from the preliminary examination of the quota frameworks, and, on the other, to prepare a general meeting on the measures implemented with effect from 1 January 1959. The Commission is also studying the directives which it will have to issue for the fixing of global quotas in cases where no national production exists. It is further carrying out the classification of products subject to state trading.

Elimination of customs duties

15. The Commission is watching the implementation of the first reduction of customs duties by Member States and is centralizing information on taxes with equivalent effect to customs duties.

The services of the Commission are at present compiling a list of duties of a fiscal character, reported by the Member States. They are also examining the cases which might constitute an infringement of the provisions of the Treaty.

A certain number of difficulties in connection with the application of the customs certificate of circulation have been pointed out by the governments. These difficulties illustrate the necessity of undertaking without delay the harmonization of customs legislation, in particular in the matter of the problems of origin and value, suspensory regimes, processing traffic and the manner of charging duties.

Preparation of the common external tariff

16. The Commission is actively engaged in working out the common external tariff. The dovetailing of national tariffs to enable their arithmetical average to be calculated continues with the collaboration of two groups of experts nominated by the Member States.

The first working party, which is at present dealing with the textile sector, has finished this dovetailing for chapters 1 - 57 of the Brussels nomenclature. The second group, which has been meeting since 12 January 1959 in consequence of the decision, taken by the Council on 3 December 1958, that the establishment of the common external tariff should be speeded up, has terminated the same operation for chapters 64 (footwear) and 65 (headgear). Already chapters 58 - 63 (textiles) and 84 and 89 (machines, vehicles) are on the programme of the first group. Chapters 66 - 83 (in particular ceramics, glass, metallurgical products) have been entrusted to the second group. Chapters 90 - 99 will be allocated later.

Work on the preliminary draft of the common tariff to be established on the basis of this dovetailing, has also been completed for chapters 1 - 57. The two documents (dove-tailed list and preliminary draft) concerning the first 49 chapters have been transmitted to the competent administrations of the Member States, which have submitted their remarks in respect of chapters 1 - 27. Remarks of a technical nature are laid before groups of experts from the different countries for examination, while those of a general or economic character are studied by a wider Committee.

The Commission is seeking a method of work which would make it possible to resolve, at least partially, some of the problems raised by the products contained in list G. To this end, it is trying to determine for which of these products rapid negotiations not necessitating any previous enquiry might be contemplated. In addition, a draft questionnaire has been drawn up covering those products for which a speedy method of negotiations cannot be envisaged.

Right of Establishment and Services

17. An important work of analysis and study has been carried out in collaboration with the competent administrations in the six capitals of the Member States.

On the invitation of the Commission, the governments are nominating representatives to the expert group which will be associated in the working out of a general programme which the Commission is to propose for the elimination of restrictions on freedom of establishment within the Community.

COMPETITION

The rules applicable to enterprises

18. The question of the juridical nature of Articles 85, 86 and 90 § 2 may be considered as satisfactorily elucidated now that the European Parliamentary Assembly and the government experts on understandings appointed by Member States have expressed their agreement with the opinion of the Commission as set out in the first number of the Bulletin of the European Economic Community. In the opinion of the Commission, the pro-

visions of these articles have acquired force of law through the ratification of the Treaty by the parliaments of the Member States and have become an integral part of the national law of each of these countries (see Bulletin of the EEC, No. 1, p. 26).

19. The rules of procedure required for the carrying out of the tasks entrusted to the national authorities under Article 88 have not yet been drawn up in Belgium, Italy and Luxemburg. These provisions are indispensable to the implementation of Articles 85 and those following. This is why the Commission attaches great importance to their early promulgation. By letter addressed to the Governments of these three Member States and mentioned in Bulletin No. 1, the Commission declared itself ready to afford any help which might be desired in working out these rules of procedure.

20. The decentralization of competency resulting from Article 88 makes it necessary to devise a method of work guaranteeing the most uniform application possible of Articles 85 and those following. At their first meeting, in November of last year, the government experts on understandings from the Member States had already recognized that such a method of work was necessary. At a second conference, which took place in the middle of January 1959, this question was thoroughly examined on the basis of a working document submitted by the Commission. Certain formulae have already been worked out, and these will make it easier to unify methods of work.

21. However, an efficacious policy on understandings does not only presuppose uniform application on the rules, but also a common programme of work. The fixing of such a programme

is necessarily a slow matter. At the experts' conference in the middle of January 1959, this question also was examined on the basis of a working document submitted by the Commission, and it was possible to agree on methods for drawing up a programme of work.

The great difficulty in this respect lies in the necessity of analysing the economic content of Articles 85 and those following. This is a task which will take on very special importance in the months and years to come, and which it will only be possible to carry out progressively.

Dumping practices

22. During recent months, the study of dumping practices, and in particular of the problem posed by the implementation of Article 91 § 2 ⁽¹⁾ has become very urgent, the Commission having received not only several enquiries but also some requests under Article 91 § 1, first subparagraph ⁽¹⁾. Further-

(1) Article 91 of the Treaty runs:

- 1) If, in the course of the transitional period, the Commission at the request of a Member State or of any other interested party, finds that dumping practices exist within the Common Market, it shall issue recommendations to the originator or originators of such practices with a view to bringing them to an end.

Where such dumping practices continue, the Commission shall authorise the Member State injured to take protective measures of which the Commission shall determine the conditions and particulars.

