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EDITORIAL NOTE

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

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

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I - THE EXTERNAL RELATIONS OF THE COMMUNITY

By Jean REY, Member of the Commission,
Chairman of the External Relations Group

Whilst the Common Market is developing with remarkable speed internally, and the national administrations are co-operating on all levels to work out and apply the various common policies for which the Treaty makes provision, and whilst from one end of the Community to the other private circles are showing an intense interest in and great adaptability to the new conditions, fairly serious difficulties remain in the field of External Relations.

This is by no means surprising.

In the first place foreign policy, even the economic part of foreign policy, is one of the subjects closest to the heart of all governments and one on which they are least inclined to waive their own point of view in order to evolve a Community policy.

Secondly, the emergence of the Common Market in Western Europe has obviously brought about a certain number of new problems, both for the international organisations of which the six states are already members, and for their outside partners.

It would be a great mistake to believe that these difficulties exist in Europe only.

The Community is a nascent world power, its interests extend throughout the world and as a result it has aroused at the same time great interest and some disquiet outside Europe. It is up to the responsible authorities of the Community to

justify the former and patiently to assuage the latter.

This is being done in GATT with encouraging first results.

It is, however, the discussions which the Community and its European partners have been carrying on in Europe for more than two years which have been most in evidence.

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At the outset the debate was dominated by twofold worries, which still linger in part but which are nevertheless now being regarded much more realistically on both sides.

On the part of the Common Market, many have felt very anxious lest what was undertaken in the Treaty of Rome be rapidly absorbed in a wider organisation before the Common Market had yet acquired its full stature.

The common external tariff, the drafting of which is almost completed, is not yet in force; the commercial policy of the six countries has not yet been established on a Community basis; it has seemed too early to place the Common Market in an association granting to outside partners, who do not assume the same responsibilities, the same advantages as those which the Member States have mutually conceded to one another, since in so doing the Common Market would have prematurely ceased to exercise its power of attraction and integration within the Community.

The very economic dynamism which is now manifest in all the Member States and which has its origin in the idea of the Common Market is in itself a valuable asset, and it is understandable that the Six should not be inclined, as the Euro-

pean Parliamentary Assembly put it last year, "to see a rapid absorption of the Community into something which would make them and their associated overseas territories forego the benefits of the economic and political integration which they are now undertaking".

On the other side, there was another anxiety: that of our European partners accustomed for ten years to carry on, within OEEC and with the Member States, a remarkable work of trade liberalisation and who might well fear that this work could be jeopardized in the future and difficult problems ensue for those European partners whose economic interests are especially bound with the Community.

The anxieties thus felt on both sides have doubtless overshadowed the Maudling Committee's negotiations in 1958, and it is probably correct to say that they were the principal cause for the interruption of these talks despite the goodwill shown on all sides.

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What new factors have meanwhile arisen?

1) First of all, there has been the return to convertibility, the recovery of monetary health in Europe, and consequently the refusal on the part of the Government of the United States any longer to accept the discriminatory mechanism operating against the dollar area which the United States Government itself had very generously encouraged ten years ago in order to allow Europe to restore its economy, but which is no longer justified today.

The United States Government is with increasing urgency drawing the attention of its European partners to this situation and obviously this constitutes a new factor which needs to be taken into account.

2) Secondly, there is the growing concern shown in the industrialized countries for the problem of aid to countries in the course of development.

For its part, the Community has not lost sight of this problem, because in the Treaty of Rome it provided machinery for giving aid to the associated territories by means both of unilateral tariff preferences and considerable financial support.

Even though the method of the association of overseas territories with the Treaty of Rome has given rise to criticism in certain international organisations and particularly in GATT, this does not alter the fact that it was inspired by the thought of providing tangible aid to the countries in the course of development.

It is becoming very doubtful whether nowadays associations between wealthy countries, or those reputed to be wealthy, could be imagined if they took no account of the obligation to aid less advanced countries in their development; this is a point to which consideration must be given in one way or an other.

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The Commission of the European Economic Community had already given its attention to these problems in the memorandum it submitted to the Governments of the Member States on 1 March 1959. In view of the course of events the Commission

has reconsidered the situation and believes the time has come to submit supplementary proposals to the Governments of the Member States for the working out of an economic external policy for the Community. To achieve this, the Commission had deliberately refrained from discussions of principle and has tackled the problem from the point of view of practical reality.

The Commission is convinced that theoretical discussions tend to delay solutions rather than to expedite them. It has been struck by the fact that when the principle of the distribution of small or nil quotas was discussed in the course of this year, there was a division into different schools of thought, but when the talk was of motor cars or whisky, solutions acceptable to all concerned were found.

Consequently, the Commission has felt that the present problem should be looked at from the most realistic angle possible and that agreement on practical solutions would be much easier to obtain than on theoretical solutions.

The Commission has also taken into account the fact that the situation in the Member States changes from year to year and that naturally any Community solution must include consideration of the individual interests of the six States constituting the Community.

Though all the efforts of the Community were last centered on the extremely delicate monetary situation of one of its major partners, whose balance of payments was too precarious to allow it to accept new risks in the field of trade expansion, the situation looks different today. Whereas this major partner is fully recovering its economic health, anxieties are appearing on other parts of the Community's horizon.

They are caused by countries whose external trade

with the OEEC countries is for them of considerable economic importance and who would be very worried if this trade were put in jeopardy.

The plans for the establishment of a Free Trade Association in Europe have naturally rendered these anxieties more acute.

The Commission therefore believed the time had come to approach this problem in a entirely new and purely pragmatic manner and to propose to the Member States practical solutions on which concrete agreement might be reached regardless of theoretical predilections and without anyone having to renounce any of them.

This is the aim of the memorandum which the Commission submitted to the Member States on 18 September last and which is at present being discussed by the Governments and the Special Committee for the study of these problems.

No information concerning the studies and negotiations at present going on will be expected in this brief note. I may nevertheless be permitted to say that the first reaction on the part of all the Governments of the Member States to this new approach has appeared to me encouraging and that I have every hope that the conversations which we will have in the autumn will be more fruitful than were those of last year.

Naturally, proposals intended to bring into line somewhat divergent opinions cannot easily give satisfaction to all. If all intend to adhere to their initial positions, there is little hope of agreement. The proposals of the Commission have been subjected to criticism from various quarters: some considered them insufficient and others felt that they went too far. This cannot be otherwise in the case of persons who

do not realize what the Community is, who forget that they cannot impose their points of view on all the others, and that the external policy of the Community requires the unanimous approval of the Member States.

On the other hand, all those who are anxious for a practical solution, all those who desire that the economic relations of the Community with its partners in Europe and throughout the world should develop in an atmosphere of cooperation and understanding, all these - and they are numerous both within the Community and outside it - have greatly encouraged us to continue on the road we have chosen, and we are more than ever convinced that this was the right road to take if we are gradually to build up the external economic policy of the Common Market. Those who do not share our point of view are perfectly entitled to their opinion, but they must show that there are ways and means of doing better.

II - MEMORANDUM FROM THE COMMISSION TO THE SPECIAL COMMITTEE

for the study of problems concerning
a European Economic Association.

Despite the redoubling of efforts since the First Memorandum of the Commission was submitted and work was begun by the Special Committee for the study of problems concerning a European Economic Association, it has so far proved impossible to reach unanimity within the Community on the way in which these problems are to be solved. The resulting situation is unsatisfactory, if only on the psychological plan.

The failure to define the future relations between the European Economic Community and its European neighbours is producing a sense of uncertainty in industrial and commercial circles. The protagonists of the various solutions have not been able to reach agreement. Disquiet has been increased by public controversy, and the result has been disharmony, not to say tension, in the relations between the Community and its commercial partners in Europe, and even within the Community itself.

