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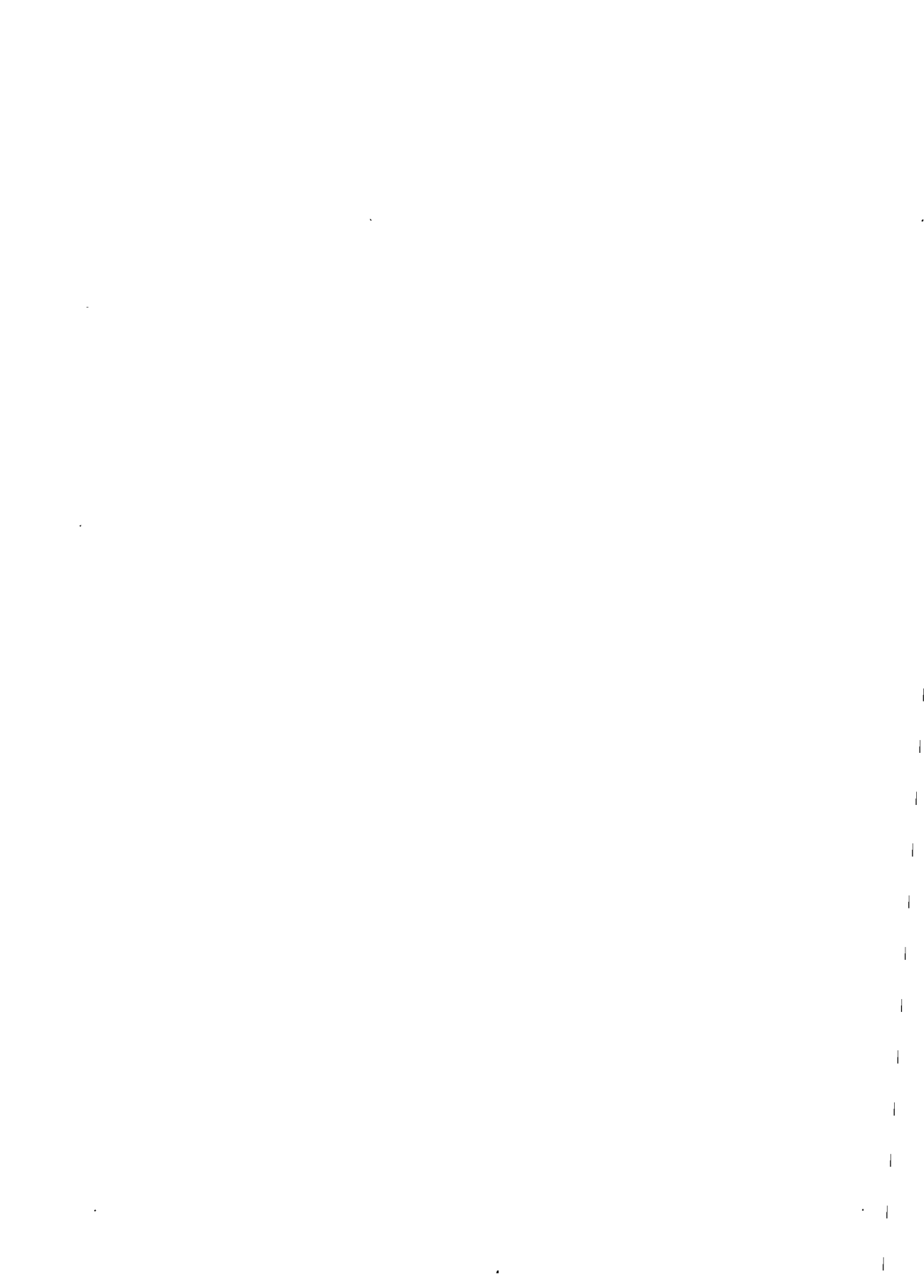
**BULLETIN
OF THE
EUROPEAN ECONOMIC COMMUNITY**

BRUSSELS

BULLETIN
OF THE
EUROPEAN ECONOMIC COMMUNITY

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I. - "ENTERPRISE AND THE COMMON MARKET"

by

Piero Malvestiti

Vice-President of the Commission of the
European Economic Community (1)

The reactions of European economic circles to the establishment of the Common Market and to the systematic attainment of its objectives are not only tremendous political and psychological interest, but also exceedingly interesting from the scientific point of view.

Science to-morrow will certainly have to draw from that reaction certain conclusions which are different, or at least on a different plane, from those evoked by the interest of the non-member countries. Science to-day which, after the enlightening period of deductive research, is inevitably unable to keep pace with the actual economic phenomena, will nevertheless have to register, classify and select these reactions and, in short, to prepare the necessary material for economists, sociologists and politicians who, in turn, will be able to have a less encumbered view of the entire field and to arrive at a more exact appreciation of it.

Let me say from the beginning that there may have been at first a certain scepticism in some quarters and unjustified fear in others; this scepticism or fear was supported by the views of certain students - which incidentally were

(1) On 25 July 1959 Vice-President Malvestiti was appointed to be a member of the High Authority of the ECSC. The appointment takes effect from 15 September 1959.

based on either an imperfect knowledge of the Treaty of Rome or on deep-seated distrust concerning the possibilities of applying it, rather than by a political attitude which cannot keep pace with the flood of new ideas and new experiences, but which life is sure to recast in line with the requirements of modern times.

When for instance a lawyer, shut away in the ivory tower of his learning, does not believe it possible to speak of a common economic policy without common legislation, that is to say without a common source of positive law with all its rules and sanctions, he is not making an absurd claim; an economist is not - subject to certain conditions - being illogical when he fears the tensions caused by economic diversity and even talks of the polarization of trade, of labour, of skill and of capital, on the grounds that inertia due to such factors as favourable conditions of the soil or the sub-soil, the concentration of skilled labour, large centres of consumption, the density of traffic by rail, road, air or shipping, entails almost insurmountable dangers, with the result that the removal of frontiers would lead to the establishment rather than the abolition of economic giants; the anxiety of the sociologist endeavouring, too often on the basis of largely obsolete concepts, to discern the evolutionary trends of modern society, can be understood, and finally we must admit that the comments of a politician trying to assess certain opposition and not dissimulating its apparent rigidity are, up to a point, objective.

Even though the Treaty of Rome is not a masterpiece of economic forecasting (which, as I have frequently explained, it could not be since, though it may be easy to stake out an economic area, it is more difficult to assess its economic

potential and almost impossible to make an accurate calculation of changes brought about by time, partly because these depend on external and uncontrollable factors and partly because to find an answer to the unknown of the market would be tantamount to an attempt at answering the unknown in life), it nevertheless bears witness to rare political wisdom clearly supported by the wise and thorough understanding of modern economic phenomena necessary to arrive at a number of most valuable conclusions which, though they may appear general in character, are in reality of fundamental importance.

The Treaty of Rome can therefore - once the romantic optimism of the old school has been discarded - convince the lawyer that the "optimum" cannot be achieved spontaneously and at one stroke but requires planning and effort; it can show the economist that the tensions brought about by economic diversity are amongst those phenomena which are most easily foreseen and feared and that, within the limits of what is humanly possible, the provisions on the rules of competition, on investment, and on aid to underdeveloped countries do take them into account; it can show the politician that the idea of Europe will henceforward have an irresistible impetus, that it meets realistic interests and that it is an obligation of which the governments may lose sight for a moment, but not the peoples. It can show the sociologist that it does not even try to forecast the future pattern of society, but that it certainly has realised very clearly the importance of labour as a factor of production and even more so from the moral, political and sociological points of view. Let me study this question in more detail.

It is permissible nowadays to think of the worker - individually and in the mass - or the employer in the same

terms as those which existed in the good old days of the XIX century? In particular is it permissible to think of "the enterprise" as a whole, as Ricardo or Karl Marx could? Should not science throw overboard the "arbitrary premises" as a requirement of elementary systems (elementary observation is rooted in the Ptolomaic period; scientific observation begins with Copernicus and leads on to Einstein and others) and should it not rather study "facts" in their objective features, thereby building up theory not only by a process of deduction from a logically correct hypothesis, but to at least an equal extent on the basis of such research? In other words, should we not set "facts" against "laws" and if necessary admit that the law is wrong when the facts prove it to be wrong?

To come back to our problem, there can be no doubt that we are faced by two phenomena: in the first place there is technical progress, which has multiplied and is further multiplying the fixed capital of enterprises to a point where problems of industrial and economic nature arise which were undreamt of even a few decades ago. Secondly, there is the very nature of the modern enterprise which presents a new type of business man who, even in his psychology, is entirely different from the type of employer of a century or even only half a century ago and who has at long last learnt to understand - or is beginning to understand - that the worker is identical with the consumer.

May I recall that in a book published in 1951 I placed the private business man side by side with the public business man (you can easily imagine the polemics to which this led, especially in academic circles; but I wonder, for instance, what the Ministers of Economics in the various countries or the members of the Executive Commissions in the European

Communities in fact are) and I also wonder, not without a dash of irony, whether we can really describe as a "private" employer the head of an enterprise who often is appointed on the basis of a holding of shares ridiculously small in comparison with the overall capital and who controls immensely powerful means of production and directs tens of thousands of workers.

We must therefore consider the facts of modern European economy from this angle and at the same time bear in mind the general and social concerns which never even occurred to the old pioneers, shut up as they were in the classical and - as they believed - salutary egoism of the homo oeconomicus.

Lack of space will not allow us to pursue an analytical enquiry into the reactions of the largest European enterprises to the establishment of the Common Market. A few examples will suffice.

In the report made by the Board of Directors to the General Meeting on 19 March 1959, the Società Edison deals with the integration of Italy into the Common Market. The need to solve the problem of unemployment by a well-balanced process of industrialization in the southern provinces is reaffirmed and the report states that "we are entering on an era of far-reaching economic specialization in which only enterprises with a high degree of productivity will have an economic justification for survival".

In the report made by the Board of Directors of the Société Générale de Belgique to the General Meeting of 25 February 1959, it is stated that the progressive abolition of customs duties between the Members of the Community will above all benefit finished products, because it is these which suffer most from the existing restrictions; the report also observes that "no sector of industry in any country is from

the outset condemned in its entirety as a result of the new competition", and that the international division of labour is more likely to make itself felt within the various industries and to the benefit of certain groups of products.

In the report made to the General Meeting on 12 March 1959, the Board of Directors of "Brufina" points out that Belgium must from now onwards attune its expansion to the increase of the population in the European Economic Community rather than to its own population increase; the Board calls for "a great intellectual effort" on the part of private enterprises.

At its ordinary General Meeting on 14 January 1959, the "Raffinerie Tirlemontoise" indicated a clear policy of rationalization: "concentration of works in more modern units, joint studies for the improvement of working methods and technical output, replacement of old plant and equipment".

At an Extraordinary Meeting on 20 January 1959, "Pechiney" stated "that as far as French aluminium was concerned the Common Market could be faced under excellent conditions thanks to the progress achieved and to the low costs of production".

Speaking of the evolution of Italian industry in adapting itself to the requirements of the European Common Market the Chairman of "Montecatini" told the Extraordinary General Meeting of 28 April 1959 that Montecatini could be looked upon as a not inconsiderable factor in economic development.

These few examples confirm what was stated in supplement No. 9 of 26 February 1959 to the "Opinion Economique et Financière", namely that in ratifying the Treaty, France (and this applies equally to all the six countries) has taken the road of competition. There is only one choice in our day: speedier progress or serious crisis. The enterprises are very

well aware of this "and the information reaching us from all areas and all branches shows that preparation for the Common Market will absorb all energies".

The Hamburg Chamber of Commerce observes in its annual report for 1958 that "the removal of customs barriers and quantitative restrictions and the establishment of a common customs barriers will have such repercussions in the various economic sectors that no general forecast is at all possible"; this confirms what we have said on the subject of changes brought about by time, but obviously does not exclude an all the more lively and immediate interest in the existence of the Common Market being taken by all business men without exception, whether private or public.

Industry has taken this up to such an extent that it has established a special organization, the U.N.I.C.E. (Union des industries de la Communauté Européenne) on the horizontal plane, whose function it is to co-ordinate and to represent all the industries of the six countries. In addition to this organization a whole crop of new associations and new committees has been established within existing associations in the various industrial sectors. Not counting the two already covering coal and steel, there are now more than 40 of these.

On lines parallel to the developments in industry, a committee of commercial organizations in the countries of the EEC (C.O.C.C.E.E.) has been established in the commercial field; in addition to this committee some 35 associations and special committees in the various sectors of wholesale and retail trade have been organised.

Summing up, we can discern two guiding principles: in the first place there is a tendency to consolidate enterprises on the national level in order to face the greater

competition within the Common Market; secondly, there are efforts to extend the basis of industries beyond national frontiers within the territory of the Community.