- 2) Upon the entry into force of this Treaty, any products originating or having been entered for consumption in one Member State which have been exported to another Member State shall be admitted free of all customs duties, quantitative restrictions or measures with equivalent effect when re-imported into the territory of the first State. The Commission shall lay down appropriate rules for the application of this paragraph.

more, it is precisely during the first years of the transitional period that these provisions are especially important. The Commission is, therefore, doing its utmost to hammer out as quickly as possible the rules mentioned in the last clause of Article 91 § 2. This work is progressing satisfactorily. At the same time, requests submitted in conformity with Article 91 § 1, subparagraph 1 are being studied.

Fiscal problems

23. The services of the Commission have begun the study of certain aspects of the fiscal legislation of the six countries which bear on the application of the Treaty. These services have established preliminary contacts with public or private international organizations studying similar problems.

In this connection, the Commission is particularly interested in reforms of direct and indirect taxation and, in particular, the reform of the turnover tax already announced by the German Federal Republic.

State Aids - Discrimination by States

24. Under the provisions of Article 93 § 1 of the Treaty, the Commission is required to undertake, together with Member States, constant examination of the systems of aid existing in those States. In order to accomplish its task, the Commission must dispose of an inventory of these systems. Rather than immediately ask the various governments for their contribution to the inventory in question - a solution which might have allowed a certain regrettable lack of precision to exist, with the consequent risk of slowing down the acti-

vity of the Commission itself - it appeared advisable first to organize a meeting with the representatives of the Member States with a view to seeking jointly the simplest and most expeditious procedure. This meeting will also furnish an opportunity to establish, should this be found necessary, an order of priority of the various categories of aid on whose compatability with the Common Market the Commission has to decide. The representatives of the Member States will further be invited to make known their feelings on the form which the examination mentioned in Article 93 § 3 of the Treaty should take: bilateral examination between the Commission and the interested Member State, or multilateral examination.

25. As the replies sent by the various governments following the enquiry opened by the Commission to determine on what bases the special provisions of Article 92 § 3 (c) concerning aid to shipbuilding should be implemented had given rise to further questions, the Commission deemed it advisable to convoke experts from the various governments in order to examine these matters jointly. Beyond the specific problem of how far the existing aids should be assimilated to customs protection and, as such, made subject to the same reductions as the customs duties applicable between Member States, the projected meeting will furnish an opportunity of seeking the agreement of the national authorities on the procedure to be followed with regard to the aids in question in so far as they are subject to common law.

SOCIAL AFFAIRS

Social security of migrant workers

26. Regulations No. 3 and 4 concerning the Social security of Migrant Workers appeared on 16 December in the Official Gazette of the Communities. The two Regulations became effective on 1 January 1959, with the exception of Articles 43 and 44 setting up the Administrative Commission, which came into force in advance, three days after publication in the Official Gazette.

The models of the forms necessary to obtain short-term benefits under Regulation No. 3 were published in the Official Gazette on 16 January 1959. Under the terms of Article 2 of Regulation No. 4, the models of certificates, attestations, applications and other documents necessary to the implementation of the regulations concerning the social security of migrant workers shall be established by the Administrative Commission set up under Article 43 of Regulation No. 3. They had been worked out jointly by the services of the Commission and the national experts nominated for this task in the two meetings held from 27 - 29 November and from 17 - 19 December, and adopted on 19 December, when the experts constituted themselves into an Administrative Commission in conformity with Article 88 of Regulation No. 4.

27. In addition, the Administrative Commission has instructed statistical experts to submit to it proposals concerning the necessary implementing measures for Articles 74 and 75 of Regulation No. 4. The experts met on 13 and 14 January 1959 at the offices of the Commission of the European

Economic Community.

Article 74 concerns the reimbursement of services in kind between social security institutions in cases where these services are made available by the institution of the place of residence of the family of a worker employed in another Community country and consequently affiliated to an institution of that country.

Such reimbursements shall be effected on the basis of a lump sum calculated according to the average costs of benefits in kind per family.

Article 75 deals with the case of pensioners and their families residing in a country other than that in which the institution paying the pension is situated. The technical problem to be resolved is similar to that raised by the implementation of Article 74.

Social Services

28. On the suggestion of the Directorate of Social Security and Social Services, a meeting was held in Brussels on 19 - 20 December 1958 of social service experts in the strict sense of the term, i.e. heads of groups of social service workers, and representatives of ministries responsible for the training of the workers. Twenty-one experts from the six EEC countries took part as well as four representing international organizations.

The first sitting was opened by M. PETRILLI, a member of the Commission and Chairman of the Social Affairs Group, who

outlined the purposes of the meeting: to review present social service problems in each of the six countries of the European Economic Community and on the international plane, and to obtain an idea of the new tasks for social service which may result from the application of the European Economic Community Treaty.

Since social service workers are in direct contact in their daily tasks with the persons to whom the relevant legislation on social matters applies, they are in a position to see where such legislation is defective, to suggest the necessary changes, and thus make a very material contribution to all work for social progress.

The study of the new social service problems arising from the Treaty on the European Economic Community was envisaged both from the angle of the accomplishment of the general objectives of the EEC (improvement of the living and working conditions of wage-earners and their families) and from that of the particular fields of action provided for by the Treaty, notably freedom of movement for labour, the European Social Fund, and the social security of migrant workers.

The problems connected with the harmonization of social security systems called for by the Treaty were also examined and discussed, the question being envisaged under two chief heads: Can the social services collaborate in this harmonization? Should the social services form one subject of this harmonization?