In these circumstances the Commission has considered whether it was not necessary to change or at least to improve the methods employed in approaching the problem. The experience of recent months confirms its conviction that the solution of the problem of the European Economic Association can be brought nearer only by regarding the Association as a part of the progressive economic policy to be pursued by the Community vis-à-vis the world at large. This means that the problem must be

solved step by step, as time moves on, and that one should not merely attempt to settle it wholly and perfectly at a stroke. Such an attempt might involve disappointments similar to those experienced in December 1958, and during the wait for conditions suitable for a "perfect and final" solution the various positions would harden, with all the psychological and political disadvantages which this entails. It must be remembered that there is not only one feasible form of association, and care must be taken to avoid both dogmatism and perfectionism.

For these reasons the Commission wishes to recommend a pragmatic and gradual way out of the present impasse. Rather than bow to the alternative of "all or nothing", the Commission considers that an attempt should be made to reach agreement among the six Governments on a programme which, though not meeting all the wishes of each of them, does not require any one of them to sacrifice basic positions which they are not prepared - or not prepared - to abandon. To be realistic and suited to present circumstances, such a programme would have to fulfil the following conditions:

1. It would have to make possible a substantial improvement in the situation of those within the Community and outside it who, in the absence of such a programme, would feel that their commercial interests were suffering.
2. It would have to recognize that Europe's problems cannot be solved in the abstract, but only if the relations between Europe and other parts of the world are kept constantly in mind and given due weight.

This implies:

- a) That contact must be maintained with the United States of America, and that we must not lose sight of the effects

of our policy on that country. The United States has not only made possible the reconstruction of Europe by large-scale financial aid, but in consideration of the European balance of payments situation, it has for many years accepted an appreciable degree of discrimination against its trade, while its own balance of payments has by now been radically changed;

- b) That the highly developed industrial countries of Europe should refrain from any action which might appear to lack solidarity with the less developed countries; this is the more important in view of the constantly widening gap between these two groups of countries.
3. The programme would also have to apply organisational methods and to use joint action on the basic points of economic policy as means of promoting the feeling of solidarity between the Community and all those who are affected by its external economic policy.
4. Conditions would have to be created for the steady improvement of commercial relations between the Community and other countries, especially those in Europe; there would have to be a definite "slant" in this direction. This would entail overcoming the difficulties which stem from the comparatively recent creation of the Community, from its relative lack of maturity, development and consolidation. Indeed, the stronger and more stable the Community is, the more liberal will its commercial policy be and the more easily will it be able to co-operate with the other European countries.

These then are the reasons underlying the suggestions which follow. They are intended as an earnest of the Community's good will. They make no pretence of being either

complete or final. The Commission nevertheless believes that if these suggestions were taken as a starting point, it should be possible to escape from the present deadlock, to resume discussions and so to bring about a renewal of common efforts within the Community and outside. With regard to the further progress which must be made in the question of association, the present suggestions in no way prejudge any possible future solution; in this respect the door is left open.

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I. QUOTA MEASURES

In line with the proposals submitted by the Commission in its First Memorandum, and bearing in mind the economic and legal changes which have occurred in international commercial relations, the Community would propose to abolish by stages all quota restrictions in the industrial sphere vis-à-vis the whole world.

It would declare its readiness to renew on 31 December 1959 the measures of quota enlargement already agreed upon on 3 December 1958, maintaining the same conditions of reciprocity and taking care not only not to increase but rather to reduce the differences in treatment in this sphere between Europe and the rest of the world.

The Community would in particular declare its readiness to allow non-member States a considerable share in the enlargement of small or nil quotas.

It would be ready to collaborate in any study carried out to determine precisely and in a restrictive manner those exceptional cases in which quantitative restrictions may still be justified economically.

II. TARIFF MEASURES

a) An immediate Measure

Having regard to the fact that the next tariff reduction within the Community is to take place on 1 July 1960, at which time the results of the multilateral negotiations in GATT will not yet be known, the Community would declare its readiness to extend the tariff reduction which is to take place between Member States on that date, to non-member States, on the same conditions as those envisaged in the Council resolution of 3 December 1958.

b) The Dillon Negotiations

The Community has already expressed its agreement with the principle of the tariff negotiations to be organized, on the proposal of the United States Government, at the multilateral GATT conference in 1960-1961.

The Community would declare its readiness to begin immediate consultations with its partners in order to ensure that these negotiations should cover the largest possible field and should deal in particular with critical points in the trade between the Community and its European partners.

c) Further Reduction

The Committee would declare without delay its intention of practising a broadly liberal policy towards the

whole world.

In consequence, it would state forthwith that, on the completion of the work of the multilateral tariff conference due to be held in GATT in 1960-1961, it would take the initiative in proposing a further considerable reduction of customs tariffs on a reciprocal basis.

d) Tariff Quotas

With a view to remedying difficulties which might be observed in the flow of trade between the Community and its partners, the Community would declare its readiness to grant tariff quotas on the lines indicated below.

III. GENERAL ECONOMIC POLICY OF THE COMMUNITY (Countries in course of development and policy relating to economic trends).

In its First Memorandum, the Commission emphasized the world responsibilities of the Community.

It sketched the main lines of a possible Community policy vis-à-vis countries in course of development and advocated a concerted policy in the matter of economic trends.

The Governments of the Member States have shown their sympathy for these ideas, but the Community as such has not yet taken any stand on them.

The Community would accept this policy as its own. It would declare its readiness to play its part in the working out and execution of a world programme of aid to the countries in course of development. It would take the necessary internal action to fix the volume of the aid to be afforded in the

various fields and the procedures by which the Community would make it available.

IV. PROCEDURE

a) Atlantic Co-operation

The Community would propose to the Government of the United States and the United Kingdom that regular consultations, in which other countries or the specialized international agencies could join, be organized for the rapid working out of a coherent and efficient programme of aid to the countries in course of development.

The same procedure would be used to work out a concerted policy on economic trends.

b) European Liaison Committee

The Community would declare its readiness to set up a Liaison Committee consisting of the spokesmen of the Community on the one hand and of the other European States or groups of States on the other.

The task of the Liaison Committee would be:

1. to study the flow of trade between the Common Market and its partners and to single out the sectors in which the trend of trade is giving rise to difficulties on either side, for governments or for enterprises;
2. to propose concrete solutions to remedy the difficulties noted and to bring about agreements between the interested parties.

Among the measures to be taken, the Community would

declare itself prepared to grant, on a reciprocal basis, tariff quotas to European partners in such forms and on such conditions that the granting of them should be consonant with the rules of GATT.

V. INTERNATIONAL STRENGTHENING OF THE COMMUNITY

As the Commission has already stated in its First Memorandum, the strengthening of the Community is not only an internal objective for the latter, but the very condition of its ability to carry out a liberal policy towards the outside world.

The Community would therefore state that it is in this spirit and with this object in view that it is taking measures to speed up its integration, to shorten the stages provided for in the Treaty, and to expedite the working out of the common commercial policy and the strengthening of its monetary solidarity.

The Community would declare its readiness to implement proposals, based on the memorandum of Professor MUELLER-ARMACK, for closer co-operation in the field of policy on economic trends.

At the same time, it would express its satisfaction at the evident desire to strengthen political co-operation within the Community.

III. - THE ACTIVITIES OF THE COMMUNITY

EXTERNAL RELATIONS

The European Economic Association

1. The Special Committee instructed to examine the problems relating to a European Economic Association met on 18 September 1959 under the chairmanship of M. Jean REY, a member of the Commission. The Committee received from the Commission a Memorandum containing new suggestions which, in the opinion of the Commission, would make it possible to initiate a new examination of the possibilities of co-operation between the Community and non-member countries in general, and the European countries in particular (1).

The Special Committee has had a preliminary discussion on the new proposals of the Commission, and will resume this discussion at its meeting of 19 October.