Naturally, there are also agreements which range from concentration pure and simple to an agreement on specialization and technical co-operation, or from the joint use of new methods to the exploitation of patent rights. We do not here wish to pass any judgement on the compatibility of these with the provisions of the Treaty, but we point to this activity in order to stress the interest shown by business. There have also come into being a number of "investment trusts" in which institutions and banks of the six countries participate and whose function it is to put together portfolios of shares which include the principal industries of the six countries. Mention should also be made of the interest of industrial groups from outside countries, and especially of American groups, in Common Market enterprises.

On the other hand there can be no denying a certain anxiety on the part of the small and medium sized industries.

The problem of the small and medium sized industries presents itself on the whole as follows:

The period of adaptation will certainly be more difficult in industry than in the tertiary sector (commerce, services, etc.). At least during the early years the problems of adaptation will be greater for the medium sized industrial units than for the small enterprises and the crafts.

The reasons for this are obvious: enterprises of medium size frequently produce articles in direct competition with large firms and in quantities which mean that their sales potential generally exceeds the requirements of the small local market which on the whole escapes the distribution networks

of the large enterprises. Craftsmen and small industrial enterprises, however, normally manufacture products not in lively competition with those of the larger firms, and they find their outlets with local customers whom they know personally; they enjoy the further advantage that, as a result of their small size and their geographically restricted market, they can adapt themselves to the special wishes of their customers and can thus ensure speedy supplies of exactly the type required.

We find that they often establish themselves near the large enterprises, to which they are in a way complementary.

The most acute problem therefore concerns the enterprises of medium size, which must make an effort at specialization and the highest possible degree of productivity.

It should be easy to envisage co-operative agreements dealing with technological research or with commercial requirements such as buying, marketing, publicity, the introduction of collective marks of quality and so on.

All this applies equally, or at least in part, to the craftsmen who will have to aim at three goals:

- improving the training of master craftsmen and their assistants so as to make them as versatile as possible;
- improving internal productivity by means of technical assistance both in the problems of organizing production and in accounting;
- organizing a system of liaison between all enterprises so as reduce to a minimum any interference or friction and to create a new spirit of co-operation which will benefit all.

A few words about trade within the Community during the early months of 1959 may be appropriate, but after a

careful examination of the figures too many reservations would have to be made to their significance, in view both of the shortness of the period under review and of the fact that certain items from the past year were carried over to the first months of this year. Instead of quoting figures which are hardly comparable and which have no great meaning, I should prefer to convey the general impression they give:

All the countries of the EEC with the exception of France (whose problems must be regarded, at least partly, from a different aspect) have increased their imports from other Community countries.

Expressed in per cent, this increase is greater for products originating within the EEC than for those coming from elsewhere. In Italy these latter imports have even diminished, whilst those of products originating within the EEC have increased. As far as France is concerned, whose imports have shown a general decrease, that decrease has been much greater for goods coming from non-member states than for products of the Community.

It seems obvious, and I stress the point, that the increase of trade must not be attributed so much to the modest reduction of customs duties (which incidentally was at least in part also extended to the other members of GATT) as to the psychological effect of the first tariff reductions and the first quota increases applied under the Treaty of Rome.

Today an air of hope pervades all economic circles in the six countries; all business men have a keen realisation of the area within which they must develop and though they are fully aware of the inevitable difficulties they warmly welcome the fact that, after so much uncertainty, they now have a firm starting point, a well defined road, and a clear view ahead.

Without doubt too they all feel certain that Europe has emerged from centuries of division and sterile struggle and that the balance of power in the world is changing inexorably. This being so, European unity is a matter of immediate urgency.

The politicians of Europe have rebelled against a certain spirit of "abdication", a certain timorous resignation which was gradually tainting the very atmosphere of the old continent; first the ECSC and then the European Economic Community and Euratom provided tangible signs of this recovery, which has already made its effects felt in the economic sphere. During the past ten years the six countries of the Common Market have increased their income at a percentage rate almost double that of the United States, and it is reasonably safe to forecast that this figure will be maintained for at least another ten years.

This means that the political efforts of the governments have been matched by an even greater will, energy and spirit on the part of business circles.

Furthermore, the doctrine of public law is undergoing a change; Hegelian concepts of the State are certainly being queried. The relationship between those who govern and those who are governed is gradually changing under the twofold pressure of the rise of new ideas and the impact of economic interests which involve ever wider strata of the population. Private business will no longer - or only to a decreasing degree - regard the State as no more than the fount of taxes and levies and the unquestioned master of Machiavellian policies, endowed with a lust of power which can plunge nations into fratricidal wars; on the contrary, private business will look upon authority and public business circles as the guardians

of its own security and necessary helpmates in its peaceful activities.

To forecast the shape of the future European society and its legal and political aspects would be going too far, but I believe I can already say that the European Economic Community, with its rules and incentives, will certainly have made a decisive contribution to the shaping of a more serene and happier way of life.

PIERO MALVESTITI

II. -- STUDIES

Application on 1 January 1959 of tariff and quota disarmament measures within the association of Overseas Countries and Territories with the EEC.

General remarks

The provisions relating to tariff and quota disarmament within the association of the Overseas Countries and Territories with the EEC are contained in Articles 131 to 136 of the Treaty of Rome and Articles 9 to 15 of the Implementing Convention of the Association.

On 1 January 1959, these provisions came into force in the associated overseas countries in favour of imports of goods originating in Member States and other associated countries and, simultaneously, in the Member States in favour of imports of goods originating in the associated countries.

A. APPLICATION IN THE ASSOCIATED OVERSEAS COUNTRIES AND TERRITORIES

I. Tariff disarmament measures

The application, on 1 January 1959, of the first measure of tariff disarmament in the associated overseas countries, e.g. the reduction of 10% in tariffs, has necessitated the working out by the Commission, in collaboration with the national experts, of special decisions which pay due regard to the combined provisions of Articles 9, 10 and 133 of the Treaty.

Thus it was decided that enjoyment of the advantages of the Community régime within the association should be conditional on proof of the Community origin of the goods, whereas trade between Member States, including both goods originating in these States and those freed from or not subject to customs control, was subordinated only to the production of a certificate showing that such goods were freed from or not subject to customs control, and to proof of origin. Only the following Overseas Countries and Territories, whose customs system included the application of a discriminatory tariff on imports, have carried out the 10% reduction of these tariffs in favour of the Member States and the other associated countries:

The Republic of Senegal, the Sudan, the Niger, the Volta, the Ivory Coast, Dahomey, the Islamic Republic of Mauritania, New Caledonia and dependencies, St. Pierre and Miquelon, and the French settlements in Oceania.

In line with the provisions of Article 133 (4) the under-mentioned countries which, by reason of the special international obligations by which they are bound, were already applying a non-discriminatory customs tariff at the date of entry into force of the Treaty, have not carried out any reduction in their entry dues:

The Republics of Gaboon, Chad, the Congo, Cameroon, the Central African Republic, the Autonomous Republic of Togoland, the Belgian Congo and Ruanda-Urundi, and the Italian Trusteeship Territory in Somaliland. Those associated countries which, without being bound by international obligations, had not been applying a discriminatory tariff also did not carry out any reduction. These are:

The Republic of Madagascar, the Comoro Archipelago and Netherlands New Guinea.

Finally, the reduction was not applied to the fiscal entry dues which are part of the tariffs of the countries of former French West Africa, since these dues are of non-discriminatory nature and, moreover, permitted under the Treaty (Article 133 (3)).

Seven months after the dateline of 1 January 1959, the Commission is in a position to state that the implementation of the decisions and measures of adaptation on which it had decided in the field of tariff disarmament have not given rise to any difficulty.

II. Measures of quota disarmament

In application of the Treaty and the Implementing Convention, measures of quota liberalization have been taken in the Overseas Countries and Territories. It should be recalled that these measures only concern those Overseas Countries and Territories where import quotas exist. This means therefore all the territories with which France maintains special relations. As far as the other associated countries and territories (Belgian Congo, Ruanda-Urundi, the Italian Trusteeship Territory in Somaliland and Netherlands New Guinea) which did not have import quotas in the strict sense of the term, are concerned, the Member States with which these countries and territories maintain special relations were simply reminded that measures with equivalent effect to quotas - if any such exist - must also be eliminated to conform with the provisions of the Treaty.

The framework of global quotas opened in the Overseas Countries and Territories with which France maintains special relations represents nearly 22,000 million FrFrs. in value, with a total percentage increase in relation to the bilateral quotas already in force between France and the Member States

higher than the 20% minimum laid down in the Treaty

The products included in this quota framework are those for which very extensive import requirements and a lively demand exist in the Overseas Countries and Territories. It may therefore be supposed that, with rare exceptions, the quotas will be utilized to the full. The list of the 109 global quotas included in the quota framework has been published by the French authorities. Among the leading items the following may be mentioned: agricultural and food products, chemicals and pharmaceuticals, fertilizers, cement, plastics, textiles, clothing, footwear, paper and cardboard and a wide range of capital goods (motors, electric material, industrial machines, cars, trucks, tractors and bicycles).

Article 11 (3) of the Implementing Convention stipulates that where, in respect of certain products, no quota has been granted for imports into a country or territory, the Commission shall, by means of a decision, determine the particulars by which quotas to be offered to other Member States shall be opened and increased. In implementation of this provision, the Commission, after studying the products with the experts of the Member States, made a decision fixing the amounts of the quotas to be opened by France for the year 1959. In making its decision the Commission took into account the import requirements of the associated Overseas Countries and Territories, the export possibilities of Member States (other than France) and the amount of earlier imports both from France and the Member States and the rest of the world. The amount of quotas which will be placed at the disposal of exporters in Member States is more than 2,000 million FrFrs. The new quotas have been established for 23 categories of products, among which may be mentioned such important items as petroleum products, vehicles and railway material, wheat, wheat flour, sugar and other

agricultural products.

B. APPLICATION BY THE MEMBER STATES IN FAVOUR OF THE ASSOCIATED
OVERSEAS COUNTRIES AND TERRITORIES

I. Measures of tariff disarmament

In line with Article 133 (1) of the Treaty, imports originating in the countries and territories benefit at their entry into Member States by the elimination of customs duties which is taking place gradually between these States.

The implementation of these provisions was prepared at informatory meetings with the national experts of the Member States which took place during the last quarter of 1958. These resulted in a recommendation of the Commission which was communicated to the Member States.

The implementing texts for the introduction of the measures of tariff disarmament concerning imports originating in the associated countries and territories have been adopted by all the Member States.

The measures in favour of the production of the Overseas Countries and Territories have, however, had only limited immediate effect for numerous products which are among the most important for the economy of these countries.

The limitation of the effect of the favourable treatment provided under the Treaty is explained in particular by:

- a. The existence of numerous cases where duties were nil or exemptions operated.
- b. The reduction in duties carried out autonomously by the Member States between 1 January 1957 (reference date) and 1 January 1959.
- c. The speedier alignment on a common external tariff.

- d. The implementation of the decision of the Council on 3 December 1958 concerning the grant of tariff reductions by the EEC countries in favour of imports of merchandise originating in non-member countries.

In these various cases, the favourable treatment which in principle was to have been secured for products of the overseas countries, has been nullified, either by certain consequences of the implementation of the Treaty (cases b and c) or by the extension to third countries of equivalent tariff advantages (case d).

The following twelve products are affected: coffee, tea, cabbage palm oil, ground-nut oil, coconut oil or copra, karite oil, cocoa, shells, husks, skins and waste of cocoa, bovine cattle leather, wood in the rough, veneer sheets, sawn plywood sheets, plywood and blockboard.

In 1957, imports of these various products into the Community were valued at about 220 million units of account.

On the other hand, the tariff advantages have been secured for 14 products of the associated countries. These are: bananas, pineapples, coconuts, vanilla, cloves, rice, oleaginous seeds and fruit, palm oil, cocoa butter, cotton not carded or worked, copper, chromium, manganese, zinc. Total imports of these products into the Community were valued at about 340 million units of account in 1957.

In conclusion it may be said that the Member States have applied the tariff reduction of 10% on 1 January 1959 required by the Treaty.

II. Measures of import quota disarmament

The Commission has been kept informed of the measures taken for the preparation and implementation of the dispositions

laid down in the Treaty and the Implementing Convention on the globalisation and enlargement of quotas open to the associated countries for imports into the Member States. Imports of the majority of tropical products having already been liberalized by the Member States other than France, the entry into force of the Treaty on 1 January 1959 did not involve any considerable changes in the quota system of the Member States, except in the case of France.

Without going into the details of the measures taken by these different States, it may be noted that on the whole they have respected their obligations. A few isolated questions are, however, still in process of settlement.