Employment

29. A meeting of experts on statistical and manpower problems drawn from the various countries was called by the Directorate-General for Social Affairs, in collaboration with the Joint Statistical Service, and was held on 7 and 8 January 1959.

The purpose of the meeting was to examine the project of a study on employment in the Member States.

In the light of the objectives chosen, the experts approved the methods and working programme of the proposed enquiry. It was decided that the project would be carried out in two stages. The first would consist of a thorough analysis of the trend in employment during recent years, which would make it possible to analyse the present situation with all the precision of which the available statistics allow and to place it against the background of recent developments. The purpose of the second part would be to bring out the main trends of employment and, as far as possible, to forecast the future situation.

The experts will communicate to the Directorate-General for Social Affairs and the Joint Statistical Service, who are entrusted jointly with the carrying out of the project, the statistical data necessary to proceed with the first part of the study.

Collaboration with the expert group is to go on throughout the work on the study.

AGRICULTURE

Tariff and quota disarmament

30. When the measures taken under the Treaty by the governments of Member States to reduce customs duties and increase import quotas for agricultural products or convert them into global quotas were studied in detail, certain specific problems arose whose solution necessitates further consultation with government experts. In particular, it seemed necessary to define more exactly the details of implementation both of long-term agreements or contracts and of minimum prices.

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31. In December 1958, the new International Agreements on Sugar was signed by the Member States, including Italy, who was not a party to the old agreement. The Treaty contains special provisions for trade in sugar between the Member States of the European Economic Community.

Negotiations are in train with a view to the conclusion of a new International Agreement on Wheat. Experts from the six governments, meeting on the initiative of the Commission, have together worked out the positions they will adopt in the negotiations, taking into account the requirements of a common policy in the matter of cereals.

The problems involved in such a policy and those of a common policy on dairy produce are being thoroughly studied within the Commission; they have been discussed with the six

Ministers of Agriculture, with the Agricultural Commission of the European Parliamentary Assembly, and with representatives of professional organizations of agriculturalists.

TRANSPORT

32. In order to meet the wish expressed by the European Parliamentary Assembly that air transport be included in the matters for which the European Economic Community is competent, the Commission has begun to compile all available material to obtain a complete picture of the situation of civil aviation in each of the six Community countries.

At the same time, the Commission has begun an examination of the problems posed by the use and development of pipelines as a new means of transport of petroleum products likely to influence the volume and direction of transport of these products by the traditional systems of communication.

33. The Commission has studied measures to be taken in implementation of the provisions of Article 79 of the Treaty concerning the abolition of certain discriminations in transport rates and conditions in the traffic within the Community.

34. Observers from the Commission have participated in the work of the Inland Transport Committee of the United Nations Economic Commission for Europe, notably in the working parties dealing with the system of international road transport, international passenger transport by road, and the law on inland waterways.

The Transport Committee

35. The first meeting of the Transport Committee set up under Article 83 of the Treaty was called by the Commission on 27 January 1959 in Brussels. The Committee is composed of the following transport experts nominated by the Governments of the Member States:

BELGIUM

Members

- 1) M. Jean VREBOS
Director-General, Transport Administration, Ministry of Communications
- 2) M. Sylvain FRANCOIS
Administrative Director, Inland Waterways Administration
- 3) M. Lucien DEVREUX
Counsellor, Federation of Belgian Industries
- 4) M. Louis PEETERS
Secretary, Inland Waterways Section, Christian Transport Workers' Union
- 5) M. Hendrik VERHULST
Assistant Counsellor, Antwerp Port Authority

Alternates

- 1) M. Marcel NEUVILLE
Chief Engineer and Director, Office of the Secretary-General of the Ministry of Communications
- 2) M. Marcel POPPE
Counsellor, General Secretariat of the Ministry of Communications
- 3) M. Joseph van BROEKHOVEN
President of the Belgian National Federation of Road Hauliers
- 4) M. Alfred BOULANGER
Secretary-General of the Christian Trade Union of Railwaymen, Postal Employees, Merchant Seamen, Aeronautical Workers and Personnel of the Belgian National Radio

FEDERAL REPUBLIC OF GERMANY

Members

- 1) Dr. Walter SCHULTE-MEERMANN
Federal Ministry of Transport
- 2) Dr. Rolf GOCHT
Federal Ministry of Economics
- 3) Dr. Kurt SAMTLEBEN
German Federal Railways
- 4) M. Georg GEIGER
Transport Contractor, Hannover, Chairman "Zentralarbeitsgemeinschaft des Strassenverkehrsgewerbes e.V." (Association of Road Transport Contractors), Frankfurt/Main
- 5) Dr. Wolfgang DIX
Member of Board of Management "Westfälische Transport-Aktiengesellschaft", Dortmund

Alternates

- 1) Dr. Kurt HAUSMANN
Federal Ministry of Transport
- 2) Dr. Hans-Hero VOSGERAU
Director of Kloeckner-Mannstadt-Werke GmbH., Troisdorf.
President of the Chamber of Commerce and Industry, Bonn.
- 3) Dr. Ottmar MAIER
Head Office, German Federal Railways
- 4) Dr. Anton HEIMES
Executive Member, Board of the "Arbeitsgemeinschaft Güterfernverkehr im Bundesgebiet e.V." (Association of Road Hauliers in Frankfurt/Main
- 5) M. Oskar GEORGE
Member of the Executive Board of Transport and Public Services Union (OTV), Stuttgart