The President of the Commission, M. HALLSTEIN, submitted to the September session of the European Parliamentary Assembly the suggestions contained in this Memorandum.

Bilateral Association

2. At its meeting of 25 July 1959, the Council studied a request from Greece for association with the European Economic Community. The Council, having as a result of this study unanimously decided to give a favourable reception to the request of the Greek Government, instructed the Commission to undertake a first round of exploratory conversations with that

(1) See Chapter II.

Government (1).

3. At its meeting of 11 September 1959 the Council, after hearing the views of the Commission, studied an application for association with the European Economic Community submitted by the Turkish Government in a letter to the Commission dated 31 July 1959. The Council decided unanimously to give a favourable reception to the request of the Turkish Government and instructed the Commission to undertake a first round of exploratory conversations with the Turkish Government, mainly to go into the details of the form which such an association might take.

4. Initial conversations of an exploratory nature took place from 10 to 12 September in Brussels between a delegation of the Commission and a delegation of the Greek Government. A joint communiqué, published on the occasion of these conversations, states inter alia:

"The Greek representatives described in detail Greece's problems, and their Government's proposal for the establishment of a customs union with the Community. The representatives of the Commission for their part stated that the Community intended to bring effective aid to the developing Greek economy in order to achieve satisfactory balance in the proposed association.

"The talks covered such questions as the circulation of goods and of persons, the right of establishment, the harmonisation of trade policy, and institutional problems, as well as the sales of agricultural products, particularly tobacco, and financial aid, to which the Greek Government attaches particular importance.

(1) See Bulletin 3/59 Chapter III § 3.

"Wide agreement was reached on numerous points and further studies will be pursued without delay; a further meeting of the two delegations will be held in October in order to make possible the conclusion of an agreement in the coming months."

5. In addition, a delegation of the Commission and a Turkish delegation held initial exploratory talks in Brussels from 27 to 30 September. The joint communiqué published after this first meeting states inter alia:

"During this exchange of views, which proved particularly fruitful, the representatives of both parties described the problems raised by the proposed association and examined the means of solving them in the common interest. The talks covered the aid which the Community hopes to give to the development of the Turkish economy in harmony with that of the Community itself and in particular the conditions for financial assistance to the Turkish investment programme. The talks also touched upon the questions raised, in the context of a possible customs union, by the free circulation of goods and particularly of Turkish agricultural products, as well as on the ways in which trade policy might be harmonised.

"The talks, which took place in a very cordial atmosphere appropriate to the traditional links of friendship between Turkey and the Members of the European Community, have already foreshadowed the possibility of a comprehensive agreement. Further talks will be held during the month of November when both parties have completed the necessary studies and consultations."

6. At the session of the Councils on 13 and 14 October,

the Commission reported on the status of the exploratory conversations with the Greek and Turkish Governments.

This report brought out the main problems involved in the proposals for association.

After expressing its appreciation of the way in which the Commission had conducted these conversations, the Council proceeded to a discussion of the subject, and this led to the re-affirmation both of the political importance which it attaches to the problems raised by the association of Greece and Turkey with the Community and of its anxiety to arrive rapidly at a satisfactory solution. In this connection it requested the Commission to continue the exploratory conversations and to report again at a later session.

In pursuing these conversations the Commission will maintain close liaison with the Council through the Committee of Permanent Representatives, assisted, if need be, by experts from the various countries.

7. M. HALLSTEIN, President, M. MARJOLIN, Vice-President, and M. REY, a member of the Commission, were the guests of the Greek Government on the occasion of a courtesy visit paid to Athens on 16 and 17 October at the invitation of the Government.

The Community and GATT

8. The Commission will participate in the 15th Session of the Contracting Parties to the General Agreement on Tariffs and Trade, to begin in Tokyo on 26 October 1959. The Commission will be represented at the first part of this Session, which will be on Minister of Commerce level, by M. Jean REY, a member of the Commission and Chairman of the External Relations Group.

The Ministers are to discuss:

- The prospects of international trade in the light of the restoration of the convertibility of the currencies of a certain number of Contracting Parties;
- Progress made in the execution of the programme for the expansion of international trade:
- Regional schemes for economic integration.

The agenda for the ordinary meeting of senior officials contains an item entitled "Treaty of Rome", included at the request of the Community.

The Community will thus have the opportunity of furnishing the other Contracting Parties with information on the measures taken since the beginning of the year in the tariff, quota, financial and social fields to implement the Treaty of Rome.

9. In preparation for the 15th Session of the Contracting Parties to GATT, the Council, at its session of 13 and 14 October, had an exchange of views with the Commission on the main problems which will come up for consideration. In particular, the Council raised the questions of trade in agricultural products and trade with countries in the course of development, problems concerning countries where the economy is controlled by the State, and countries with an abnormally low wages level.

The Council drew up the main lines of a position which the Six could adopt on this occasion, it being understood that the representatives of the Governments of the Member States and of the Commission will maintain close contact in Tokyo in order to co-ordinate their subsequent action in

the light of the trend taken by the discussions.

10. In the framework of the programme for the development of international trade the Contracting Parties at their 13th Session had set up several committees, among others Committee No. I, which was instructed to prepare a new round of multilateral tariff negotiations. This Committee, which the Commission attends as negotiator for the Community, has drawn up a report fixing the rules of the negotiations to take place at the tariff conference opening in Geneva on 1 September 1960.

The report also lays down the powers of the Tariff Negotiations Committee and specifies the type of information and documentation to be supplied before the opening of the conference.

The latter will be in two distinct phases: the first reserved for re-negotiations with the Community under Article XXIV,6; the second devoted to multilateral negotiations of the type which took place during the previous tariff conferences of GATT.

The procedure adopted to reach the objectives sketched in the Dillon proposals, made by the Head of the US Delegation to the 13th Session of GATT, go a long way towards solving the problems engaging the Community. On a recommendation of the Commission the Council accepted Mr. Dillon's proposals as far back as 5 May, 1959.

In accordance with the Treaty, the negotiations are being conducted in the name of the Community by the Commission with the assistance of a Special Committee appointed by the Council. This Committee, which the Commission consulted on 9 October, is composed of the following members:

Belgium:

M. FORTHOMME, Administrator and Director-General of Foreign Trade in the Ministry of Foreign Affairs and Foreign Trade.

Germany:

Dr. REINHARDT, Ministerialdirektor,
Head of the Foreign Trade Department in the
Federal Ministry of Economics

France:

M. CLAPPIER, Director of External Relations in the Office
of the Under-Secretary for Economic Affairs

Italy:

M. FERLESCH, Director-General for Trade Agreements in the
Ministry of Foreign Trade

Luxembourg:

M. DUHR, Legation Counsellor at the Ministry of Foreign
Affairs

Netherlands:

M. van COPSCHOT, Director-General of External Economic Re-
lations, Ministry of Economic Affairs.

Relations with non-member countries and international
organisations

11. Accredited representatives to the Commission will
shortly be appointed by Great Britain, Switzerland, Austria,
Norway, Sweden, Portugal, Japan and Eire.

The Commission has informed the Governments concerned
of the favourable reception given by the competent institutions
of the EEC (Council and Commission) to their request for the
establishment of official diplomatic relations, and has asked

them to nominate the Heads of Mission whom they intend to accredit to the Community. Japan has already appointed His Excellency Ambassador WAJIMA as Head of its Mission to the Community. The number of diplomatic missions from non-member countries to the Community is now five.

During the October session of the Councils of EEC and Euratom, Ambassador Gideon RAFAEL, Head of the Israeli Mission to the European Communities, and Ambassador Lars TALLITSI, Head of the Danish Mission to the European Economic Community, paid courtesy visits on 14 October to M. Giuseppe PELLA, Minister of Foreign Affairs of the Italian Republic and President in office of the Councils.