C. CHANGES SINCE 1 JANUARY 1959

The situation created by the entry into force of the measures implementing the Treaty of Rome on 1 January 1959 has not undergone any modification since that date. It will soon be possible, by comparative study of trade figures for the first quarters of 1958 and 1959, to get some idea of the effect of the initial application of the Treaty on trade between the Member States and the associated Overseas Countries and Territories. When interpreting these figures it will be necessary to give due regard to the special conditions of the overseas markets, which in 1959 have been influenced to a greater or lesser degree by political developments.



III. - THE ACTIVITIES OF THE COMMUNITY

EXTERNAL RELATIONS

The European Economic Association

1. The Special Committee instructed to examine the First Memorandum from the Commission concerning the problems raised by the establishment of a European Economic Association, together with the comments and suggestions submitted to the Commission by the six governments, and to report thereon to the Council, met on 5 June and 9 July in Brussels. It had already held two meetings, presided over by the Commission, on 30 April and 20 May 1959 (1). It will continue its deliberations on 18 September.

The Special Committee examined and discussed the proposals for a trade association of the Seven (the United Kingdom, Sweden, Austria, Denmark, Norway, Portugal and Switzerland). The Special Committee noted that it was not the intention of the Seven that the formation of this trade association should mean abandoning the aim of establishing an economic association of the Seventeen.

2. As a result of decisions taken by the Council at its meeting of 30 December 1958, bilateral negotiations were begun between various Member States and certain other members of OEEC (see Bulletin 1-59, page 13) and Bulletin 2-59, page 25). The object of these negotiations is to reduce the effects produced on non-member states in Europe by the steps taken on 1 January to enlarge quotas within the Community. They have
(1) see Bulletin 2-59, pages 21/22.

led to agreements between France and Denmark, France and Sweden, France and Austria, France and Norway in addition to the Franco-British, Franco-Swiss and Benelux-British agreements already concluded. Other negotiations are in hand or planned. The Council's decision of 3 December provides that these bilateral negotiations should be given some degree of co-ordination through the Commission. The Commission has therefore requested that it be notified of the texts of the bilateral agreements already made and be kept informed of the time-table of further negotiations which Member States intend to undertake. Member States have agreed in principle to the request of the Commission.

Bilateral Association

3. At its meeting of 25 July 1959, the Council examined a request for association with the European Economic Community submitted by the Greek Government to the Commission in form of a note dated 8 June 1959. The communiqué published by the Council at the end of the meeting of 25 July stated:

"This note (1) stresses the close economic and political bonds uniting Greece and the six countries of the Community. More than 50% of Greek exports go to the Common Market and the Common Market's share in the total of Greek imports is also over 50%. In addition to these commercial and economic bonds there is a long spiritual, social and political tradition. What is more, the geographical situation of Greece is important for the defence of free Europe.

Finally, the Greek Government expressed the hope that the Council of the Community would appreciate this combination of reasons and give a favourable reply to its request.

At its meeting today the Council discussed this request. The Council, while noting that the association of Greece

(1) Editorial note: the Greek Government's note.

with the Community raises a certain number of problems which will have to be resolved, decided unanimously and after consulting the Commission to give a favourable reception to the request of the Greek Government.

With this end in view the Council instructed the Commission to undertake a first round of exploratory conversations with the Greek Government in order to discover the forms which such an association might take".

4. The Greek Government has been informed of the Council's decision. In accordance with the instructions given to it, the Commission will undertake negotiations with representatives of the Greek Government, probably in September. The favourable attitude adopted by the Community is due to two factors:

- The text of the Treaty, which provides that other European States may be associated with the Community if their adhesion as full members is not, or not yet, possible.
- The Community's wish to exert a positive influence on the development of European trade. The negotiations between the European Economic Community and other European States will be conducted in such a manner that the establishment of the European Economic Association in a wider framework shall not be hindered.

5. In a letter dated 31 July, the Turkish Government requested the President of the Commission to lay before the Council a request for Turkish association with the Community.

In this connection it should be noted that some 35% of all Turkish imports come from Member States of the Community,

while some 40% of Turkish exports go to the Common Market.

6. With the approval of the Council preliminary conversations were held in Brussels between a Tunisian delegation and the Commission at the beginning of June, after the Tunisian authorities had indicated to the Commission their wish to be informed on the possibilities of association between Tunisia and the Community; these preliminary discussions took place in an atmosphere of mutual understanding and the exploratory exchanges are being continued.

The Community and GATT

7. The European Commission took part in the 14th Session of the Contracting Parties to the General Agreement on Tariffs and Trade, held in Geneva from 11 to 31 May 1959. The expansion of international trade was one of the main items on the agenda. It should be recalled that at the previous session the Contracting Parties had decided to examine a co-ordinated programme of action directed towards the further expansion of international trade. To carry out this programme three committees were established and in these the Commission was officially invited to play a part. During the session the three committees submitted interim reports on their activities.

Multilateral tariff conference in 1960

8. On the recommendations of Committee I the Contracting Parties decided to accept an American proposal that a multilateral tariff conference be convened in 1960. The Community stated that it was ready to make an active contribution towards this new attempt at lowering customs tariffs (1).

9. The Contracting Parties also approved a programme drawn up by Committee II for consultations between all

(1) see Bulletin No. 2-59, Chapter II, page 13 and Chapter III, page 23, paragraph 4.

Contracting Parties concerning their agricultural policies and the effects of these policies on international trade. A start will be made by consulting with major industrial countries in the second half of September 1959; in this group are six Contracting Parties, among them France and the Netherlands.

The recommendations of Committee III also met with the approval of the Contracting Parties. These recommendations concerned primarily the examination of the special difficulties facing the less developed countries in connection with their actual or potential export trade in a number of different products.

10. When the results of the consultations between the Six and the various Contracting Parties were being examined, fears were again expressed by non-member countries concerning the association with the Community of the overseas territories - a step which, in the view of these countries, might prove damaging to their export trade. The representative of the Commission stated that, although the Commission did not believe these fears to be justified, it realized that the anxieties of non-member countries had not been eliminated during the consultations; therefore the Community, being aware of the extent of its responsibility in the development of world trade relations, felt it should offer proof of political goodwill and of understanding of the worries expressed by non-member countries. In this spirit, the Community was prepared to agree that the application of the Treaty of Rome might sometimes cause real damage to the trade of certain countries. The representative of the Commission stated that the Community was ready, should such an eventuality arise, to discuss with the States affected practical measures which it considered might be called for by the given situation.

Relations with international organizations and non-member countries

11. Representatives have been so far accredited to the Community by the United States, Greece, Israel and Denmark. Several other requests to be accredited have been received by the competent authorities of the Community and should be dealt with shortly.

The Commission attended the 43rd session of the International Labour Organization and was represented at the 28th session of the United Nations Economic and Social Council (ECOSOC) from 30 June to 31 July 1959 in Geneva.

12. In accordance with the agreements on practical co-operation which have been made between the European Economic Community and the United Nations Economic Commission for Europe, representatives of the Commission of the EEC have attended the following meetings:

- Meeting of the Group of Customs experts (Geneva 25 to 29 May 1959)
- Conference of European Statisticians (Geneva 8 to 12 June 1959)
- Meeting of the Housing Committee (Geneva 19 to 23 June 1959)
- Special meeting on the organization and techniques of foreign trade (Geneva 29 June to 3 July 1959).

In addition, representatives of the Commission attended the 31st session of the Committee on Commodity Problems of the United Nations Food and Agricultural Organization from 1 to 12 June 1959 in Rome.

13. The Community was represented at the 8th session of the Economic Commission for Latin America (ECLA), which took

place during May in Panama City, and at the meeting of the Trade Committee of this Commission which was held at the same time.

The main subject of discussion was the possibility of establishing a Latin-American common market. The representatives of the Community assured the governments concerned that support would be given by the Six to any effort at economic integration in Latin America. As it was obviously of advantage to the European Community to deal with prosperous neighbours, it would gladly make available the results of its own experience.

14. Contacts were established by the Commission with the Organization of American States, which groups 21 States in North and South America.

Visit to the United States by the Presidents of the European Executives

15. Professor Walter HALLSTEIN, President of the Commission of the European Economic Community, M. Etienne HIRSCH, President of the Commission of the European Atomic Energy Community, and M. Paul FINET, President of the High Authority of the European Coal and Steel Community, visited the United States and Canada from 9 to 23 June 1959 at the invitation of the governments of these two countries.

From 9 to 12 June, the three Presidents were the guests of the President of the United States and stayed at Blair House, the residence used by Heads of State making official visits to Washington. During the four days of their official visit the three Presidents had a series of meetings with high officials of the State Department and of other ministries. They also met members of Congress, in particular

members of the Foreign Affairs Commissions.

Between 13 and 21 June the three Presidents visited various cities in the United States and met leading people from business and trade union circles.

On the 22nd and 23rd of June the three Presidents were invited to Ottawa, where they had discussions with the Canadian Prime Minister, the Secretary of State for External Affairs, the Ministers of Trade and Commerce, of Finance and of Agriculture.

From their visit to the United States and Canada the three Presidents returned convinced that European unification will continue to enjoy the active support of both the United States and Canada. It is primarily the political aspect of the work of European integration which produces this reaction.

ECONOMIC AND FINANCIAL AFFAIRS

Summary note on general economic conditions

16. The expansion of industrial production in the Community as a whole was especially rapid during the second quarter. The increase by comparison with the previous year was more than 5% in several countries.

Up till now domestic demand due to restocking, orders from abroad, the activity shown in construction and the high level of public expenditure have been the main factors in this expansion. The latest information available points to a hardening of the demand for equipment goods. In several countries, in fact, the order books of the mechanical engineering industry are beginning to show a clear advance over the orders recorded in the corresponding period of the previous year.

This favourable trend in industrial production means a constant increase in employment. While there is still considerable unemployment in some countries, the labour market is already showing signs of strain in the Netherlands and particularly in the German Federal Republic. The unequal distribution of the manpower available may prove to be a major obstacle in the attempt to follow up the recovery in expansion. This would happen if certain countries should decide to restrain the rate of growth of demand in order to avoid inflationary pressure while other countries still have available large reserves of manpower and idle productive capacity. This raises the problem of migration and of vocational training; even a partial solution of this problem would help to ensure a better distribution of manpower reserves and a higher rate of growth for the Community as a whole.

Price trends have also been changing, especially in the field of retail prices. These have been rising slightly of recent weeks. Seasonal factors have played a part, in particular the increase in summer prices for household coal in the German Federal Republic. Some firmness in fuel prices has also been noted in France. Because of the unfortunate results of continued drought on certain harvests, the price of foodstuffs has in general been inclined to rise. Only industrial products have remained stable. None the less the "general price climate" is tending to change: the downward pressures previously observed have almost entirely disappeared although the rate of expansion of private consumption has up till now been comparatively modest. The fall in export prices seems to have been halted. On the other hand the cost of raw materials, which had shown certain rises during the first five months of the year, has fallen slightly since June, with the result that the Community's terms of trade are being maintained at a high level.

The growing need of raw materials and semi-manufactured goods can still therefore be met at comparatively favourable prices. The Community's imports are in fact showing considerable expansion, which at first applied to consumption goods but has recently spread to raw materials. Imports of equipment goods on the other hand have continued to run at approximately the same level as in the previous year.

At the same time exports from all Member Countries are above the highest previous figures and this trend seems likely to continue. The number of orders from abroad often shows an increase of 20% over the corresponding period of 1958. This increase affects not only trade between members of the Community but also sales to non-member countries, especially North America. The demand for European cars is still rising in the United States and purchases of steel owing to the high level of business and the possibility of a strike in the iron and steel industry have already been extremely high in recent months.

Developments in the import and export spheres are reflected in the Community's trade balance by large monthly surpluses. The improvement has been particularly noticeable in France. However, the continued rise in economic activity is leading to a strong demand for imported products throughout the Community and has already caused a slight deterioration of the trade balance of the Netherlands.

For the Community as a whole the reserves of gold and foreign currency have been improved by the favourable trend of the balance of foreign trade. In addition, short-term capital movements have helped to increase the funds of the Central Banks. In Belgium particularly the new inflow of foreign currency can be put down to official capital transactions and to invisibles. The recovery in the French reserves,

which, during the early months of the year, was due mainly to repatriation of capital is also being assisted by improvements in the balance of trade.

In the German Federal Republic, Central Bank reserves are below the level of December 1958 as a result of the large drop which occurred in the first quarter; but they have been increasing again since April. The foreign currency holdings of the commercial banks have shown an increase since the turn of the year.

17. The Committee of Experts on Economic Trends met on June 9 to examine a draft report drawn up by the Commission and dealing with the economic situation of the Community in the early months of 1959 and the outlook for the third quarter.