FRANCE

Members

Alternates

- | | |
|---|--|
| 1) M. DORGES
Delegate General for Inter-
national Affairs | 1) M. DALGA
Assistant Director |
| 2) M. CORBIN
Head, General and Inter-
national Affairs Dept.,
Directorate-General of
Railways and Transport | 2) M. GIRAUD
Chief Engineer, Dept. of
Civil Engineering |
| 3) M. LACOSTE
Chief Engineer, French
National Railways | 3) M. Paul BUTET
Secretary General, Feder-
ation of Christian Trade
Unions of Railwaymen in
France and the Overseas
Territories |
| 4) M. Claude LEBLANC
Director, National Highways
Committee | 4) M. FELCE
of the C.G.T.F.O. (Socia-
list Trade Unions) |
| 5) M. BERNHEIM
Director, National Navigation
Office | 5) M. BONNET-MAURY |

ITALY

Members

Alternates

1) M. Aldo MORGANTI
Inspector-General,
Ministry of Transport

1) Dr. Camillo TOSTI CREMONI

2) Dr. Giuseppe SANTONI-RUGIU
Assistant Director-General,
State Railways, Ministry of
Transport

2) Dr. Walter ANICELLI

3) Dr. Francesco SANTORO
Expert on rail transport

4) M. Ugo BERNIERI
Expert on road transport

5) Dr. Ettore PARDUCCI
Expert on Inland Waterway
Transport

LUXEMBURG

Members

- 1) M. René LOGELIN
Government Counsellor,
Ministry of Transport
- 2) M. Albert CLEMANG
Government Commissioner,
Luxemburg National Rail-
ways
- 3) M. Antoine WEHENKEL
Chief Engineer,
Luxemburg National Railways
- 4) M. Henri ARNOLD
Head of Transport Service
of Columeta (retd.)
- 5) M. Joseph MARSON
Secretary-General of the
Luxemburg National Federa-
tion of Railwaymen and Trans-
port Workers

Alternates

- 1) M. Ferdinand WEILER
Government Counsellor,
Ministry of Public Works
- 2) M. Marcel SIMON
Head of Road Transport
Office, Ministry of Trans-
port
- 3) M. Pierre HAMER
Government Commissioner,
Luxemburg National Rail-
ways
- 4) M. Lucien JUNG
Secretary of the Federation
of Luxemburg Industrialists
- 5) M. Jacques LEURS
Secretary of the Board of
Directors, Luxemburg
National Railways

NETHERLANDS

Members

- 1) M. K. VONK
Deputy Director-General,
"Navigation" Division,
Ministry of Transport and
Civil Engineering
- 2) M. D. J. WANSINK
Director, Netherlands Rail-
ways, Utrecht
- 3) M. M. J. ELSHOUT
Chairman, Inland Waterways
Consultative Organization,
Rotterdam
- 4) M. E. W. P. VERBEEK
Secretary, Netherlands Inter-
national Road Transport Or-
ganization, The Hague
- 5) M. H.J. KANNE
President, Netherlands Federa-
tion of Transport Workers,
Utrecht

Alternates

- 1) M. H. J. H. MANSSEN
Dept. Head, Directorate-
General of Navigation
- 2) M. P. R. LEOPOLD
Secretary, Netherlands
Railways, Utrecht
- 4) M. W. K. F. VIS
Secretary-General, Asso-
ciation of Hauliers and
Forwarding Agents,
The Hague
- 5) M. W. BRAK
Member of the Central
Board of Netherlands
Christian Trade Unions,
The Hague

The Committee elected its officers and agreed its rules of procedure. It elected M. Jean Vrebos Chairman of the Transport Committee.

ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

Development Fund

36. By 31 December 1958, 40 projects had been officially submitted to the Commission:

- 20 for the Belgian Territories
- 17 for the French Territories
- 2 for the Italian Territories
- 1 programme for the Netherlands Territories.

Only the Belgian and Italian projects were filed before 1 December 1958.

On the 20 Belgian projects, which have all been examined by the services of the Commission, eight have been submitted to the Commission and will, if necessary, be presented to the Council. Of these eight, four concern Ruanda-Urundi and four the Belgian Congo.

The Italian projects were withdrawn by the responsible authorities for presentation in a new form before their examination was completed.

Some of the French projects have been the subject of a preliminary study in the general framework of the territory in question.

However, this study can only be of use if all the projects for a given territory are transmitted to the Commission. Until this is done it is impossible to obtain any idea of necessary priorities.

Although only 17 projects have been submitted officially, the Commission has had cognizance unofficially of 140, a great number of which are likely to be presented officially.

The Netherlands programme has been the subject of a preliminary discussion with the competent national authorities, who intend to furnish the detailed information necessary for the practical examination of the projects, as required by the Implementing Convention and the regulations.

As far as the regulations governing the Development Fund are concerned, that on the responsibilities of persons empowered to authorize expenditure and of accountants was published in the Official Gazette of the Communities on 31 December 1958. Thus the earliest date on which the Commission could approve the implementing Regulation was 9 January 1959. This Regulation will be published very shortly.

The Right of Establishment

37. On 7 January 1959, the Commission approved the draft proposal on the progressive abolition of discriminations between nationals and companies of Member States in the matter of the right of establishment in Overseas Countries and Territories. This draft will be submitted to the Council as soon as possible after the authorities of the Overseas Countries and Territories and the Economic and Social Committee have commented on it.

At the end of January, M. LEMAIGNEN, a member of the Commission and Chairman of the Overseas Countries and Territories Group, left for the Belgian Congo and Ruanda-Urundi.