12. By an exchange of letters dated 18 August, the President of the Commission and the Secretary-General of the Council of Europe approved an arrangement regulating the practical details of co-operation between the Commission and the Committee of Ministers of the Council of Europe. This arrangement in no way prejudices the overall agreement which may later be concluded between the Community and the Council of Europe in accordance with Article 230 of the Treaty of Rome.

Under this arrangement, the Commission will communicate to the Committee of Ministers the General Report which it is required to publish under Article 156 of the Treaty; it will participate in discussions of the Committee of Ministers concerning the problems dealt within its report. The Committee of Ministers may address to the Commission any remarks they wish to make on the report transmitted. The Committee may also invite the Commission to participate in its discussions on other problems of a general nature which affect the Commission. The Commission's experts may be invited, when appropriate, to take

part in the meetings of the Committees of Government experts of the Council of Europe which deal with problems of concern to the Community.

In addition, the experts of the Secretariat of the Council of Europe may be requested by the Commission to discuss with the services of the Commission problems of interest to the Council of Europe.

The Commission will receive the statutory reports of the Committee of Ministers and the general report of the Council of Europe on European co-operation as well as the official report of the Consultative Assembly's debates on European economic integration.

Contact with the Consultative Assembly of the Council of Europe was established as early as 1958.

13. After a working arrangement had been concluded in July between the Commission of the European Economic Community and the Secretariat of OEEC, the Co-ordination Committee provided for under this arrangement held a first meeting on 6 October at the seat of the Commission. This Committee, composed of representatives of OEEC and of the services of the Commission, is to meet periodically in Brussels.

The first meeting was of a general informatory nature and provided an opportunity to consider practical measures for increasing co-operation between the Commission and OEEC in the various fields. Part of the meeting was devoted to the conditions under which representatives of the Commission will participate in all the organs and committees of OEEC; this participation had already been agreed in principle.

14. The Commission was represented by observers at the following meetings organised by the United Nations Economic Commission for Europe:

- Inland Transport Committee - panel of experts instructed to study the cost of infrastructures (Geneva, 25 - 28 August 1959).
- Committee on Agricultural Problems - study group on demand for agricultural produce, working in co-operation with the FAO (Geneva, 31 August - 4 September 1959).
- Industry and Materials Committee - special meeting of experts instructed to study the economic repercussions of automation (Geneva, 28 - 30 September 1959).

Commercial Policy

15. In accordance with Article 111(5), sub-paragraph 2, the Government of the French Republic informed the Commission beforehand of the new liberalisation measures taken vis-à-vis the dollar and OEEC areas at the end of September.

Certain products falling under the new measures will be liberalised with immediate effect and the remainder on 1 January 1960. The new liberalisation measures adopted by the French Government do much towards bringing French "dollar liberalisation" into line with that of the other Community countries. Thanks to new liberalisation measures taken by the French Government the gap between "Dollar" and "OEEC" liberalisation has now been considerably reduced (79.8% and 93.5%).

The services of the Commission will shortly study with the representatives of the Member States the possibilities of attaining uniformity, as rapidly as possible, the liberalisation lists for the dollar area.

16. Having been informed by the trade circles concerned that since March 1959 the Governments of several Member States have suspended the export of raw bovine cattle hides and skins because of the supply difficulties which had appeared on the market for these raw materials, the Commission requested, at the beginning of August, that the measures taken by these Governments be cancelled. The Commission was of the opinion that these measures were contrary to Article 34(1) of the Treaty and that they were not covered by the provisions of Article 115, since no State had requested the prior authorisation provided for in sub-paragraph 1 of this article, nor respected the notification required under sub-paragraph 2 of the same article.

The Commission was nevertheless careful to recall that in the presence of difficulties experienced by a Member State it is always disposed to examine speedily and sympathetically any request from a Government for the co-operation of the other Member States under Article 115, or, failing this, to grant a temporary dispensation from obligations under the Treaty.

After the situation of the market for raw bovine cattle hides and skins has been examined by the services of the Commission assisted by Government experts, the Commission, acting in accordance with the first sub-paragraph of Article 115 of the Treaty, recommended a Community procedure which should ensure that the execution of measures of commercial policy taken by Member States shall not be prevented by diversions of commercial traffic. To this end, the Commission has requested the Member States to suspend re-exportation of:

- unworked heavy raw bovine cattle hides and skins and portions (bellies and butts) to third countries which are not members of OEEC;

- unworked light raw bovine cattle hides and skins (up to 33 kg. for bulls, 34.5 kg. for oxen and 28.5 kg. for cows) to all non-Community countries if these hides and skins have been imported into a Member State of Belgium, France or Luxemburg.

In response to the requests of the Commission, the Governments of the Member States which had taken measures incompatible with the Treaty have cancelled these and adopted the Community procedure recommended by the Commission.

The Community and the countries in course of development

17. The Commission continues to devote particular attention to the problems of the countries in course of development and to suitable measures for resolving some of the major difficulties confronting them. In this connection it closely follows any attempts at stabilising the markets for basic products. Its services were represented at meetings held under the aegis of the United Nations or of the Member States of the Community with a view to stabilising the lead, zinc, tin and coffee markets.

In its Memorandum of 17 September, the Commission reiterated certain suggestions already made in that of 27 February concerning policy to be followed vis-à-vis countries in the course of development. In this connection the Commission is endeavouring to work out a co-ordinated plan of action to be taken by the Community.

ECONOMIC AND FINANCIAL AFFAIRS

Summary note on general economic conditions

18. During the summer months industrial production in the Community showed a slight falling off which, however, is

not indicative of a change in general economic trends. In Italy, the slowing down was attributable chiefly to the strikes which occurred in several sectors, whilst in other countries it was due to longer annual holidays. The factors working for the expansion of industrial production have probably not in fact weakened during recent months and will exert their full effect when business picks up in the autumn. A further decline in unemployment has followed economic expansion in most member countries, and especially in the German Federal Republic. Although there has been considerable improvement in productivity, increased employment is noted in numerous branches.

Differences in the rate of progress between the member countries of the Community have narrowed at the same time as disparities in general business trends between the various sectors of industry. With the exception of coalmining, most of the industries which were depressed in 1958 - iron and steel, textiles, clothing and leather - have shown a definite recovery. The metal products industries, which represent a quarter or even a third of total industrial output in the Member States, will no doubt play a decisive role in maintaining expansion during the months ahead. To the increased demand for durable consumer goods will be added that of the demand for capital goods which is now becoming perceptible. By the end of the second quarter, the output of the metal products industries had already increased in most Member States by 4 to 5% in relation to the corresponding period of the previous year. In the Netherlands, the rate of expansion was even higher, being about 15%. The construction of housing is also booming in all member countries, and the increase of 13% in building permits granted in the Community during the second quarter in relation to the corresponding quarter of 1958 justifies the expectation

that expansion will continue in this sector during the coming months. Mortgage loans have increased and the number of applications for them tends to grow because of the anticipated rise in interest rates. Nevertheless, in the German Federal Republic and the Netherlands maintenance of the present rate of progress in building activity could well be jeopardized by the growing scarcity of manpower.

In the Community as a whole, the general economic recovery has resulted much less from an increase in consumption or private investments than from the expansion of other elements in global demand, in particular the reconstitution of stocks and external demand.

Continuance of the tendency to bring stocks into line with the growing rate of industrial production during recent months has resulted in a general increase in Community imports. In the German Federal Republic, imports have not even been affected by the seasonal slowing down of activity. Thanks to the favourable trend of exports, the trade surplus of the Community showed a further increase in July. The exports of B.L.E.U. developed considerably, as did those of Italy, which are no longer handicapped by shipping strikes. As in the preceding months, however, the favourable balance of trade of the Community with the rest of the world is attributable principally to the surplus in the trade balance of France with the other countries of the franc area, which again increased during the summer.