From this examination it emerged that the comparatively optimistic views expressed in the report on the economic trends in the various countries of the Community tally with the opinions held by the national experts. Some of these felt, on the basis of even more recent statistical data, that there was room for still greater optimism.

18. In order to ensure the application of Article 72 of the Treaty of Rome, in which it is laid down that Member States shall keep the Commission informed of any movements of capital to or from third countries known to them, the Commission addressed to the governments of Member States letters concerning the manner in which this exchange of information should be organized.

19. A Working Party on the comparative study of the budgets of the Member States of the European Economic Community, including experts from each of the Six countries and officials of the Commission, met in Brussels on 22 and 23 July.

The delegates were received by M. MARJOLIN, a Vice-President of the Commission, who pointed out the great importance attached by the Commission to the comparative study of budgets in order to improve the understanding and co-ordination of the economic and financial policies followed by the States of the European Economic Community.

The meeting was devoted to the examination of a working document prepared by the services of the Commission; the main proposal was a scheme for classifying the income and expenditure of the public authorities according to their economic characteristics.

The experts from the various countries agreed to set out on the lines of this scheme the budget figures concerning the last financial year for which definite figures were available and to use these as a basis of thorough discussion at the next meeting of the group.

The Working Party also undertook the study of a plan for comparing official financial transactions.

The national delegations all expressed the hope that they would obtain concrete results in all these fields with a minimum of delay.

The next meeting of the group will be held in Brussels early in October.

20. The Ministers of Finance of the Member States and representatives of the Commission met on 16 and 17 July in Bonn at the invitation of M. ETZEL, the Federal Minister of Finance. At the close of this meeting the following communiqué, was published:

"....The meetings were attended by the following Ministers of Finance: Professor Jean VAN HOUTTE (Belgium), M. Antoine PINAY (France), M. Emilio Paolo TAVIANI (Italy),

M. Pierre WERNER (Luxemburg, President of the Council); Jonkheer E. VAN LENNEP, Treasurer-General, deputized for Professor Jelle ZIJLSTRA (Netherlands), who was unable to attend.

The Commission of the European Economic Community was represented by M. Robert MARJOLIN, Vice-President, and M. Hans VON DER GROEBEN, a member of the Commission.

The meeting of the six Ministers of Finance produced an informal exchange of views on the situation and the trend of financial policy in the various Member States of the European Economic Community. The discussions centered mainly on the followings points:

1. Structure of budgets in the States of the European Economic Community and probable developments in the coming years;
2. Possibilities and limits of exerting influence on economic trends by measures of financial policy
3. Current problems of fiscal policy and the possibility of steps towards harmonization of fiscal systems.

The Ministers considered that these discussions had been most useful. They agreed that the financial policy of Member States can exert considerable influence on economic trends and do much to ensure economic expansion and a steady raising of the standard of living within the Common Market. All the Ministers felt that joint directives for a sound budgetary policy in the six Member States of the Community should be worked out and that, in view of the very considerable role played by the budget in the national product, it was especially important to seek a financial policy properly related to current developments in the economic situation. The different fiscal systems and the influence of taxes on competition were also discussed at length.

The Ministers of Finance decided that they should hold similar discussions if possible every three months. The

Belgian Minister of Finance has already invited his colleagues to attend a further meeting in Brussels during the autumn".

THE INTERNAL MARKET

Elimination of Customs Duties

21. The Commission has examined in general and in detail the measures taken by Member States in the course of the first reduction of customs duties which was made on 1 January 1959.

The general examination, which was carried out in the light of the legislative provisions and administrative decisions notified to the Commission by Member States, makes it possible to conclude that, broadly speaking, obligations with regard to the application of the first reduction have been fulfilled.

The detailed examination, on the other hand, calls for a comparison of the duties applied on 1 January 1957 (basic duties) with those applied vis-à-vis Member States on and after 1 January 1959. In this connection the use of tariff based on the Brussels Nomenclature and showing the duties actually applied will not only help in examining the application of measures of reduction by the services of the Commission but will also be of obvious interest for all business circles which need to know the duties applicable to the import of goods to any given Member State.

Furthermore the check to be made by the services of the Commission was to cover the two requirements which fix the mechanism of the elimination of customs duties between Member States; the "standstill" requirement (Article 12 of the Treaty) and the requirement concerning the introduction on and after

1 January 1959 of customs duties vis-à-vis other Member States reduced by 10% in relation to the basic duties.

This check has shown how exceptional are measures which do not conform with the letter of the Treaty. In cases of this type the Commission has called for explanations from the government of the Member State which took the measure objected to. One case - the re-establishment by the French government of customs duties on paper pulp - led the Commission to issue a reasoned opinion as required by Article 169 of the Treaty.

Other measures taken by certain Member States on the dateline of 1 January 1959, although in conformity with the letter of the Treaty, were such that they reduced the effect of the first lowering of customs duties by internal taxes and the creation or increase of certain taxes on imports corresponding with those on domestic production. The question whether such measures are contrary to the spirit of the Treaty is the subject of thorough examination by the Commission. On the basis of this study it will be able, if necessary, to submit proposals to the Member States intended to put a stop to practices which might hinder the realization of a customs union between them.

Elimination of Quantitative Restrictions

22. The examination of the global quotas fixed by Member States for 1959 and of the conditions in which Article 33 of the Treaty has been applied have not yet been concluded. The comments made by the services of the Commission on the quota frameworks of Italy and the Benelux countries have been discussed with experts from the Member States and the Commission will shortly put forward recommendations on points of disagreement. A similar procedure will be followed in dealing

with the quota frameworks of the German Federal Republic and of France.

23. The Commission has also defined its position on the examination of the procedure for the expansion of trade in agricultural products to which Member States have not applied Article 33 because of the existence of a market organization. The Commission agreed that Article 31 to 33 of the Treaty establishing the European Economic Community are general in scope. They are in principle applicable to agricultural as well as industrial products. The provisions of the Treaty concerning agriculture (Articles 38 to 47) which contain or imply deviations from Articles 31 to 33 form exceptions to the provisions contained in these Articles and are therefore to be interpreted strictly. Member States can only put them forward when they can show that the conditions required for their application are all met.

24. The Commission also has decided the size of the global quotas for products for which there is no national production and has settled the method of calculating quotas fixed at 3% of the national output.

25. Finally, the Commission has been considering the difficulties which have arisen in connection with the execution of their obligations by Member States, particularly in the management of global quotas. It has intervened to ensure that Member States take all steps necessary to avoid any delay in the opening of the quotas and the issue of licences. The actual methods used in managing the quotas vary from country to country and will be subjected to a systematic scrutiny; the Commission will endeavour, in agreement with the Member States, to work out common rules in line with the spirit of the Treaty and with the multilateral procedure to be used in the Community for

handling trade still subject to quantitative restrictions.

State Monopolies of a Commercial Character

26. In connection with the special case of State monopolies of a commercial character, the services of the Commission have worked out a general method which should speed up the adjustment of these monopolies by Member States.

The first result has been obtained in connection with the tobacco monopoly in Italy. This country has passed a series of measures (Law 137 of 11 April 1959 and Decree No. 167 of 19 April 1959), making it easier to import tobaccos from other member countries. In addition the Italian Government has drawn up a new sales tariff which gives an explanation of the prices of imported and domestic products; this in itself provides a guarantee against discriminatory action which could be used to favour the sale of domestic tobaccos.

In France the Government has begun a study of a draft plan for the adjustment of the French tobacco monopoly.

The services of the Commission are seeking concrete solutions for the other State monopolies.

Preparation of the Common External Tariff

27. The common external tariff will be based on the so-called Brussels Nomenclature prepared by the Customs Co-operation Council, which is the subject of an international convention to which the six countries of the Community have subscribed. This nomenclature contains 1097 headings, grouped in 99 Chapters.

The services of the Commission have just completed, with the help of customs experts from the Member States, a first sketch of the common tariff and have now turned to the double task of dovetailing and of making a simplified

preliminary draft.

The dovetailing consists in combining all the special duties that occur in the four tariffs of the Member States so that the arithmetical average of the duties applied on 1st January 1957 can be calculated.

The simplified preliminary draft, based on the level of arithmetical averages produced by the dovetailing, simplifies the results of this operation which would have produced a tariff containing 15,000 to 20,000 tariff items.

Both documents are sent to Member States with a request for the submission of comments within a brief time-limit. Meanwhile, comments submitted by Member States on the first 29 Chapters have already been discussed with the technical experts and at the beginning of September the examination of comments will be taken up again and carried out as these comments reach the Commission, which can already consider that the part of the common tariff corresponding to the first 29 Chapters is practically complete.

Occasionally a case is held over; such cases concern fiscal duties, new specific duties or mixed duties and the reduction or remission of duty where a commodity is used for specific purposes under customs supervision.

28. In order to have available a complete tariff the Commission has, at the same time, arranged for negotiations to cover the duties to be applied to the products of List G. For this purpose a Central or Plenary Negotiating Group has been set up, with three Working Parties to assist it; each Working Party is required to draft proposals on the fixing of these duties and to submit them to the Plenary Group.

Agreements have been reached on the duties to be applied to a certain number of "List G" products.

In principle, these negotiations are to be finished by the end of this year and the Commission expects that for the large majority of items the work will be completed on time.

It should also be remembered that under the Treaty a Member State may add further products to List G to the limit of 2% of the total value of its imports from third countries in the course of the year 1956. On this point the Commission has agreed with the Governments of Member States that they should submit the supplementary list before the 1st of October next.

29. The general speeding up of the work referred to above is a consequence of the need to submit as complete an external tariff as possible to the Contracting Parties of GATT at the beginning of 1960, in view of the 1960-61 Multilateral Tariff Conference.

The right of establishment and services

30. Since the end of 1959 is the latest date for submitting a programme for the abolition of restrictions on the right of establishment and the free supply of services, the Commission has started to make an inventory, for the fields concerned, of all discriminatory provisions based on nationality in the legislation of the six Member States.

A list has also been made of the various restrictions in these States affecting access to and the exercise of the various callings, not in order to abolish them but in order to suggest action to harmonise the relevant provisions and practices in a manner which shall be in line with the objectives of the Treaty of Rome.

This double task is nearing completion both in respect of the right of establishment and of the free supply of

services for the following fields of individual or company activity: industry, commerce (and its subsidiaries), the handicrafts, banking and insurance, the liberal professions, the medical, para-medical and pharmaceutical professions.

Finally, the question of the equivalence of the diplomas issued in the six countries has received special attention, since the production of a particular diploma is frequently a condition of access to the various callings.

COMPETITION

Rules applicable to enterprises

31. The Commission has continued the efforts it is making in collaboration with experts from the Member States to define the scope of Article 85 and the Articles that follow. With this in view it has been studying the interpretation to be given to the enumerations contained in Articles 85 and 86. It has also been attempting to define the essential characteristics of a dominant position held by one or more enterprises within the Common Market or in a substantial part thereof. Finally, it has subjected Article 90 to detailed analysis.

The first two groups of problems were examined at the fourth Conference on Understandings held on 29 and 30 June 1959. This examination will be continued at a later conference. Lack of time, however, made it impossible to tackle the problem of Article 90 and so the study of this Article has been postponed to a later date.

32. The Commission has taken action to arrange that provision be made in all Member States for the application of Article 88 of the Treaty. It has been pleased to learn that a bill has been laid before the Belgian Parliament by the Government of that country and it is maintaining close contact with

the Italian Government to ensure that the work being done in Italy with a view to the application of the article shall be speeded up to the greatest extent possible; further contacts have also been made on this point with the Luxembourg Government.

33. A small Working Party set up by the third Conference on Understandings and the fourth Conference on Understandings met to make a preliminary study of theoretical problems based on practical cases. A study was also made of a purely theoretical but typical case submitted by the Netherlands delegation. These deliberations have produced excellent results; they have made clear that possibilities of agreement can emerge from such examinations. They have, however, also shown very clearly the dangers which may ensue when national administration take decisions in the field covered by Article 85 and the Articles that follow without first establishing contacts such as these. The deliberations have therefore helped to strengthen the conviction held by the delegations on the need for, and the wisdom of, such co-operation.

34. The Commission has received new complaints concerning breaches of Article 85 and the Articles that follow. The preliminary inquiry on an understanding between Belgian and German enterprises has made sufficient headway to allow of the opening of an investigation on the lines indicated in the second sentence of Article 89 (1).

Dumping Practices

35. Article 91 and the rules for which it provides have been discussed in detail at a Conference on dumping held on 25 and 26 June 1959 and attended by experts from the Member States.

In connection with Article 91 (1) the delegations expressed a wish that the Commission should carry out the necessary investigations as rapidly as possible and take its decisions without delay. The Commission will do everything in its power to accede to this well-founded request.