38. On the occasion of a first visit to the Countries and Territories associated with the European Economic Community, the Director-General for Overseas Countries and Territories spent 48 hours in Somalia, 10 days in Madagascar and, finally, 48 hours in the Comoro Archipelago and French Somaliland.

In the course of this journey, preliminary contact was made on the spot with the local authorities and administrations, e. g. representatives of the French Government, local governments, assemblies, municipal authorities, chambers of commerce, industry and agriculture, and trade unions. Several working sessions furnished opportunities

- a) to exchange views on the problems involved in association with the Community, particularly in the matter of trade and the right of establishment,
- b) to study the general lines of the projects submitted to the Development Fund,
- c) to arrange for a regular exchange of information between the local services and the EEC.

On 24 January 1959, the Director-General for Overseas Countries and Territories set off on a second journey which will take him not only to the capitals of the new states of West Africa, but also to Ghana and Liberia.

39. For the month of March, the departments of the Commission are organizing a study and information trip for nationals of the Countries and Territories associated with the European Economic Community. The purpose of this visit will be to familiarize personalities occupying responsible

positions in their countries with the objectives and means of action of the European Economic Community.

Tariff and Quota Disarmament

40. The first measures of tariff and quota disarmament provided for by the Treaty and the Implementing Convention with the aim of progressively opening the markets of the Associated Countries and Territories to the States of the Community came into force on 1 January 1959.

These measures essentially concern the countries and territories with which France has special relations. In the other Associated Countries and Territories there are no import quotas, although certain measures "with equivalent effect" may exist and need to be eliminated. In the same way, measures to reduce customs duties apply only to territories which have a discriminatory tariff against Member States; this limits the field of application of these measures to certain territories, the most important of which formerly constituted the Federation of French West Africa.

A study of the problems posed by the implementation of measures of quota disarmament was made at several exploratory meetings with the national experts in October, November and December 1958. This implementation of certain arrangements raised difficult problems and was the subject of numerous exchanges of views. It proved possible to find solutions to practically all the difficulties discussed.

However, the implementation of these disarmament measures was somewhat delayed by the political transformation

of certain territories and by the measures to liberalize trade taken in France at the end of 1958, since the extension, at least on a partial basis, of these measures to the Overseas Countries and Territories of the French Community was still under study.

The implementation of the reduction of 10 % in customs duties in the associated Overseas Countries and Territories has not given rise to any special problems. The reduction was made uniformly for all duties applicable on 1 January 1957, without the countries and territories making use, on the occasion of this first reduction, of the facility granted them by the Treaty of maintaining or levying certain duties to protect their young industries and further the development of their economies.

The problems connected with the expansion of trade between the associated Overseas Territories and the Community have been the subject of numerous contacts with the administrative and, above all, professional services interested in trade in tropical exports, chiefly oleaginous products, woods and coffee. The enquiries carried out have resulted in the drawing up of a document on the marketing of tropical woods and in the formulation of certain suggestions on the stabilization of the international coffee trade. In the matter of oleaginous products, a beginning has been made with the consolidation of the first documentary material produced in cooperation with the private sector with a view to a basic study of the problems posed by the export of these products from tropical countries.

Administrative matters

41. In agreement with the EURATOM Commission, the Commission has submitted to the Council a first proposal with a view to the introduction of a Community Tax in implementation of Article 12 § 1 of the Protocol on Privileges and Immunities. Under the terms of the Treaty (Article 12 § 1 - Articles 19 and 20 of the Protocol) this tax is applicable to salaries, wages and emoluments paid by the Community to members of the Commission, to judges, advocates-general, registrars and assistant recorders of the Court of Justice, and to officials and agents of the Community. Article 21 stipulates that the Protocol also applies to the European Investment Bank, to members of its organs and to its staff.

42. At its meeting of 2 and 3 February 1959, the Council voted the 1959 draft Budget of the European Economic Community after having carried out the consultations required by the Treaty on the preliminary Budget estimates submitted to it by the Commission. In the course of these consultations, the Commission and the Council mutually agreed to several changes in the preliminary estimates as submitted.

The draft 1959 Budget will be transmitted to the European Parliamentary Assembly.

III.- INSTITUTIONS AND ORGANS

A. EUROPEAN PARLIAMENTARY ASSEMBLY

43. The Assembly resumed its session in Strasbourg on 15 December 1958.

It examined the draft budget of the financial year 1958 for the European Economic Community and EURATOM, a draft opinion on basic standards of health protection (Article 31 of the EURATOM Treaty) and the situation of the coal market.

Before the close of proceedings on 17 December 1958, the Assembly was addressed by M. ETZEL, Minister of Finance of the Federal Republic of Germany, on behalf of the Councils, by M. HALLSTEIN and M. SASSEN, who presented the views of the Commissions, after which the members of the Assembly adopted a resolution taking note of the draft budgets for 1958.

44. The Assembly met in ordinary session from 7 to 15 January 1959 and elected the following officers:

President: M. Robert SCHUMAN

Vice-Presidents: MM. FOHRMANN
CANTALUPO
FURLER
VANRULLEN
JANSSENS
BATTISTA
KALBITZER
HAZENBOSCH

The members of committees were appointed and these, in turn, elected their chairmen, vice-chairmen and rapporteurs.