The slight tendency for retail prices to rise, which had appeared in June, became more noticeable in August. On the one hand, continuing drought in several regions has resulted in higher prices for various food products and on the other,

the general cost-of-living index of member countries has been influenced by rises in the prices of some other products, in particular leather goods. These increases have been most felt in the Netherlands, where the food price index rose from 115 in June to 124 in August. In Belgium, the general retail price index has passed the point beyond which the mechanism of the sliding scale comes into play and a wage increase of 2.5% is to be granted in many industries. In France, the same trend may cause the guaranteed basic wage to be raised on 1 November. However, the Government has already taken certain measures in the field of prices.

In order to prevent the strains thus making themselves felt in certain sectors from becoming more severe, some countries may be led to take measures to slow down expansion, whereas more and even speedier growth is desirable in other countries with considerable resources still unused. The Member States of the Community should therefore co-ordinate their policies on economic trends in order to ensure a higher rate of real growth without the risk of inflationary strains. In fact, if there is no co-ordination at all, the advent of inflation, which ought in any case to be avoided, would make it inevitable that a brake be put on expansion.

Regional development

19. The Commission has laid down for its services the following general programme of work on regional policy:

- 1) Delimitation of the main social and economic regions of the Community;
- 2) Establishment of comparable regional statistics and other information;

- 3) Comparative study of existing regional policies (with a view to examining their compatibility with the Treaty and any co-ordination which may be necessary) and proposals for concrete measures to implement these policies;
- 4) Study of the regional implications of the common policies and of the planned development of the Community.

In addition, the Commission has instructed an internal working party to study the objectives of the Community's regional policy, the means of action available to its institutions in this field, and the measures which it might initiate.

A first meeting of those responsible for regional policy in the different States was held in Brussels on 25 September, under the chairmanship of M. MARJOLIN, Vice-President of the Commission. M. MARJOLIN emphasized the importance which the Commission attaches to the problem of regional development in the setting of the Community. After a general exchange of views on the regional policies followed by each Member State, the problems of method were taken up. Finally, the effects of the Common Market and the economic policy of the Community on the regional problems of Member States, particularly in frontier areas, were studied. A working party consisting of experts from the Member States will convene in October to prepare a further meeting of the officials responsible for the regional policies of the different countries.

20. M. MARJOLIN, Vice-President of the Commission, attended the annual meeting of the Board of Governors of the International Monetary Fund from 28 September to 6 October in Washington.

THE INTERNAL MARKET

Elimination of customs duties

21. In carrying out its tasks of supervising the measures taken by Member States in the first reduction of customs duties, the Commission has found a small number of cases where the application of the first reduction did not appear to conform with the Treaty. The Commission has requested the Governments concerned to furnish the necessary information. It has also studied the case of certain taxes on imported products which appear to constitute charges having an effect equivalent to customs duties within the meaning of Article 13(2) of the Treaty.

In October, the Commission called a meeting of experts from the Member States in order to solve the difficulties which might arise from the application of the second round of tariff reductions planned for 1 July 1960. It is the calculation of the overall duty collection which gives rise to these difficulties. They will become acute only if the second reduction is carried out on the lines of Article 14 of the Treaty; but in fact the Member States are entitled to apply the linear method which was used for the first reduction on 1 January 1959.

Elimination of quantitative restrictions

22. The final study of the quota schedules of the Federal Republic of Germany and of France was slowed down because of the changes carried out by the States as a result of the steps taken in July 1959 to free a certain number of products previously subject to quantitative restrictions.

The Commission nevertheless believes that it can without further delay pass to the various Member States its observations on the global quotas opened for 1959. In this way the Governments will be able to decide before the end of the year what steps they must take and they will be able to make any necessary alterations, in view of the enlargements that are to come later, to the starting point provided by the global quotas opened in 1959. Changes have already been made following upon discussions at the technical level.

The import procedure for agricultural products, which in certain Member States are subject to a marketing organisation, is the subject of careful study by the services of the Commission, as are the methods of handling global quotas and the other restrictive practices applied in Member States and likely to have an effect equivalent to quantitative restrictions.

State monopolies of a commercial character

23. The services of the Commission have prepared and called a new multilateral meeting on the adjustment of tobacco monopolies. After bilateral consultations the French tobacco monopoly administration has informed the Commission that it would submit a proposal concerning the adjustment of its monopoly.

The Commission has also approved a commentary on the applications of Article 37; these comments will be communicated to the Governments of the Member States.

In its communication to the Governments, the Commission emphasized the fact that Article 37 does not institute, in favour of the national monopolies, any escape clause or postponements for the elimination of quantitative restrictions. On

the contrary, it establishes, in the opinion of the Commission, a special obligation to adjust the monopolies in such a manner as will ensure the exclusion, at the date of the expiry of the transitional period, of all discrimination between the nationals of Member States in regard to conditions of supply or marketing of goods. In particular, it is important that import facilities be officially extended according to a time-table similar to that provided for in Article 33 and that it be possible to make effective use of these facilities. It rests with the Member States to take the requisite action to apply Article 37, the Commission's duty being to watch over the application of the measures to be introduced by the Member States under the Treaty.

Article 37(6) of the Treaty provides furthermore that the Commission shall, as soon as the first stage has begun, make recommendations as to the particulars and the timing according to which the adjustments referred to in that Article shall be carried out.

The Commission will forward to the Governments of the Member States a time-table for the work concerning other products subject to State monopolies.

Preparation of the common external tariff

24. The Commission has further increased the speed with which this document is being prepared, since it is anxious that a common customs tariff, as complete as possible at least from the angle of the rates of duty, shall by January 1960 be submitted to the Contracting Parties of GATT.

After the four tariffs of the Member States - as they stood on 1 January 1957 - had been dovetailed on the basis of the Brussels Nomenclature and a simplified advance draft of the common tariff had been drawn up, the services of the

Commission, working in close collaboration with the customs experts of the Governments, undertook a study of the comments on this advance draft furnished by the Member States.

For the first 72 Chapters of the tariff this study has already been concluded and the results have been discussed with specialists from the various administrations concerned, meeting as a Mixed Committee of economic and customs experts.

As a result of this work, the draft of the common external tariff can be regarded as practically complete for the first 72 Chapters out of a total of 99.

Nevertheless, there remain some problems which the Commission is trying to resolve, such as those connected with fiscal duties and specific and mixed duties, and those of the preferential treatment accorded to some goods intended for special purposes. These difficulties are examined at special meetings.

The greater momentum of work indicated by the Commission's time-table gives rise to hopes that it will have finished by early December the study of the comments submitted by the Member States.

25. The services of the Commission have begun to draw up the common list of the bindings conceded by the Member States of the Community to the other Contracting Parties of GATT. This work, done with the assistance of a second group of customs experts, presents great difficulty. Most of the bindings were worked out on the basis of domestic nomenclatures differing considerably from the Brussels Nomenclature adopted by the Community. It has proved difficult to dovetail and to incorporate them in the common tariff, each individual case

requiring very careful study.

26. The Commission has carefully adhered to the timetable approved by the Member States for the series of meetings on the subject of List G products. In this way it is following the recommendation from the Council of Ministers concerning the speeding up of these negotiations which, it is hoped, will be completed for as many products as possible before the end of the year.

With the help of staff from the Commission, experts have been studying the statistics concerning certain products and have prepared comments for the benefit of the specialist working parties. Negotiations were resumed at the beginning of September, while the specialist working parties have undertaken economic research work on the products with which they were concerned. The experts have also stated the position of their Governments on the rates of the duties under discussion.

For their part, the Member States have submitted a list of products which they wish to see incorporated in List G, thus making use of the facility granted in Article 20(1) by which they may add further products to this list up to the limit of 2% of the total value of their imports coming from third countries in the course of the year 1956.