It has furthermore been accepted that Article 91 (1) applies to all cases of dumping on which it has been found that the enterprises concerned are domiciled in any form whatsoever in the Member States and that the dumping has occurred within the geographical area of the Common Market.

36. Examination of the rules provided for in Article 91 (2) has shown that, largely because of different standpoints on the question of customs procedure, the divergence of views was sometimes quite appreciable. Consequently these questions of customs procedure were submitted to separate examination at the conference held on 7 July 1959, at which the divergence of views was appreciably reduced. In order to be able to proceed with drafting the rules required, an important question of principle raised at this discussion and concerning the interpretation of Article 91 (2) has been put before the Commission for prior decision. It is the question whether use of the right to re-import products free of customs duty shall depend on a finding that dumping has occurred.

Fiscal problems

37. In the fiscal field a first meeting with governmental experts was held during June. This meeting, which was devoted mainly to indirect taxation, made it clear that all delegations were anxious to produce practical solutions to the problems raised by the application of the Treaty and to establish a real Common Market. The experts, taking as their starting point

a working paper prepared by the Commission, made a preliminary study of the drawbacks which would arise if the present differences in the systems of turnover tax were maintained. A working party was instructed to make a special study of this problem with a view to harmonization at a later date (Article 99). Other more immediate questions were raised and will also be the subject of special study in collaboration with experts from the various countries. These questions include:

- Calculation of compensatory taxes on imports and drawbacks on export duties, several concrete cases of which have been laid before the Commission; the Commission has asked for explanations from the governments concerned (Articles 95 to 97);
- Transformation of customs duties of a fiscal nature into internal taxes; this has also engaged the attention of the Commission in connection with various measures taken by certain Member States (Articles 17 and 95).

38. In a field which more particularly concerns direct taxation, comparative studies have been made covering, amongst other things, the fiscal conditions governing the foundation of companies, increases of capital, free movement of securities, stock exchange activities, etc. The conclusions to be drawn from these studies in connection with the movement of capital will be set out by the appropriate services within the Commission.

Generally speaking, as fiscal problems are to be studied essentially from the economic angle, the Commission intends that all necessary contacts shall be maintained or established with the appropriate public or private institutions.

State Aids

39. During the last few weeks special problems in the field of state aids have been placed before the Commission. Certain governments have, in line with the provisions of Article 93 (3) notified the Commission of action they have taken.

This applied in the first place to the Belgian draft laws for the encouragement of investments of general economic interest, on the one hand, and the granting of exceptional facilities in favour of certain so-called development regions, on the other. For its part, the French Government informed the Commission at the time they were mooted of projects concerning changes in the existing system of aid to the film industry.

When these drafts were being studied the Commission became aware that the implementation of the procedures described in Article 93 of the Treaty, and more particularly in paragraph 3 of that Article, was likely to give rise to certain difficulties which could not be solved by the provisions adopted and notified to the various Member States following the exchange of views with the government experts on 17 April 1959. The Commission consequently instructed its services, in close liaison with the Joint Legal Service, to submit solutions which should take into account pertinent discussions to be arranged with the representatives of the Member States.

SOCIAL AFFAIRS

The European Social Fund

40. The Commission has adopted and transmitted to the Council a draft of the rules for the European Social Fund. At its meeting of 25 July, the Council agreed to transmit this draft to the Economic and Social Committee and to the Assembly

for the consultations required under Article 127. Before the rules were adopted by the Commission, its services had obtained the opinions of the government experts of the Member States and of representatives of employers' and workers' organizations.

The draft rules are in three main parts. The first delimits the field of application of the Fund and the conditions under which it may accord its help and defines basic concepts (unemployed workers, occupational re-training, re-settlement, conversion). The second part lays down the procedure under which the assistance of the Fund shall be granted. The third part deals with the Committee provided for in the Treaty to assist the Commission in the administration of the Fund.

41. The first article of the draft rules submitted by the Commission delimits the field of application of the Fund and specifies the scope of its action (50% of expenses incurred by Member States or by bodies under public law) and the spheres in which it may intervene (occupational re-training, resettlement of unemployed workers, maintenance of the wage level of workers in enterprises undergoing conversion). It further provides that the Fund may promote the realization of a common policy on occupational training.

The definitions of the basic concepts in the first part of the draft rules are couched in such a way as to permit the Fund to intervene as effectively as possible. As regards unemployed workers, the proposed definition takes into account existing differences in the legislation of the various countries.

The concept of occupational re-training has been so defined as to include all action aimed at training or re-adaptation of specialized, skilled, semi-skilled or unskilled workers. The programmes of occupational re-training are defined

as to their duration and subject matter.

The draft proposes the conditions to be fulfilled by workers benefiting from the action by the Fund in favour of occupational re-training: after re-training these workers must exercise their new occupation for a minimum period of six months before reimbursements from the Fund can be made to the Member State or the public body involved.

The first part of the draft rules further defines the concept of resettlement and the conditions required in order to qualify for the assistance of the Fund in this field. All changes in domicile which become necessary for the purpose of taking up new paid productive employment of a temporary nature within the Community constitute a claim on the assistance of the Fund. The conditions mainly hinge on evidence that the workers have been engaged in the new paid productive employment for a period of at least six months in their changed place of residence.

As to the problem of conversion, prior approval by the Commission of every conversion plan is required. The Fund may only consider changes in production programmes which are not of a provisional nature, which affect the essential elements in these programmes, and whose purpose is the production of new goods differing from the old otherwise than through improvement or additions. On the employment plane, the Commission's draft provides that the aid of the Fund shall be granted only to those conversion projects which involve the reduction or temporary cessation of the paid activity of personnel.

In the second part, the draft rules provide that each Member State shall submit to the Fund, at the latest on 1 July of every year, an estimate of the approximate amount involved in the applications for assistance which it intends

to lay before the Commission in the course of the following financial year. It is expressly stipulated that the Fund cannot grant assistance except at the request of one or several Member States.

For conversions a special procedure has been chosen under which an application for prior approval is submitted to the Commission in respect of every plan; in addition to the reasoned opinion of the interested government, this application must contain information on the necessity, purpose, scope, estimated duration and timing of the conversion operations. Furthermore, applications for assistance in respect of a completed conversion must be submitted within the 12 months following the conclusion of the operations and must show that the expenditure reported is in conformity with the rules of the Fund and corresponds to the plan approved by the Commission.

The third part of the rules defines the powers of the Committee for the Social Fund called for under Article 124 of the Treaty.

The Free Movement of Workers

42. On 16 and 17 July, government experts met at the seat of the Commission for the purpose of examining with its services a first draft paper on the free movement of workers within the Community.

Social Security of Migrant Workers

43. By a decision of 24 April 1959, the Administrative Committee for the Social Security of Migrant Workers drew up, in implementation of Article 2 of EEC Regulation No. 4, a certain number of forms for the use of migrant workers wishing to obtain long-term benefits. These documents concern old-age

surviving dependents and invalidity pensions as well as certificates for the granting of sickness insurance benefits in kind to members of the families of pensioners or retired persons.

The documents, numbered E22 to E35. were published in the Official Gazette of the European Communities on 16 May 1959.

As in the case of the first series concerning short-term benefits published in the Gazette of 16 January 1959, each of these forms has been printed separately and may be ordered direct by social security institutions and interested parties.

44. The Administrative Committee for the Social Security of Migrant Workers met on 4 and 5 June 1959 and on 1 and 2 July 1959. It drew up the text of its statutes which will be published in the Official Gazette of the European Communities. The relationship between the European Commission and the Administrative Committee will be defined in an exchange of letters.

45. On the basis of the report drawn up by a working party of statistical experts, the Administrative Committee has fixed the administrative procedures for obtaining basic data for financial settlements between the social security institutions of Member States resulting from the implementation of Regulations Nos. 3 and 4 on the Social Security of Migrant Workers.

The Committee has also studied the problem of the establishment of the auditing committee provided for by Regulation No. 4 and settled various questions of interpretation concerning the provisions of the bilateral conventions which are being kept in force.

The Administrative Committee has further drawn up

the list of benefits (artificial limbs, large apparatus and other very important benefits in kind) which, in the event of stay or residence outside the country of affiliation, may not be granted, except in cases of absolute urgency, by an institution of the country in question without the prior approval of the competent institution.

On the basis of an introductory note from the Secretariat, the Administrative Committee has carried out an exchange of views on the general lines and the procedures to be followed for the establishment of the information booklets provided for in Regulation No. 4 whose purpose is to make known to those concerned their rights under Regulations No. 3 and 4 and the administrative formalities which they must go through in order to take advantage of them.

46. On 7 July, a working party of statistical experts set up by the Administrative Committee held a meeting at which there was an exchange of views on methods of estimating to be adopted in cases where the statistical or accounting material necessary to determine the average costs of sickness insurance for workers' families and beneficiaries of pensions is lacking.

The working party approved two specimens of forms for keeping the records of families in receipt of sickness insurance in a Member State other than that in which the worker is employed.

The working party further drew up proposals for the calculation of advances to be paid by the competent institutions to those of another Member State making available sickness insurance benefits in kind.

47. At the end of May, the services of the Commission called together a group of experts on occupational diseases.

The experts noted that importance of bringing about an alignment of legislation in order to afford workers the most

complete protection possible against the danger to their health of occupational diseases; they considered a periodical review of the lists in step with the development of certain new industries or techniques to be necessary.

From the medical angle, the working party stressed the necessity of a common list of occupational diseases and the importance of specialist training for doctors devoting themselves to this field of medicine.

In the legal sphere, the need for reciprocal information on the prevention legislation and regulations in the different countries was underlined, the aim being to work out common standards through the exchange of experience.

48. The services of the Commission have informed both sides of industry in the six countries of the projected enquiry on labour costs in some ten industries of the Community.

Both the employers' and workers' representatives have assured the Committee's services of their collaboration. The purpose of the enquiry and the methods and procedures to be followed to carry it out have been discussed with them.

49. The services of the Commission have drawn up a very detailed questionnaire on the social situation of agricultural workers. National experts from the Community countries have met in Brussels to examine this questionnaire and carry out the necessary consultations to obtain with all speed the answers required.

AGRICULTURE

The common agricultural policy

50. In order to enable the Commission to submit to the Council, within the time laid down by the Treaty, its proposals

for a common agricultural policy, preparatory work has been speeded up and is being carried on with increasing vigour on several levels.

Some important problems involved in the elaboration of this policy were the subject, on 2 and 3 June in Munich, and on 9 and 10 July in Luxembourg, of exchanges of views between M. MANSHOLT, a Vice-President of the Commission and Chairman of the Agriculture Group, and the Ministers of Agriculture of the Member States. These discussions dealt in particular with the common organization to be set up in the cereals sector, the links existing between this sector and other products, notably animal products, the consequences which these have for the common marketing policy, and the necessity of harmonizing national legislation on different agricultural products. Specific problems of common agricultural policy concerning the cattle, meat, milk, fruit and vegetable, and wine sectors were discussed with the experts from the Member States. These same meetings of experts dealt with questions pending in connection with the application of the Treaty provisions on the abolition of trade restrictions within the Community.

Finally, there have been discussions on common agricultural policy with the Committee of Agricultural Trade Organisations of the Member States, agricultural workers unions of the six countries affiliated to the International Confederation of Free Trade Unions and the International Confederation of Christian Trade Unions, the Group of EEC agricultural co-operative associations, the organizations of EEC wine producers and the Committee for Agricultural and Food Industries of the Union of EEC Industries (UNICE).

Before it submits its proposals concerning the common agricultural policy to the Council at the end of this year, the Commission must consult the Economic and Social Committee.

In order to prepare this consultation and to conform with Article 47 of the Treaty, the Commission has transmitted to the special agricultural section of the Economic and Social Committee working documents on the present situation and trends in the chief agricultural markets and in the structure of agriculture itself.

51. A conference of forestry experts of the Member States was held in Brussels from 9 to 11 June. The conference adopted a resolution in favour of the introduction of a common forestry policy and indicated the main lines of such a policy. It stressed the need for co-ordination in technical, economic and legislative questions, in the direction to be given to forestry programmes and in the marketing of forestry products.

The following points were brought out:

1. The need to compare and co-ordinate the various national plans for the upkeep, layout and extension of forests.
2. The harmonization of legislation on forestry matters.
3. The alignment of production and marketing conditions.
4. Legislative action to prevent excessive parcelling, in particular of privately owned forests.
5. The establishment of a Permanent Forestry Committee whose form and composition would be determined by the Commission, and the provision of a forestry section in the Directorate-General for Agriculture.