- Committee and Political Affairs and Institutional Questions:

Chairman: M. GUGLIELMONE († 24-1-1959)

Vice-Chairmen: MM. van der GOES van NATERS

BOUTEMY

- Working Party on European Elections

Chairman: M. DEHOUSSE

Vice-Chairman: M. SANTERO

- Committee on Commercial Policy and Economic Co-operation with Non-Member Countries:

Chairman: M. ROCHEREAU

Vice-Chairmen: MM. LEVERKUEHN

SAVARY

- Committee on Agriculture

Chairman: M. BOUTEMY

Vice-Chairmen: Mme STROBEL

M. TROISI

- Committee on Social Affairs

Chairman: M. NEDERHORST

Vice-Chairmen: MM. STORCH

ANGIOY

- Committee on the Internal Market of the Community

Chairman: M. ILLERHAUS

Vice-Chairmen: MM. KREYSSIG

KORTHALS

- Committee on Investments, Financial Questions and Long-Term
Economic Policies

Chairman: M. DEIST
Vice-Chairmen: MM. BATTAGLIA
RUBINACCI

- Committee on the Association of Overseas Countries and
Territories

Chairman: M. SCHEEL
Vice-Chairmen: MM. AUBAME
CARCASSONNE

- Committee on Transport

Chairman: M. MARTINELLI
Vice-Chairmen: MM. KAPTEYN
STARKE

- Committee on Energy Policy

Chairman: M. BURGBACHER
Vice-Chairmen: MM. DE BLOCK
ALRIC

- Committee on Scientific and Technical Research

Chairman: M. MARGUE
Vice-Chairmen: MM. MAURICE-BOKANOWSKI
RATZEL

- Committee on Safety, Industrial Hygiene and Health Protection

Chairman: M. BERTRAND
Vice-Chairmen: MM. GAILLY
CANTALUPO

- Administrative Committee of the European Parliamentary
Assembly and the Budgeting of the Communities

Chairman: M. VALS
Vice-Chairmen: MM. MARGULIES
CARCATERRA

- Committee on the Settling of Legal Questions, Rules of
Procedure and Immunities

Chairman: M. BOHY
MM. RIP (+8-2-1959)
COULON

45. The Assembly devoted the greater part of its meetings of the ordinary session in January to discussion of the reports of its committees on the various chapters of the General Report on the Activities of the European Economic Community and on the General Report on the Activities of EURATOM.

On 15 January, at the close of this discussion, the Assembly adopted eight resolutions.

46. The resolution on the establishment of a European economic association approved the statement made on 13 January by M. HALLSTEIN, President of the Community. In his statement, M. HALLSTEIN rejected the charges of discrimination and protectionism made against the Community by certain non-member states. He recalled that membership of the European Economic Community was open to European states which had not become members, and stressed the liberal attitude of the Treaty towards commercial relations with non-member countries. The Commission had been instructed by the Council to work out a solution to the problem of the relations between the European

countries, and it had been found that this solution must meet three conditions:

- it must be liberal;
- it must be multilateral;
- it must be evolutionary and must facilitate further progress towards an ever better order in Europe and in the world.

Turning to the provisional régime suggested by the Six to their partners in OEEC for the period during which an agreement was being worked out, the speaker stated that this could not be looked upon as a precedent for the final solution of the problem of association, as it had never been conceived as a fore-runner of the solution proper.

M. REY, a member of the Commission, closed the debate with a statement that the solutions which would be put forward by the Commission would not be merely European but would place the problem in its world setting. In his view the Inter-Governmental Committee which had been working in Paris had perhaps been taking too narrow a view of its tasks when it supposed that there was but one question to be settled, namely the economic relations between the Community and the other members of the OEEC. The Community could not limit its view to Europe, however important Europe might be. Its policy had to be fitted to its responsibilities, and these covered all parts of the world. M. ERHARD, Minister of Economics of the Federal Republic, speaking in a private capacity, intervened in the discussion on the European Economic Association in order to stress how important for the trend of the negotiations were the measures which had been taken in connection with convertibility.

47. The resolution on investments, financial questions and long-term economic policy pointed out among other things that the objectives of a long-term economic policy must cover the most rapid rate of expansion at the highest level of employment possible, a balance of payments by the Member States in overall equilibrium, stable currencies and stable prices. The resolution recalled that the development of the socially and economically less favoured areas in the Common Market is one of the essential tasks of the Community.

M. MARJOLIN, a Vice-President of the Commission, spoke in the debate on long-term policy in order to record, among other points, the satisfaction felt by the Commission over the measures taken by the French Government. Liberalization of trade on the European and world scale required sound financial policies in individual countries; none the less, progress towards universal free trade in no way reduced the need for the economic integration of the Six.

48. The resolution on problems relating to the opening of markets and to competition urges that taxes with an effect equivalent to customs duties should also be abolished rapidly.

The Assembly expressed its hope that the announcement of freedom of movement for goods would be rapidly followed by complementary measures on the movement of services and capital as well as on the right of establishment.

M. MALVESTITI, a Vice-President of the Commission, referred particularly to the tasks in the field of tariff and quota disarmament which, under the terms of the Treaty, were incumbent on the Commission. He considered that the Commission

was not entitled to interpret the Treaty in this connection, but that it was up to the Commission to pursue a task of rapprochement by constantly recalling both the letter and the spirit of the Treaty and so encouraging Member States to take coherent and converging measures. He also announced the agreement reached by the Commission on the need to settle a common external tariff with a minimum of delay.

The speaker agreed with the Rapporteur's view that the substitution of internal fiscal charges for customs charges could no longer be considered an internal matter for each member country.