Customs legislation

20. The Commission has examined all the provisions applicable to goods undergoing processing in Member States (Article 10(2) of the Treaty). The rules at present governing goods of this nature were fixed by a decision of the Commission dated 12 December 1958. The validity of this decision, which grants the same tariff and quota advantages to goods acquired

for processing as are applicable to indigenous goods or goods in free circulation, expires on 30 June 1960. Consequently, the Commission is considering a new draft decision, and agreement has already been reached with the Member States on the main principles which it should reflect.

The Commission has also initiated the preparatory work for the harmonisation of customs legislation, regulations and procedure to be undertaken before the end of the first stage (Article 27 of the Treaty). At the final meetings of the customs experts it was decided to give priority to the harmonisation of customs procedure covering the processing trade (in particular temporary entry and drawback) and to the rules governing the calculation and payment of customs duties.

The Right of establishment and services

21. In close co-operation with the various governmental authorities the services of the Commission are preparing the general programme for the abolition of restriction on the freedom of establishment and the free supply of services inside the Community. The Commission must in fact submit this programme to the Council by the end of 1959.

COMPETITION

Approximation of legislation

29. As the second General Report on the Activities of the Community forecast, the Commission has addressed to the Governments of the Member States a formal invitation for a conference to be held in Brussels on 19 November 1959; this invitation was issued after the Commission had studied the difficulties raised by the diversity of municipal legislation on the protection of

industrial property rights.

Simultaneously, proposals concerning the subject matter and the procedure to be adopted were also submitted to the Member States.

30. The fifth Conference of Government Experts on Understandings and Monopolies was held in Brussels on 8 and 9 October 1959.

The Conference studied for the second time the reports prepared by the services of the Commission on the concept of the dominant position (Article 86 of the Treaty of Rome) and on the legal import of the lists of examples given in Articles 85 and 86. This examination has served to throw light upon certain aspects of these two problems and to show that final conclusions can be obtained only from a study of concrete cases.

The Conference also examined Article 90; the concepts of "public enterprises" and "enterprises charged with the management of services of general economic interest" were clarified.

It was agreed that two working parties would meet in the near future to prepare the final draft of a procedure to facilitate the implementation of Article 86 and 90.

SOCIAL AFFAIRS

The European Social Fund

31. The Council has requested the opinion of the Economic and Social Committee on the draft rules for the European Social Fund, prepared by the Commission as required by Article 127 of the Treaty. The Committee will formulate this opinion

at its meetings on 27, 28 and 30 October. A draft opinion examined by the Social Affairs Section expresses, on the whole, approval of the Commission's draft, but the Section will none the less propose to the Committee that a number of amendments be made. Finding that the rules governing the Social Fund will not be effective in the associated overseas countries, the Committee has asked for arrangements similar to those made for the Fund to be planned for the benefit of the associated Overseas Countries and Territories.

The Council has also asked the Assembly for its opinion. The consultations provided for in Article 127 must take place before the Council draws up implementing provisions concerning the European Social Fund.

Social security of migrant workers

32. The Administrative Committee on the Social Security of Migrant Workers met on 17 and 18 September 1959. On this occasion it:

- Prepared the final draft, for publication in the Official Gazette of the European Communities, of the decisions so far reached on points requiring an interpretation or a ruling;
- Defined the concept of absolute urgency in relation to the problem of providing prosthetic appliances, major surgical aids and other major benefits in kind in cases of permanent or temporary residence in the territory of a Member State other than that in which the institution liable for payment is situated;
- Studied the formalities to be completed in the case of series of successive brief periods of duty in several Member States;

- Defined the interpretation of Article 13(a) of Regulation No. 3 concerning workers who on engagement are immediately sent to work for a brief period in the territory of another State;
- Held a preliminary exchange of views on the reimbursement procedure (either direct settlement between the institutions concerned or settlement by way of clearing through the good offices of the Administrative Committee) for sickness and maternity benefits and for benefits in respect of industrial accidents, occupational diseases or unemployment (assistance), whenever these are paid out during temporary or permanent residence in the territory of a Member State other than that of the institution liable for the payment;
- Studied the use of the forms drawn up under the bilateral agreements.

Free movement

33. On the invitation of the Commission a meeting of government experts was held on 28 and 29 September 1959.

Its object was to bring up to date information on the legislative and administrative provisions at present applied in each Member State of the Community to the entry, residence and employment of workers from each of the other Member States. This information is to serve as the basis for the studies and discussions concerning the measures to be taken in implementation of Articles 48 and 49 of the Treaty of Rome.

Further meetings of government experts are scheduled.

34. The Commission was represented at the Congress of the Trade Unions of the Federal Republic of Germany (DGB), held

at Stuttgart from 7 to 12 September 1959, at the Congress of the International Federation of Christian Trade Unions for Employees, Technicians, Supervisory Staff and Commercial Travellers (CISC), held in Luxembourg from 9 to 11 September 1959, and at the Congress of the Netherlands Confederation of Workers' Association (N.V.V.), held in Utrecht on 30 September and 1 and 2 October 1959.

AGRICULTURE

Common agricultural policy

35. The Commission will in the immediate future consult the Economic and Social Committee on the proposals for the drafting and implementation of the common agricultural policy which, under Article 43, it must submit to the Council within two years from the entry into force of the Treaty.

The Commission will place before the Committee a document which in its first part will contain a survey of the agricultural situation in the Member States and the agricultural policies these have so far pursued. The second part of the paper will deal with the principles which should underlie the common agricultural policy. The third part will contain the proposals of the Commission for common action to be taken in the sphere of agricultural structure and for setting up a common organisation for the most important agricultural markets.

After obtaining the opinion of the Economic and Social Committee, the Commission will draw up the final text of its proposals and will submit these to the Council before the end of 1959. The Commission plans to publish its proposals at the beginning of 1960.

36. Meetings have been held with government experts and experts from agricultural and industrial organisations for the purpose of discussing certain problems of the common agricultural policy. At these meetings questions relating to the disposal of possible surpluses of cereals were studied with the government experts.

Contact has been established with government experts with a view to working out a short-term balance-sheet for foodstuffs.

Two meetings were devoted to an exchange of views with the Committee of Agricultural Organisations in the EEC, covering problems related to cereals, milk and dairy produce, agricultural structure, and the relationship between agricultural and industrial prices.

The arrangements for a study of the agricultural and foodstuffs industries in the EEC were reviewed with the Agricultural and Foodstuffs Industries' Committee of the Union of Industries of the European Community.

Trade

37. The technical problems resulting from the implementation of the Treaty provisions on the elimination of restrictions on trade within the Community were further studied. This examination was in particular concerned with the minimum price system operated in the Belgo-Luxembourg Economic Union.

The French Government has recently applied the system of minimum prices to a certain number of agricultural products. The Commission has established contact on this matter with the French authorities concerned.

TRANSPORT

38. The draft rules on the elimination of discrimination in the matter of transport rates and conditions, worked out by the Commission pursuant to Article 79(3) of the Treaty and submitted to the Council, which must promulgate these rules before the end of the year, has since September been the subject of an initial study by the Transport Section of the Economic and Social Committee, which had been asked for an opinion by the Council. At its meeting of 7 October the Section made several amendments to the draft opinion prepared by a Working Party. The report made by the Transport Section will refer to the views on a certain number of points expressed by a strong minority. The discussions within the Section dealt mainly with the articles of the draft rules covering the following subjects: exceptions from the provisions of Article 9 of the regulation concerning transport documents, publication of transport rates and conditions, the authority given to officials of the Commission to ensure that transport enterprises observe the rules, the Commission's powers of sanction, and the possible inclusion of a revision clause in Article 27. It is expected that the Committee's views will be formulated at the end of October and submitted to the Council (1).