TRANSPORT

52. The Commission has adopted a draft regulation pursuant to Article 79 (3) of the Treaty, concerning the elimination of discriminations in the matter of transport rates and conditions, and transmitted it to the Council, which must lay down these rules before the end of the year after consulting

the Economic and Social Committee.

The Council immediately referred the Commission's proposal to the Economic and Social Committee.

In the course of the preparatory work, the Commission had the benefit of the opinions of the expert members of the Advisory Committee set up under Article 83 of the Treaty. It also consulted the High Authority of the ECSC, in accordance with the rules of collaboration established by the Executives, particularly in the field of transport.

53. In submitting its proposed rules to the Council, the Commission emphasized that its draft could in no way prejudice the common transport policy which is to be laid down under Article 75 and in accordance with the procedure therein described.

In conformity with the provisions of Title IV of the Treaty, the first proposal of the Commission covers no more than the implementation of article 79 (1), which provides for the abolition in traffic within the Community of discriminations "which consist in the application by a carrier, in respect of the same goods conveyed in the same circumstances, of transport rates and conditions which differ on the ground of the country of origin or destination of the goods carried".

The scope of the rules to be established by the Council under Article 79 (3) is therefore limited to certain discriminations. It cannot ensure the abolition of all discriminations conflicting with the spirit of the Treaty.

Such abolition could, however, be brought about by measures to be taken under Articles 75 and 79 (2). The Commission has therefore been careful to propose only those measures which it considers necessary for the implementation of the provisions of Article 79 (1) to the exclusion of

everything which should find its place within the setting of general transport policy.

54. The scope of the regulation is defined in the first part of the draft. It is to apply to the transport of goods by rail, road and navigable waterway when the place of origin or destination of the goods carried is situated in a Member State. The draft, therefore, covers both transport within a Member State or crossing the territory of several Member States and, for those sections of the itinerary situated on the territory of the Community, the exchange of goods between Member States and third countries.

In order to enable the Commission to trace discriminations on the ground of the country of origin or destination of the goods carried, the draft regulation envisages several measures for ascertaining the transport rates and conditions applied by the different carriers in traffic within the Community. Under the terms of the draft, governments will be requested to inform the Commission of all freight schedules, conventions, or agreements on rates and conditions of transport which lay down, within the Community and in respect of the same goods conveyed in the same circumstances, transport rates and conditions which differ on the ground of the country of origin or destination of the goods. It will be incumbent on carriers to supply their respective governments with all necessary information on this matter.

Transport falling under the Treaty establishing the ECSC is outside the scope of these rules and continues to be subject to the discrimination provisions of that Treaty.

The proposed rules then forbid the discriminations covered by Article 79 (1). Those which exist must be abolished progressively and according to a definite time schedule; no

further discriminations of the kind may be established in the future.

The Commission further proposes, in the same connection, that a transport document be made out each time goods are carried within the Community. In the numerous cases where such documents already exist a new one will not be necessary. Exceptions to this rule are provided for in the case of small shipments and when goods are transported for the carrier's personal account.

In order that transport rates and conditions shall be "an open book", the Commission's proposal envisages that at a later stage the rates and conditions applied in traffic within the Community shall be made the subject of publicity, the nature and scope of which would be determined within the limits and conditions of Article 79 (1) and (3). The more limited publicity which is considered necessary for the abolition of the discriminations covered by Article 79 could not, in the opinion of the Commission, prejudice either the principle of publicity in other fields nor the rules of a common transport policy to be established under Article 75. Neither does this publicity prevent Member States from maintaining or introducing on their territory more rigorous rules on the same subject.

Finally, in order to ensure respect for the provisions of the regulation, the Commission proposes a system of control and penalties. Though the control of the formal provisions of the rules, and in particular of the obligations directly laid on carriers, is to be a matter for the Member States, the Commission can nevertheless charge its agents with specific control missions. The system of penalties proposed guarantees the legitimate rights of the persons concerned and makes provision for legal remedy. Generally speaking

it has been devised along the lines of the rules applied by ECSC and does not contain any innovations of principle.

55. The services of the Commission have completed the study of the infrastructure and transport material situation in the three sectors of internal transport at the time of entry into force of the Treaty. The programmes drawn up by the different governments for the development and modernization of networks and transport material have also been the subject of an inventory.

Study on this basis has made it possible to clarify the main lines of the first task facing the services of the Commission: to work out in the light of economic and technical exigencies defined in relation to the objectives of the Treaty of Rome, the priorities to be observed in the development of infrastructure.

In addition, the technical characteristics called for in European communications networks are receiving the attention of the Commission. These studies will form the starting point of efforts to find concrete solutions which will be pursued with the help of expert committees.

56. The services of the Commission have begun a study of the application to transport of the general provisions of the Treaty, other than those of Title IV which especially concern transport, and the possible consequences of the application of these provisions for the common policy. In this connection, the provisions concerning aids and the right of establishment are receiving special attention.

In the course of its preparatory work for the elaboration of the common transport policy, the Commission has been led to study, on the one hand, the means of implementing Articles 74 and 75 of the Treaty and, on the other, national

policies insofar as these touch on the harmonization and co-ordination of transport. A table showing the legislation of the different Community countries is being drawn up.

In order to provide a complete statement of the problems related to co-ordination, an examination has been undertaken of national legislative provisions and of the policy of the various governments in the matter of oil pipelines.

THE ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

The development of trade

57. Among the Overseas Countries and Territories only those which had import quotas (all the territories having special relations with France) came under the quota disarmament measures. The global quotas opened under the Treaty and the Implementing Convention in the Overseas Countries and Territories with which France has special relations amount in value to nearly 22,000 million FrFrs., with a total percentage increase higher than the 20% minimum laid down in the Treaty in relation to the bilateral quotas already in force between France and the Member States.

58. Article 11 (3) of the Implementing Convention stipulates that where, in respect of certain products, no quota has been granted for imports into a country or territory, the Commission shall, by means of a decision, determine the particulars by which quotas to be offered to other Member States shall be opened and increased. In implementation of this provision, the Commission, after having studied the products with the experts of the Member States, made a decision fixing the amounts of the quotas to be opened by France for the year 1959 (1).

(1) The implementation on 1 January 1959 of the tariff and quota disarmament measures in the framework of the Association of the Overseas Countries and Territories is the subject of a separate study in this Bulletin (see Chapter II).

59. The basic tropical products, in particular coffee, cocoa and cotton have been the subject of studies by the services of the Commission both from the angle of increasing trade between the associated countries and the Member States and from that of the stabilisation of the prices for these products.

By re-arranging numerous statistical data it has been possible to evaluate the obligations which producers and consumers will have to undertake in order to ensure the stabilization of prices for the products in question.

60. The Prime Minister of the Republic of Senegal, M. Mamadou DIA and the Prime Minister of the Islamic Republic of Mauretania, M. Moktar Ould DADDAH, have established contact with the Commission on the occasion of visits they made to Brussels.

The Development Fund

61. At its meeting of 25 July, the Council, in conformity with Article 4 of the Implementing Convention relating to the Association with the Community of the Overseas Countries and Territories, and after having consulted the Commission, fixed the amounts to be devoted to the financing:

- a. Of social institutions
- b. Of economic investments of general interest.

The Council decided to earmark 25 to 30% of the available funds for social investments and 70 to 75% for economic investments of general interest.

This breakdown applies to all payment credits provided for the financial years 1958 to 1960 and to half the commitment credits for the years 1961 and 1962.

The Council nevertheless considered that the percentages of allocation shown in its decision should be regarded as to some extent flexible. They may therefore be modified later if required.

62. In the course of meetings held between 25 May and 1 August 1959, the Commission of the European Economic Community approved, in conformity with Article 5 (1) of the Convention relating to the Association with the Community of the Overseas Countries and Territories, the participation of the Development Fund in the financing of the following social development projects:

The French Somali Coast:

The development of the "stadium" at Djibouti; the provisional commitment for expenditure on this work is estimated at 741,600 units of account.

The first tranche, against the credits for the financial year 1958, amounts to	400,000 u.a.
The second tranche, against the 1959 credits, amounts to	256,000 u.a.
The third tranche, against the 1960 credits, amounts to	85,600 u.a.

The Autonomous Republic of Togoland

1. The building of a maternity hospital at Anecho; provisional commitment estimated at	29,860 u.a.
2. The building of a maternity hospital and a hospital building at Palimé; provisional comit- ment estimated at	90,180 u.a.
3. The building of 10 primary schools; provisional commitment estimated at	81,000 u.a.

Republic of Madagascar

1. Extensions to the teachers' college at Diégo-Suarez; provisional commitment 142,000 u.a.
2. Extensions to the Classical and Modern College at Majunga; provisional commitment 102,000 u.a.
3. Extensions to the Classical and Modern College at Tuléar; provisional commitment 243,000 u.a.
4. Construction of 120 primary school classrooms; provisional commitment 162,000 u.a.
5. Water supply works at Diégo-Suarez; provisional commitment 608,000 u.a.

The Italian Trusteeship Territory in Somaliland

1. Construction of a new hospital at Mogadiscio; provisional commitment 1,950,000 u.a.

The French Trusteeship Territory in the Cameroons

1. Construction of a hospital building at Meiganga; provisional commitment 52,000 u.a.
2. Construction of hospital building at N'Tui; provisional commitment 30,000 u.a.
3. Creation of water points in the subdivision of Mora; provisional commitment 249,000 u.a.

Republic of the Ivory Coast

1. Supply of water for human consumption; establishment of water points; provisional commitment 1,090,000 u.a.

2. Building of five secondary hospitals; provisional commitment 580,000 u.a.

Republic of Dahomey

1. School for male and female nurses at Cotonou; provisional commitment 222,000 u.a.
2. Hospital group at Savalou; provisional commitment 107,000 u.a.
3. Hospital group at Athiemé; provisional commitment 67,000 u.a.

63. On the proposal of the Commission, and by a special emergency procedure, the Council of Ministers approved the financing by the Development Fund for the Overseas Countries and Territories of two economic projects, presented by the Republic of Madagascar after the cyclones of March 1959.

These projects concern:

- The re-establishment of road communications; a final commitment of 1,620,417 units of account to be charged entirely to the credits for the financial year 1958.
- The re-establishment of railway communications; a final commitment of 1,215,313 units of account to be charged entirely to the credits for the financial year 1958.

64. With effect from 23 July 1959, the proposals for financing from the Development Fund for the Overseas Countries and Territories two economic investment projects in the Autonomous Republic of Togoland, submitted to the Council by the Commission under Article 5 of the Implementing Convention on

the Overseas Countries and Territories, were considered approved.

These projects concern:

1. Modernisation of the Togo railways; amount of provisional commitment 291,000 u.a.
2. Electrification of the cranes on Lomé-wharf, amount of provisional commitment 164,880 u.a.

65. On 22 June 1959, a financial convention relating to operations of the Development Fund for the Overseas Countries and Territories in Madagascar for the financial year 1958 was signed in Paris.

This convention, which concerns five social investment projects, involves a provisional total of 1,257,000 units of account in commitment authorisations and, for the financial year 1958, 973,000 units of account in payment credits. The document was signed:

- For the Republic of Madagascar, by M. Philibert TAIRANANA, President of the Republic and Head of the Government.
- For the French Republic, by M. Robert LECOURT, Minister of State in charge of aid and co-operation.
- For the Commission, by M. Robert LEMAIGNEN, President of the Overseas Countries and Territories Group.