M. von der GROEBEN, a member of the Commission, made a statement on the principle which ought to guide the Community's policy on competition. The Treaty was based on the concept that the economic life of the Community must be regulated by the free play of competition. At the same time the Treaty, in its clauses concerning competition, provided the foundation on which to build the European regulations necessary for the uniform development of free competition. These clauses in the Treaty were intended to guarantee the advantages stemming from the opening of the market and contribute to economic progress by encouraging harmonious development, by preventing the occurrence of disequilibria in the distribution of economic power, and by facilitating the adaptation of certain economic sectors.

49. In a resolution on social matters the Assembly urged that the Committee should as rapidly as possible take action to ensure the establishment of a European Employment Board which would act as co-ordinating body for the national employment offices and bring together supply and demand on the

European labour market. In this resolution the Assembly requested the Commission and the six Governments to take steps towards the progressive harmonization of the regulations in force in the different countries and asked that the "European Social Fund" be given sufficient means to cope with the tasks allotted to it.

M. PETRILLI, a member of the Commission, spoke in the debate on social policy to stress the close relation between the social policy of the Treaty and the general objectives of economic integration. The equalization in an upward direction of living and working conditions must be understood as meaning a trend of policy intended to place individuals, social groups, geographical areas and economic sectors on an equal footing as regards opportunities for social progress. He stressed the importance of the part that can be played by a body co-ordinating the employment offices in Member States in conjunction with the gradual implementation of freedom of movement for workers.

Action by the Economic and Social Fund would to some extent be automatic, in line with the clauses of the Treaty, as soon as the regulations governing the Fund had been adopted by the Council of the Assembly and the Economic and Social Committee had been consulted.

50. In a resolution on questions of industrial hygiene and health protection, the Assembly called upon the Commission of the European Economic Community to put into force as rapidly as possible the programme which had been specially prepared to cover the prevention of occupational diseases and industrial accidents and compensation for any damage suffered.

M. PETRILLI pointed out that to an initial list of occupational diseases drawn up by the Commission there would be added a statistical analysis intended to show the changes which had occurred in the spread of various diseases in connection with demographic and technological changes.

51. In a resolution on the Overseas Countries and Territories the Assembly requested the Commission to produce a picture showing just how the economies of the Member States and the Associated States would be affected by measures in force on and after 1 January 1959. The Assembly also expressed the hope that in applying the right of establishment due account would be taken of the wishes of the population of the Overseas Countries and Territories in connection with their economic development, and further expressed the wish that the Commission should recruit permanent and trainee officials from the Overseas Countries and Territories.

M. MALVESTITI, a Vice-President of the Commission, speaking in the debate on the association of Overseas Countries and Territories, in the absence of M. LEMAIGNEN on an official visit to the Belgian Congo, stated that the question of association must in large measure be related to the wider problem of the overall relationship between industrialized countries and countries in process of development. The constant care of the Commission was to give reality to the association, and it was in this spirit that it had been working to develop good relations with the authorities on the spot; in this spirit too, it had been seeking appropriate formulae for the active participation of Africans in the work of the Commission.

Conscious of the economic importance of certain problems, especially of tropical agriculture, for the young countries of Africa, the Commission intended to continue its detailed study of these problems and, as far as this was possible, to put forward appropriate solutions. The Commission considered that it would be right and useful to avoid extreme fluctuations in the prices of raw materials and tropical products, as the repercussions might be particularly unfortunate for the harmonious development of those states which were as yet insufficiently developed. This raised the problem of stabilization of prices; the solution should be sought in a broader setting and the question might usefully be discussed in GATT.

The Commission had noted with some bitterness the criticisms directed at it during the recent conferences in Accra, Cairo and Addis Ababa. The reproaches had been all the more hurtful in that they showed a complete ignorance of the true nature of the Treaty of Rome and questioned the honesty and objectivity with which the Commission of the European Economic Community was tackling the real development, both economic and social, of the populations in the associated countries.

52. In a resolution on energy policy the Assembly requested the three Executives to put forward a long-term energy policy for Europe.

The Assembly also adopted a resolution on the seat of the European Communities, in which it expressed its wish that the seat of the institutions of the Community should be settled by the six Governments as rapidly as possible.

53. The debates on transport and agriculture did not lead to the voting of resolutions.

M. SCHAUS, a member of the Commission, speaking on the part of the General Report concerning transport, stated that the Commission was studying the possibilities of extending the competence of the Community to cover civil aviation. They had also raised the question of pipelines and of the effects these might have both on the energy policy and on the transport policy of Member States. The speaker concluded with a statement of the Commission's wish to make use of the work already accomplished in Member States on road safety, with a view to working out a European road safety system.

54. M. MANSHOLT, a Vice-President of the Commission, dealt in the debate on agriculture with one of the fundamental problems of this sector. Speaking of the increase of the productivity of labour as one of the major problems in agriculture, he considered it was essential to industrialize rapidly certain agricultural areas in order to wipe out the excess of manpower. In this the Social Fund might play a useful part.

Prices and incomes in farming were closely bound up with the productivity of labour, with yield per hectare and with the question of markets. Obviously, prices could not be based solely on production costs, the state of the market had also to be taken into consideration. Although farmers had to be assured of reasonable incomes, price levels must not lead to an over-production which could not be sold.

The Commission had already made studies of the market situation. These showed clearly that there were close links between various groups of products, and they provided the basic data for proposals that would be made for a common agricultural policy.

It was evident that it was not possible to ensure the prosperity of agriculture inside the Community if this sector was cut off from the world market or the market formed by other OEEC countries. Consequently the negotiations on the association of other European countries was of particular importance for agriculture, and a free trade area which excluded agriculture was unacceptable.