39. In a letter of 27 July 1959 addressed to the permanent representatives to the Communities of the Member States, the Commission has indicated its intention to apply the rules of Article 80 of the Treaty. With this end in view it has requested the Member States to furnish certain information concerning measures of support or protection in the interest of one or more particular enterprises or industries.

(1) See Bulletin 3-59, Chapter III, para. 52 et seq.

40. The Commission has prepared a questionnaire on transport aids. This questionnaire will shortly be forwarded to the Governments of the Member States in order to provide the Commission with the data needed to work out concrete proposals for the application of Articles 77 and 80 of the Treaty. Article 77 of the Treaty lays down that aids which meet the needs of transport co-ordination or which constitute reimbursement for certain obligations inherent in the concept of a public utility shall be deemed to be compatible with the Treaty. Article 80 of the Treaty prohibits the application imposed by a Member State, in respect of transport effected within the Community, of rates and conditions involving any element of support or protection in the interest of one or more particular enterprises or industries.

In examining these rates and conditions the Commission will bear in mind the requirements of regional economic policy, the needs of the underdeveloped areas, the problem of areas severely affected by political circumstances, and the repercussions of these rates and conditions on competition between the various means of transport.

41. For road transport the basic data concerning the criteria to which road transport vehicles must conform have been established; a discussion of this problem can now be undertaken with the experts from the various countries.

42. Existing liaison with the international transport organisations has been extended. The Commission was represented at the Rhine Navigation Economic Conference, at working parties and at the Committee of Deputies of the European Conference of Ministers of Transport, and at working parties and the sub-committees of the Inland Transport Committee of the United

Nations Economic Commission for Europe.

43. An informatory meeting held as a result of the relations established with trade union organisations made it possible to explain to representatives of transport unions belonging to the International Federation of Christian Trade Unions the most important questions arising in connection with the policy on tariffs and infrastructure and in the field of transport co-ordination and harmonisation. Informatory meetings with representatives of other confederations will take place later.

44. On the invitation of the Chairman of the Transport Group the Ministers of Transport of the Member States met in Brussels at the seat of the Commission on 16 October. At this meeting, which was of a private nature, they had a general exchange of views with M. SCHAUS, a Member of the Commission, on transport problems within the Community.

ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

Right of establishment

45. The Commission has submitted to the Council draft directives for the progressive elimination of any discrimination existing in the associated overseas countries which affects the right of establishment between nationals and companies of the Member States.

Article 8 of the Implementing Convention relating to the Association with the Community of the Overseas Countries and Territories lays down that in the first year of the application of the Convention the Council, acting by means of a qualified

majority, must vote on a proposal to be submitted by the Commission. The delay in the submission of the draft directive to the Council was due to the anxiety of the Institutions to have the fullest possible consultations with the authorities of the associated countries.

Though not required by the Treaty to do so, the Commission has also obtained the views of the Social and Economic Committee. The draft directives take into account as fully as possible the views furnished to the Commission by the authorities of the associated countries and the Social and Economic Committee.

Development of trade

46. -The services of the Commission have concluded the study of the global quotas opened by the associated Countries and Territories in favour of the Member States. The comments of the services of the Commission have been discussed with the experts concerned. Only one disputed point is still under discussion.

47. The Commission has taken action to prevent any delay in the opening of quotas and the issue of licences. It has also given attention to the methods of administration in force in the associated countries in order to make certain that no discriminatory measures exist against Member States. A systematic examination of the methods of administration is going on.

48. As part of the study of the problem arising from fluctuating prices for certain tropical products, the services of the Commission have assembled the documentary material concerning the measures already taken in some associated Overseas Countries to stabilize coffee, cotton and cocoa prices. This

material will shortly be submitted to the experts from the member countries who have already examined, on general lines, the repercussions which unstable prices for agricultural products have on the income of the population of the associated countries.

In addition, the services of the Commission have studied the marketing of oleaginous products from the Overseas Countries and Territories associated with the Community.

49. At the beginning of October a delegation from the Commission, headed by the Director of the Trade Directorate in the Directorate-General of Overseas Countries and Territories, visited Equatorial Africa. It arrived at Fort Lamy on 8 October and spent about three weeks in the Republic of Chad, the Central African Republic, the Republic of Congo, the Republic of Gabon and the State of Cameroon in order to discuss on the spot with the competent authorities the problems raised by the Treaty of Rome and the Implementing Convention.

The Development Fund

50. The Commission has received requests for approval of 221 projects in the associated Overseas Countries and Territories which would require financial support from the first year's budget of the Development Fund (1958). A few projects may still come in from those associated countries which were unable to prepare a sufficient number in time, but the 221 submitted to the Commission by 1 October 1959 may be considered as constituting the body of projects which the Fund may be called upon to finance from its first annual budget.

In respect of the second financial year (1959), the

responsible authorities of the Belgian Congo and Ruanda-Urundi have already submitted eight projects for financing by the Fund.

51. In September the Commission decided to finance from the Development Fund (financial year 1958) the following social development schemes:

a) In the Republic of Gaboon

- The establishment, extension or reconstruction of 30 health centres, for a provisional commitment of 567,000 units of account (140 million Frs. CFA).

The Republic of Gaboon is at present engaged on a programme of public health improvement, particularly the expansion of maternity and infant care and of campaigns against endemic diseases. The scheme financed by the Development Fund, which provides for the construction of 11 surgical and maternity buildings, 11 buildings for in-patients, 3 dispensaries and 5 health centres of other types, fits into this plan.

- Construction of a commercial section at the Libreville vocational school, for a provisional commitment of 45,000 units of account (11,200,000 Frs. CFA).

Education is fairly well developed in Gaboon, where 67% of the children attend school. The purpose of this project is to complete the existing equipment by building a commercial section for 60 pupils near the Libreville vocational school.

b) In the Republic of Chad

- Reconstruction of health centres for a provisional commitment of 1,211,000 units (299 million Frs CFA).

The aim of this project is to reconstruct centres at present housed in temporary quarters, and it is capable of

improving the health conditions of about 1.5 million people. The programme includes a standard dispensary, 22 up-country dispensaries, 14 buildings for in-patients, 2 maternity centres and 2 social centres.

- Extension of the Bailli agricultural training centre for a provisional commitment of 89,000 units of account (22 million Frs. CFA).

The project is for the building of an extra dormitory, providing accommodation for about 60 pupils. It will make possible an appreciable increase in the number of boarders and further the spread of agricultural techniques in Chad. At present the Bailli agricultural training centre has room for about 150 pupils.

52. In September, the Council of Ministers, acting in accordance with Article 5 (2), sub-para 3, of the Implementing Convention relating to the association with the Community of the Overseas Countries and Territories, approved on a proposal of the Commission, aid from the Development Fund to finance the following economic development projects:

a) In the Republic of the Ivory Coast:

The construction of a fishing port at Abidjan, for a provisional commitment of 600,000 units of account (147,675,000 Frs. CFA), of which a first tranche of 405,000 units (100 million Frs. CFA) represents payment authorisations against the 1958 budget.

The continual increase in the number of fishing boats since the port of Abidjan was built and the advantages of encouraging the population to consume fish have made necessary the construction of a fishing port. At the present the

"industrial" catch is more than 20,000 tons per annum from about 30 craft.

b) In the French Trusteeship Territory in the Cameroons

The reconstruction of four ship's berths in the old port of Douala, for a provisional commitment of 3,650,000 units of account (880 million Frs. CFA) of which a first tranche of 1,620,000 units (400 million Frs. CFA) represents payment authorisations against the 1958 budget.