66. The situation of the Development Fund at 15 July 1959 is shown in the following tables.

DEVELOPMENT FUND
SITUATION ON 15 JULY 1959

<u>Belgian Zone</u>	Commitments Authorised (u.a.)	Payment Credits (u.a.)				
		1958	1959	1960	1961	1962
Allocations	30,000,000	3,000,000	3,750,000	4,950,000	6,750,000	11,550,000
<u>Conventions signed (7 April 1959)</u>						
<u>CONGO-SOCIAL</u>						
- Medical and surgical centre Doruma	400,000	400,000				
- Infrastructure Luluabourg	654,000	400,000	254,000			
- Infrastructure Ruashi	400,000	400,000				
- Infrastructure Stanleyville	600,000	600,000				
	2,054,000	1,800,000	254,000			
<u>RUANDA-URUNDI - SOCIAL</u>						
- Road Mayara-Bugesera	480,000	240,000	240,000			
	480,000	240,000	240,000			
<u>RUANDA-URUNDI - ECONOMIC</u>						
- Road - Bugarama-Muramvya	440,000	260,000	180,000			
- Track Rwessero-Kinyinia	120,000	120,000				
- Development of tea growing	366,000	366,000				
	926,000	746,000	180,000			
Total Belgian Zone	3,460,000	2,786,000	674,000			

<u>French Zone</u>	Commitments Authorised (u.a.)	Payment Credits (u.a.)				
		1958	1959	1960	1961	1962
Allocations	511,250,000	51,125,000	63,906,000	84,356,000	115,031,000	196,832,000
<u>Conventions signed</u>						
<u>MADAGASCAR-SOCIAL</u> (22 June 1959)						
- Teachers' college Diégo-Suarez	142,000	142,000				
- Classical and modern college Majunga	102,000	102,000				
- Classical and modern college Tuléar	243,000	243,000				
- 120 primary school classes	162,000	162,000				
- Water supply Diégo-Suarez	608,000	324,000	284,000			
	1,257,000	973,000	284,000			
<u>Projects adopted by the Commission</u>						
<u>FRENCH SOMALI COAST - SOCIAL</u> (28 May 1959)						
- Development in Djibouti	741,600	400,000	256,000	85,600		
	741,600	400,000	256,000	85,600		
<u>TOGO - SOCIAL</u> (28 May 1959)						
- Maternity hospital Anécho	29,860	29,860				
- Maternity hospital Palimé	90,180	90,180				
- 10 primary schools	81,000	81,000				
	201,040	201,040				
<u>THE CAMEROONS - SOCIAL</u> (17 June 1959)						
- Water points Mora	249,000	249,000				
- Hospital building Meiganga	52,000	52,000				
- Hospital building N'Tui	30,000	30,000				
	331,000	331,000				
Total French Zone	2,530,040	1,905,040	540,000	85,600		

<u>Italian Zone</u>	Commitments Authorised (u.a.)	Payment Credits (u.a.)				
		1958	1959	1960	1961	1962
Allocations	5,000,000	500,000	625,000	825,000	1,125,000	1,925,000
<u>Project Approved by the Commission</u> <u>THE ITALIAN TRUSTEESHIP TERRITORY</u> <u>OF SOMALILAND - SOCIAL (17 June 1959)</u>						
- Hospital Mogadiscio	1,950,000	500,000	625,000	825,000		
	1,950,000	500,000	625,000	825,000		
Total Italian Zone	1,950,000	500,000	625,000	825,000		

IV. INSTITUTIONS AND ORGANS

A. THE EUROPEAN PARLIAMENTARY ASSEMBLY

67. The Assembly met in plenary session from 12 to 14 May, and, in addition to other business, heard a report of the Commission on the measures it had taken to help Madagascar. Two resolutions were adopted, one concerning the fixing of the seat of the European Institutions, the other the establishment of a European University.

In the resolution on the fixing of the seat, the Assembly requested the governments to make a decision as rapidly as possible, or, failing this, to designate, as an initial measure and taking into account the need for a single seat, a meeting-place for the European Parliamentary Assembly. In its resolution the Assembly expressed satisfaction with the decision of the governments to institute concrete studies on the prospects for a European district. While recommending that these studies be speeded up, the Assembly instructed its officers to appoint a delegation to present this resolution to the governments of the Member States and to declare to them that if, after a reasonable lapse of time, they have not taken any decision as to the seat of the Assembly, the latter will itself decide on the place where its sessions are to be held.

In the resolution concerning the establishment of a European University, the Assembly suggested to the Executives and to the countries of the Communities that they examine the possibility of associating in the creation of a European University the European countries which are not signatories to the Treaty of Rome, in the interest of the widest possible diffusion of European culture. The Assembly further expressed the opinion that the establishment of a European University was of capital

importance in forming a European mentality.

68. The Assembly resumed its ordinary session on 22 June. The President of the Commission, M. HALLSTEIN, reported on the general policy pursued by the Commission and communicated his impression after the official visit of the Presidents of the three Executives to the United States and Canada. The statement of the President of the Commission will be debated at the September meeting of the Assembly.

After a debate on the common agricultural policy of the Community, the Assembly passed a resolution approving the spirit and general content of the reports of MM. TROISI, LUECKER and VREDELING. It declared itself in favour of a common agricultural policy which should take into account the necessity of compensating as far as possible, by appropriate economic and structural measures, the inherent difficulties of agriculture which place this sector in an unfavourable position in relation to other branches of the economy, both from the point of view of production and from that of markets; such a policy would enable the agricultural population to furnish its optimum contribution to the general development of prosperity in the Community and to obtain its rightful part in the improvement of living conditions which will result therefrom.

The Assembly also passed a resolution on the European energy policy, after a debate in which the representatives of the three Executives spoke. The Assembly expressed its conviction that the High Authority, the Commission of the European Economic Community, and the Commission of the European Atomic Energy Community must jointly draw up directives for a European energy policy. The Assembly expressed its satisfaction at the establishment of an inter-Executives Committee for questions of European energy policy.

The Assembly adjourned on 26 June after passing these resolutions. It will convene again on 22 September.

B. THE COUNCIL

69. The Council met for its 22nd session on 25 July, M. Giuseppe PELLA, Minister of Foreign Affairs of the Italian Republic, being in the chair. The Council discussed an application for association with the European Economic Community submitted by the Greek Government and, after having heard the Commission, agreed unanimously to give a favourable reception to this application. It instructed the Commission to begin a first series of exploratory discussions with the Greek Government (1).

The Council discussed draft rules for the European Social Fund submitted by the Commission and decided to request the opinions of the European Parliamentary Assembly and the Economic and Social Committee. When these two bodies have expressed their views the Council will undertake the substantial examination of the Commission's proposal (2).

The Council fixed the allocation of sums to be devoted by the Development Fund for the Overseas Countries and Territories to the financing of social institutions and economic investments of general interest (3).

C. CONFERENCE OF REPRESENTATIVES OF THE GOVERNMENTS OF MEMBER STATES

70. On 25 July, the representatives of the governments of Member States chose the new members of the High Authority

(1) See also Chapter III, 3

(2) See also Chapter III, 40 et seq.

(3) See also Chapter III, 61.

of the European Coal and Steel Community. They unanimously appointed the following personalities as members of this institution:

- M. Piero MALVESTITI (Vice-President of the EEC
at the time of his nomination to the High
Authority) - Italy
- M. Pierre-Olivier LAPIE - France
- M. Albert COPPÉ - Belgium
- M. Heinz POTTHOFF - Germany
- M. Roger RAYNAUD - France
- M. Dirk SPIERENBURG - The Netherlands
- M. Albert WEHRER - Luxembourg

It was decided to appoint an eighth member of German nationality within a month. These appointments will take effect on September 15, 1959. The ninth member can be co-opted as soon as the eighth has been appointed.

In addition, the representatives of the governments of the Member States received a delegation of members of the European Parliamentary Assembly under the chairmanship of M. Robert SCHUMAN. The representatives of the governments heard the members of the parliamentary delegation who explained the difficulties which the Assembly is encountering by reasons of the absence of a seat. The representatives of the governments recalled that studies on the creation of a European district were in train. After having emphasized that a maximum time-limit of three years had been fixed for a final decision on the seat of the institutions, they assured the members of the Assembly that they would do everything possible so that the

seat may be chosen within this time-limit and, if possible before it has expired.

D. THE ECONOMIC AND SOCIAL COMMITTEE

71. The Committee held its seventh plenary session on 23 July under chairmanship of M. DE STAERCKE. In answer to a written request from the Commission, dated 29 January 1959, it gave an opinion on the harmonisation of certain measures of commercial policy of the Member States during the transition period.

The Committee confined its opinion to import questions and reserved the right to complete it. In the view of the Committee, the lack of co-ordination in measures of commercial policy taken by the various Member States in respect of countries with abnormally low salaries, State-controlled trade, multiple exchange rates or other procedures likely to cause artificial distortion of prices, might well result in recourse being taken to the measures provided for in Article 115 of the Treaty, with consequent frustration of the free exchange of certain industrial and agricultural products within the Community. In the opinion of the Committee, the co-ordination of commercial policies should be instituted without further delay in cases where this danger exists. It would be desirable for the Commission to make the necessary proposals and recommendations as stipulated in the Treaty.

The Committee points out that in the most simple cases, the difficulties arise solely through differences in the customs tariffs during the transition period and that the appropriate remedy would be the introduction of the common external tariff, which it suggests should be expedited in respect of these products. In the case of other products, the conditions

at present prevailing in the matter of processing traffic should be rapidly overhauled with a view to unifying the rules governing free import and discharge of the obligations attached thereto. The Committee points out that in certain cases the application of specific customs duties may be suggested.

In those cases where the risk is most serious, solutions of a tariff nature would seem insufficient; the Economic and Social Committee declares that in the present state of affairs these cases call for a common policy based on import quotas fixed in concerted and equitable fashion.

Finally, for all cases resulting from practices which distort prices, the Committee considers that the rapid introduction of a common anti-dumping policy would be opportune. The Committee wishes that there should be a general avoidance of new measures likely to aggravate the dangers resulting from existing divergencies during the time necessary for working out the measures of co-ordination in the transition period provided for by the Treaty.

The Committee declares that "Member States should therefore be recommended to refrain - especially when negotiating in international economic organisations - from modifying without the prior agreement of the other Member States the conditions and situation of their trade with the above-mentioned categories of countries in such a way as to aggravate the dangers resulting from existing divergencies or to create fresh ones in respect of any products, but in particular of those for which there exist serious difficulties".

72. The special agricultural section of the Economic and Social Committee held its constituent meeting on 14 May in Brussels. It chose as President M. GENIN, France. On this occasion M. MANSHOLT, a Vice-President of the Commission, made

a general report on the activity of the Commission in the agricultural field. The special agricultural section held its second meeting on 22 June in Brussels.

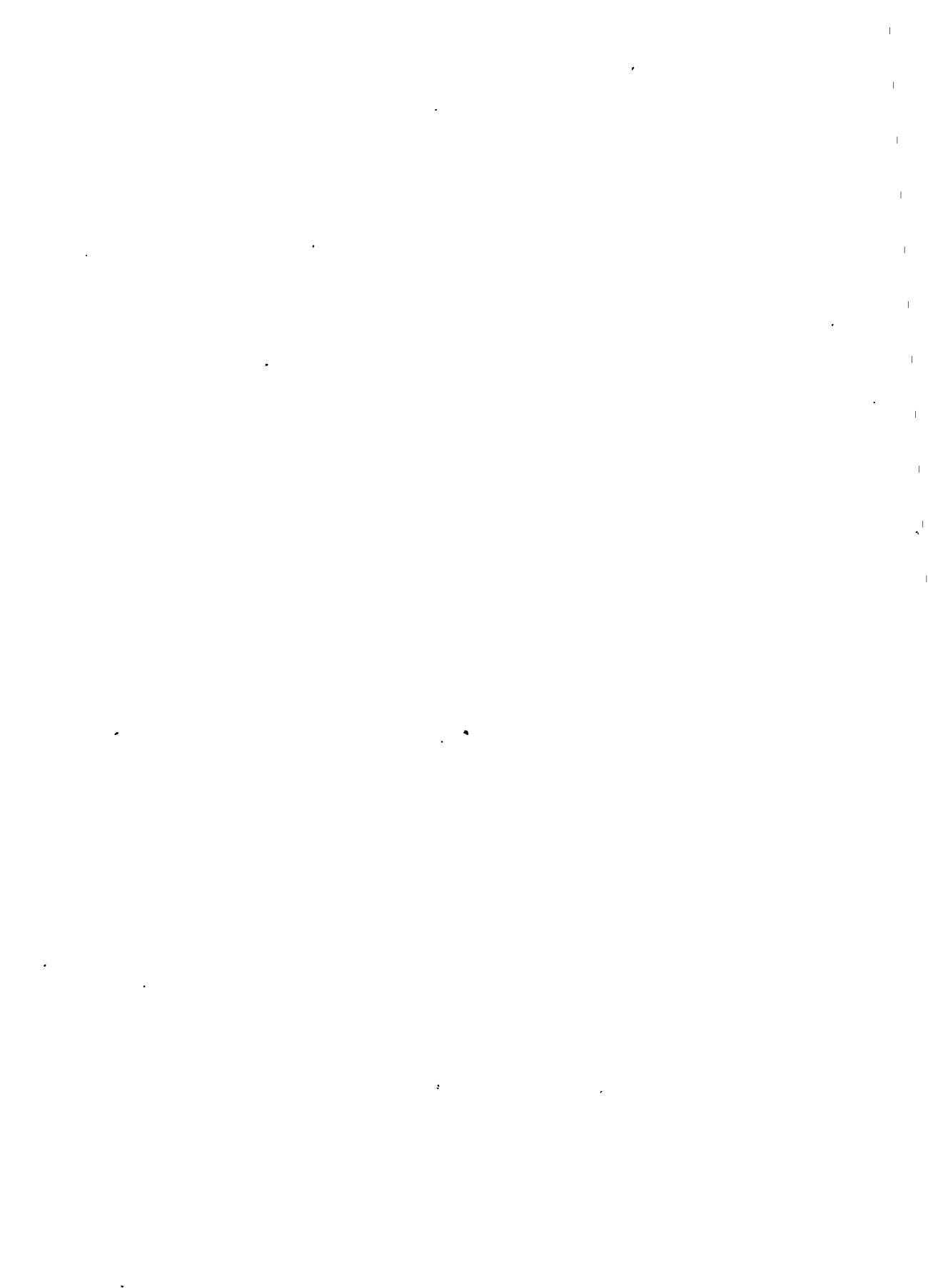
The special transport section held its first meeting on 30 June in Brussels. M. SCHAUS, a member of the Commission, reported on the problems in the transport field which the Commission will submit in the near future to the Economic and Social Committee.