Turning to the question of credit, the speaker said that the steady expansion of agriculture's needs for investment called for the provision of capital on which the interest rate was always smaller than on capital invested in industry. The Commission would work in the closest possible cooperation with the credit institutions specialising in the agricultural field.

55. On 16 and 17 January the European Parliamentary Assembly met in joint session with the Consultative Assembly of the Council of Europe.

M. HALLSTEIN, President of the Commission of the European Economic Community, and M. REY spoke on behalf of the Commission in order to define once again the views of the Commission on the European Economic Association.

B. CONFERENCE OF REPRESENTATIVES OF THE GOVERNMENTS OF MEMBER STATES

56. The representatives of the Government of Member States met on 2 February 1959 in Brussels under the chairmanship of M. Couve de Murville, Minister of Foreign Affairs of the French Republic, in order to appoint in common agreement, as required by Articles 127 and 130 of the Treaty establishing the European Atomic Energy Community, a member of the Commission of this Community, and also to appoint its President in place of M. Louis Armand, who had resigned.

M. Etienne Hirsch was appointed a member of the Commission and accepted. The appointment runs from 2 February 1959 for the remainder of the term of office of the member who has resigned, i. e. till 9 January 1962.

After the Commission of EURATOM had been consulted, M. Hirsch was appointed President of this institution and accepted. The appointment runs from 2 February 1959 for the remainder of the term of office, i. e. till 9 January 1960.

C. THE COUNCIL

57. The Council met twice in December 1958, once in January 1959, and once at the beginning of February 1959. Two sessions were devoted exclusively to problems of the European Economic Association. The other two sessions included an examination, undertaken jointly with the Commission, of the preliminary draft budget of the Community. The decisions taken on the proposal of or after consultation with the Commission

have been recorded in the preceding chapter.

Since 1 January 1959 the Council has been presided over by M. Couve de Murville, Minister of Foreign Affairs of the French Republic.

D. THE ECONOMIC AND SOCIAL COMMITTEE

58. The Economic and Social Committee will meet again on 25, 26 and 27 February 1959. It is required to give two opinions:

- First, on the secretariat of the Administrative Commission, provided for in Articles 43 and 44 of Regulation No. 3 relative to the Social Security of Migrant Workers. It is proposed that this secretariat should be provided by the Commission of the European Economic Community. The opinion of the Committee must be obtained and has been requested by the Council of the European Economic Community.

- Second, on the draft directives drawn up by the Commission with a view to progressive realisation of the right of establishment in the Overseas Countries and Territories. In this case an opinion from the Committee is optional, but it has been requested by the Commission.

59. In order to allow the Economic and Social Committee to plan its work for the coming months in good time, the Commission has informed the Chairman of the Committee that it intends to ask the Economic and Social Committee for an opinion on certain important points. The Commission has also requested the Committee to arrange for general discussions with the Com-

mission participating, on other points. In particular, the Commission intends to ask the opinion of the Economic and Social Committee on certain aspects of the commercial policy of the Community, and it would like the Committee to devote a debate to the economic situation of the Community, using the report drawn up by the expert working party under M. Uri as a basis for discussion.

The Commission is prepared to inform the Economic and Social Council of the proposals on the European Economic Association which it is required to submit to the Council of the Community on 1 March next.

The Commission is willing to take part in any general discussion of these proposals which the Committee may undertake.

Finally, the Commission would like to explain to the Committee the main lines of its social policy, showing the principal problems which it considered should be studied and the order of priority which it considered should be followed.

If possible, a statement on these points could be made to the Committee at its February session.

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DIAGRAMS AND SUMMARY NOTES ON
ECONOMIC TRENDS

At the end of January, the Commission published the first number of a monthly series entitled "Diagrams and Summary Notes on Economic Trends in the Community". This publication is intended as a supplement to the quarterly reports on market conditions and to the detailed reports on the economic trend in the Community, presented annually by the Commission; its further purpose is to provide interested circles with a regular diagrammatic survey of the most recent trends of the leading market indicators in the countries of the Community.

Each number contains eight diagrams, with short comments on the outstanding market fluctuations of the past month. The diagrams show a graph for each Member State and, where possible, one for the Community as a whole. The first four diagrams are permanent and contain monthly data. They refer to industrial production, the number of unemployed, the cost of living, and the balance of trade. The four remaining diagrams reflect quarterly developments. In January, April, July, and October they refer to the export and import indices, the terms of trade, and gold and foreign exchange reserves. In February, May, August, and November they show the trend of wages, retail sales, the industrial share market, and wholesale prices. In March, June, September, and December they deal with transport of commodities, production of electricity, production of the metal processing industries, and building permits.

The short comments attached to each diagram bring out the determinant elements of the general economic situation and show the factors likely to influence it in the sectors to which the graphs refer.

These Summary Notes are not, of course, entirely satisfactory. Many problems of statistical comparison have had to be ignored for the time being, and it has not yet been possible to prepare all the graphs reflecting conditions in the Community as a whole. Also, the number of diagrams needs to be completed to show the flow of trade within the Community and to explain other elements of importance for the understanding of market fluctuations.

The improvements and extensions which the Joint Statistical Services of the European Communities, working in close cooperation with the agencies of the Commission, will endeavour to provide in the field of fluctuation statistics, will help to make these Summary Notes an increasingly efficient source of information for the comparison and synthesis of economic trends within the Community.