The special section for economic questions held its third meeting on 29 June.

E. MONETARY COMMITTEE

73. Continuing its regular examinations of the financial and monetary situation of the Community countries, the Monetary Committee, on 19 and 20 May, studied the financial and monetary situation of Belgium and Luxembourg, and on 22 and 23 June that of France.

The main subject at the Committee's meeting of 24 July was the problem of the freeing of capital movements between the Member States. This problem was examined on the basis of a document drawn up by the services of the Commission and a report of the alternate members of the Monetary Committee.



ANNEX

ORGANIZATION OF THE EUROPEAN COMMISSION
AND OF ITS ADMINISTRATIVE SERVICES

A - The Commission

Walter HALLSTEIN, President

Swidbert SCHNIPPENKOETTER, Head of Private Office

Karl-Heinz NARJES, Deputy

Klaus MEYER, Deputy

Piero MALVESTITI, Vice-President (1)

Guido MONDAINI, Head of Private Office

Giovanni CANTONO DI CEVA, Deputy

Sicco L. MANSHOLT, Vice-President

Alfred MOZER, Head of Private Office

Willem VAN SLOBBE, Deputy

Robert MARJOLIN, Vice-President

Jean-Claude RICHARD, Head of Private Office

Jean FLORY, Deputy

Hans von der GROEBEN, Member

Ernst ALBRECHT, Head of Private Office

Erich WIRSING, Deputy

Robert LEMAIGNEN, Member

Jacques FERRANDI, Head of Private Office

Henri VARENNE, Deputy

(1) On 25 July 1959 Vice-President Malvestiti was appointed to be a member of the High Authority of the ECSC. The appointment takes effect from 15 September 1959.

Giuseppe PETRILLI, Member

Romolo ARENA, Head of Private Office

Luigi GIRARDIN, Deputy

Jean REY, Member

Pierre LUCION, Head of Private Office

Alex HOVEN, Deputy

Lambert SCHAUS, Member

Camille DUMONT, Head of Private Office

Lucien KRAUS, Deputy

SECRETARIAT OF THE COMMISSION

Executive Secretary: Emile NOEL

Deputy Executive Secretary: Winrich BEHR

DIVISION

- | | |
|---|---|
| 1. Office of the Registrar | François DE KOSTER,
Head of Division |
| 2. Liaison with Directorates
General | Jacobus STEPELS,
Head of Division |
| 3. Liaison with other Insti-
tutions of the European
Communities and the Euro-
pean Assemblies | Tullio DONDE,
Head of Division |
| 4. General Report and other
regular reports | Fernand BRAUN,
Head of Division |

Special adviser to the President: Pierre BOURGUIGNON

B - Composition of the Groups and administrative organization

I. EXTERNAL RELATIONS

Chairman: Jean REY

Head of Private Office: Pierre LUCION

Deputy: Alex HOVEN

Members: Robert MARJOLIN

Giuseppe PETRILLI

Director General: Günther SEELIGER

Assistant: Götz SCHOFFER

DIRECTORATE	DIVISION	
A General Affairs and Relations with international organizations		Theodorus HIJZEN Director
	1. General Affairs and Relations with monetary organizations	Gerhard BERGHOLD, Head of Division
	2. Relations with customs and commercial organizations	Frédéric DONNE, Head of Division
B Association with non-member countries	3. Relations with other organizations	Franco GIANFRANCHI, Head of Division
	1. Multilateral association (European Economic Association), General Affairs	Jean DENIAU, Director Berndt von STADEN, Head of Division
	2. Multilateral association (European Economic Association) Special Problems	Guido MILANO, Head of Division
	3. Membership and bilateral association	Georges MATRAY, Head of Division
C Bilateral Relations	4. Relations with European Communities and Institutions	Adolphe DE BAERDEMAEKER, Head of Division
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	2. East-European Countries	
	3. North-America	Hugo DE GROOD Head of Division
	4. Other Countries (America, Africa, Asia and Australia)	Philip MASSERER, Head of Division

DIRECTORATE	DIVISION	
D Commercial Policy (Negotiations) Director for Co-ordination	1. Principles of commercial policy 2. Secretariat for Negotiations	Wolfgang ERNST, Director Mattia DI MARTINO, Head of Division Johannes MOULIJN, Head of Division Riccardo LUZZATTO, Head of Division

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	3. Germany	Gerrit VAN DUYN, Head of Division
	4. Italy	..
	5. Benelux	Roland DE KERGORLAY, Head of Division
B Monetary Matters	1. Current Monetary Matters	Leonhard GLESKE, Director Alain PRATE, Head of Division
	2. Movement of Capital	Edmondo BRESSAN, Head of Division
	3. Co-ordination of Economic and Monetary Policies	Jacques CHASSEPOT, Head of Division
C Economic Structure and Development	1. Economic Structure	Louis DUQUESNE WATELET DE LA VINELLE Director Anton SMULDERS, Head of Division
	2. Regional Development	Emanuele TOSCO, Head of Division
	3. Commercial Policy	Adolfo COMBA, Head of Division
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	2. Quantitative Restrictions (State Monopolies)	Karl SCHILLING, Head of Division
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	3. Customs Legislation	Roger TOUZELET, Head of Division
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	3. Commerce and Distribution	Etienne GAUTIER, Head of Division

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	2. Economic Matters	Roland MUSSARD, Head of Division
	3. Special cases	Pietro SANTORELLI, Head of Division
	4. Supervision	Helmut SCHEUFELE, Rapporteur René JAUME, Rapporteur Renato ALBINI Rapporteur
B Approximation of Legislations	1. General Matters	Jean DIEU, Director
	2. Special Cases	Pierre PUJADE, Head of Division Hans ARNOLD, Rapporteur Charles CAMPET, Rapporteur Willem VAN BINSEBERGEN, Rapporteur
C Fiscal Problems	1. General Affairs	Pietro NASINI, Director
	2. Indirect Taxes	Arno SCHULZE-BRACHMANN, Head of Division
	3. Special Cases	Johannes JANSEN, Head of Division Gérard HUTCHINGS, Head of Division

DIRECTORATE	DIVISION	
D State Aids and Dis- crimination by States	1. General Affairs 2. Examination of Gen- eral Systems of Aid 3. Special Cases	Armand SACLE, Director Fernand VAN PRAET, Head of Division Carlo GIOVANELLI, Head of Division Kurt FRIEDRICH, Head of Division

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B Manpower	1. Employment	Lamberto LAMBERT, Director Fernand BESSE, Head of Division
	2. Freedom of Movement for Individuals	Heinz HENZE, Head of Division
C Social Fund and Occupational Training	1. Social Fund	Jacobus VAN DIERENDONCK, Director Giulio PEROTTI, Head of Division
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D Social Security and Social Services	1. Social Security	Jacques RIBAS, Director Jean HASSE, Head of Division
	2. Social Services	Carlo RAMACIOTTI, Head of Division

DIRECTORATE	DIVISION	
<p>C Agricultural Structures</p>	<ol style="list-style-type: none">1. Analysis of conditions of production in agriculture2. Expansion of productivity on farms3. Improvement of the structure of agriculture4. Development of farming equipment5. Improvement of the social situation in agriculture	<p>Roger GROOTEN, Director</p> <p>Paolo BOCCI, Head of Division</p> <p>Adolf HERZOG, Head of Division</p>

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	2. Economic development and the consequent demand for transport	Robert GOERGEN, Head of Division
	3. Contacts with other international organizations; matters concerning maritime and air transport	Paolo RHO, Head of Division
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	2. Roads	Mario D'AGAZIO, Head of Division
	3. Inland waterways	Joseph LEMMENS, Head of Division
C Tariffs	1. Study of tariffs applied in the three types of transport; related matters (publication of tariffs, co-ordination etc.)	Andreas REINARZ, Director Herbert GOSSE, Head of Division
	2. Study of prime costs in each type of transport	Jacques DOUSSET, Head of Division

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	2. Relations with associated countries and territories	
	3. International organizations	Otto SOLF, Head of Division
B Research	1. Social and economic situation in the overseas territories	Jacques VIGNES, Director Karl-Heinz DRECHSLER, Head of Division
	2. General Problems	Maurice SCHAEFFER, Head of Division
C Investments	1. Financing of investments	Jacques LEFEBVRE, Director Paul RIPOCHE, Head of Division
	2. Technical checks and supervision	Giovanni UGO, Head of Division
D Trade	1. Liberalization of trade	Enrico GAMBELLI, Director Pierre FAY, Head of Division
	2. Expansion of trade	Francesco DE BENEDICTIS, Head of Division

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	2. Recruiting	Herbert BRUNS, Head of Division
	3. Personnel Administration	Marcello PARENTE, Head of Division
	4. Salaries and Expenses	René MORIZON, Head of Division
	5. Organization and Methods	Heinrich BLENKERS, Head of Division
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	3. Cash Office	Francesco SCAGLIONE, Head of Division
	4. Accounting	Kurt DOMMICK, Head of Division
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	3. Mail, Archives	Jean MAUDET, Head of Division
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	5. Health service	Paul BUCHET, Head of Division
		Hans LANKES, Head of Division
		Mario ROSSI, Head of Division

C - Joint services of the Executives of the
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Directors: Michel GAUDET

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Théodor VOGELAAR

b) Statistical Office of the European Communities

Director: Rolf WAGENFUEHR

c) Joint Press and Information Service

Director (Acting): Jean Jacques RABIER,

Director of the Press and Information
Service of the High Authority

Spokesman of the Commission: Giorgio SMOQUINA

LIST OF COMMUNICATIONS CONCERNING THE ACTIVITIES OF
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IN THE "OFFICIAL GAZETTE" OF THE EUROPEAN COMMUNITIES

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- Question No. 11 by M. VREDELING, a member of the European
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- Reply of the Commission of the European Economic Community
(28 April 1959) p. 574/59
- Question No. 12 by M. de SMET, a member of the European
Parliamentary Assembly p. 575/59
- Reply of the Commission of the European Economic Community
(27 April 1959) p. 575/59

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- European Economic Community - Commission - Information
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- Written question No. 13 by M. PLEVEN, a member of the
European Parliamentary Assembly, with the reply of the Com-
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- Written question No. 17 by M. MUELLER-HERMANN, a member of
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p. 685/59

- Written question No. 21 by M. KALBITZER, a member of the European Parliamentary Assembly, with the reply of the Commission of the European Economic Community p. 686/59
- Written question No. 21 by M. KALBITZER, a member of the European Parliamentary Assembly, with the reply of the Commission of the European Economic Community p. 688/59
- European Parliamentary Assembly
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- Information p. 691/59 - 694/59

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- European Economic Community - Commission - Information p. 703/59 - 705/59

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- Written question No. 20 by M. ROCHEREAU, a member of the European Parliamentary Assembly, with the reply of the Commission of the European Economic Community p. 709/59
- Written question No. 22 by M. MUELLER-HERMANN, a member of the European Parliamentary Assembly, with the reply of the Commission of the European Economic Community p. 710/59
- Written question No. 23 by M. TROISI, a member of the European Parliamentary Assembly, with the reply of the Commission of the European Economic Community p. 711/59
- European Economic Community - the Council - Information p. 716/59 - 718/59

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- European Economic Community - Commission p. 749/59

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- Written question No. 26 by M. VENDROUX, a member of the European Parliamentary Assembly, with the reply of the Commission of the European Economic Community p. 817/59
- Written question No. 29 by M. MUELLER-HERMANN, a member of the European Parliamentary Assembly, with the reply of the Commission of the European Economic Community and of the High Authority of the European Coal and Steel Community p. 818/59
- Written question No. 32 by Mme de RIEMAECKER-LEGOT, a member of the European Parliamentary Assembly, to the Commission of the European Economic Community p. 821/59
- European Economic Community - Commission - Information p. 824/59 - 825/59

Official Gazette No. 45/59

- European Economic Community - Commission - Advertisement for tender No. 1 for a project financed by the European Economic Community - development fund for overseas countries and territories p. 845/49

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