The port installations of Douala-Bonabari in the Cameroons are situated 20 km inland on the estuary of the Wouri and include 12 berths spread along nearly 2 km of river front. The port of Douala is in two distinct parts, built at completely different periods: the first with four ship's berths was built between 1926 and 1930, the second in 1949-1950. The age and operating conditions of the old port have caused fairly considerable damage likely to produce serious difficulties for traffic in the complex as a whole, which at present handles about 1 million tons per annum.

A new Financing Convention concerning the operations of the Development Fund in Madagascar for the budget year 1958 was signed on 18 September 1959 by the Minister of Finance of the Republic of Madagascar and the Permanent Representative of the French Republic with the European Communities on the one hand, and M. LEMAIGNEN, Chairman of the Overseas Countries and Territories Group of the Commission, on the other.

This Convention deals with the action of the Fund in the financing of two economic projects for the re-establishment of communications damaged by the cyclones which ravaged the island in March 1959. The Fund will finance the provisional

Table showing Operations of the Fund
(30 September 1959)

Projects submitted for the financial year 1958 and commitments authorised

COUNTRIES AND TERRITORIES	(in 000 of units of account)			
	Total projects submitted		Projects finally approved by the Council or the Commission	
	Number	Amount (a)	Number	Amount
<u>Belgian Area</u>				
- Belgian Congo	4	2,098	4	2,098
- Ruanda-Urundi	12	2,410	4	1,431
Total	16	4,508	8	3,529
<u>French Area</u>				
- Senegal	5	44,162		
- Mauretania	19	6,385		
- Sudan	21	5,899		
- Ivory Coast	23	7,280	3	2,270
- Dahomey	7	4,452	3	396
- Upper Volta	15	4,588		
- Niger	16	9,259		
- Togoland	6	1,156	5	660
- Cameroon	8	6,046	4	3,896
- Gaboon	7	4,656	2	612
- Congo	11	4,163		
- Central Africa	11	1,491		
- Chad	10	47,933	2	1,300
- Somali Coast	1	742	1	742
- Madagascar	30	23,662	7	4,093
- Comores	3	662		
- New Caledonia	5	338		
- Settlements in Oceania	1	295		
Total	199	173,169	27	13,969
<u>Italian Area</u>				
- Somaliland	3	2,450	1	1,950
<u>Netherlands Area</u>				
- New Guinea	3	8,270		
GRAND TOTAL	221	188,397	36	19,448

(a) Amounts shown purely for guidance

re-establishment of road communications, for a definite commitment of 400 million Frs. CFA, and of rail communications, for a definite commitment of 300 million Frs. CFA. This total subsidy of 700 million , completely chargeable to the 1958 budget of the Fund, is non-repeating and exceptional and the amount may not be exceeded.

ADMINISTRATIVE AFFAIRS

Budget problems

53. In response to the wish expressed by the European Parliamentary Assembly, the Commission on 19 September 1959 transmitted to the Council the preliminary draft budget of the European Economic Community for the financial year 1960, together with its opinion, as required by Article 203(2) of the Treaty. It is the duty of the Commission to combine the provisional estimates of the institutions in a preliminary draft budget and attach its opinion thereto.

54. At its meeting on 13 and 14 October, the Council established the 1960 budget estimate for the European Economic Community. As far as the parts relating to the common Institutions are concerned, the Committee of Presidents of the ECSC has however been requested to give its opinion at its meeting on 20 October.

The budget estimate has been transmitted to the European Parliamentary Assembly, which must pronounce upon it within one month.

55. At their meeting of 11 September 1959, the Councils of the European Economic Community and the European Atomic

Energy Community adopted the supplementary 1959 draft budgets concerning the Court of Justice transmitted to them with an opinion by the Commissions. On 25 September the European Parliamentary Assembly, to which the draft budgets were referred by the Council, adopted a resolution approving the text of the drafts without change. Consequently, the Councils have fixed the supplementary budgets for the financial year 1959 at 3,010,000 Belgian francs.

56. The Commission has forwarded to the Council the draft financial regulations on the establishment and implementation of the Community's budget which the Commission must propose to the Council in accordance with Article 209 of the Treaty. The Commission's proposal specifies the procedure for establishing and implementing the budget (Article 209(a)) and further establishes rules concerning the responsibility of pay-commissioners and accountants and arranges for the relevant supervision (Article 209(c)).

The Statute of Service for the Communities

57. At their meeting of 13 and 14 October, the Councils of the EEC and Euratom discussed the proposals submitted by their Expert Working Party on the Statute of Service in accordance with the instructions given at the meeting on 11 September. The Councils accepted in principle the proposals submitted by the experts. These proposals must be finalized before 15 November, 1959 and submitted to the Councils at their next session together with the proposals drawn up by the Committees on Community Taxation.

EUROPEAN UNIVERSITY

58. The Councils of the EEC and Euratom have decided to approve the proposal, made by the Commission of Euratom, to set up an Interim Committee composed of representatives of the Member States, the Commissions of the CEE and Euratom and of the High Authority of the European Coal and Steel Community under the chairmanship of M. HIRSCH, President of the Commission of Euratom.

The Interim Committee has been instructed to work on the following principles approved by the Councils:

- To study in its various aspects the initial establishment of a European educational institute of university rank (European University) and in particular to consider the educational level required for entry, the degrees which it could confer, the number of students and professors, and the establishment of a European University Council, which might be called upon to draw up proposals for the creation of other European establishments;
- To examine the problem of the possible recognition of existing faculties or institutes as "European Educational Institutes" and in particular to enquire into the powers which could be conferred upon a European Committee on Higher Education;
- To study the rules governing access to universities and institutes of higher education in the six countries and in particular to examine the measures to be taken to harmonise educational programmes and to ensure the equivalence of diplomas.

The report of the Interim Committee will be submitted to the Councils before the end of the year.

IV - INSTITUTIONS AND ORGANS

A. THE EUROPEAN PARLIAMENTARY ASSEMBLY

59. The Assembly met in plenary session from 22 to 23 September at the Palais de l'Europe in Strasbourg. The President of the Assembly, M. Robert SCHUMAN, delivered an address on the exchange of views concerning the seat of the institutions which had taken place in Brussels on 25 July between representatives of the Governments of the Member States and a delegation of the European Parliamentary Assembly (1).

M. PETRILLI, a Member of the Commission and Chairman of the Social Affairs Group, presented the Second Memorandum on the Development of the Social Situation in the Community which pursuant to Article 122 of the Treaty, was appended to the Second General Report on the Activities of the Community.

M. DARRAS submitted the report of the Parliamentary Committee on the Internal Market concerning problems related to the opening of markets and the rules governing competition.

After the debate which followed the report of M. DARRAS, the Assembly adopted a resolution requesting "the Executive of the EEC to endeavour as far as possible to speed up the implementation of the Treaty establishing the Common Market and in particular those of its provisions which concern policy relating to competition and the approximation of legislative and administrative provisions."

After the reports on problems relating to a European Economic Association had been submitted by M. BLAISSE on behalf

(1) See Bulletin 3/59, Chapter IV § 70.

of the Parliamentary Committee on Commercial Policy and Economic Co-operation, President HALLSTEIN outlined the steps taken by the Commission in this field during the preceding weeks (1).

In the debate following the statements of M. BLAISSE and M. HALLSTEIN, the spokesmen of the three Groups expressed their satisfaction at the steps taken by the Commission.

The Assembly further adopted a resolution on the problems of safety, industrial hygiene and protection of health within the EEC and Euratom. The Assembly put forward the suggestion that the Commission consider whether a list of requirements in the field of works safety and industrial hygiene could be drawn up and an order of priority established; it repeated its proposal that a study be made of the possibility of concluding an agreement between the Governments, the Executive of the EEC and the High Authority based on the same principles as that concluded between the High Authority and the Governments on the establishment of the Miner Safety Commission and it drew the attention of the appropriate agencies of the Community and the various governments - and in particular of the Council of Ministers - to the European Executives need of staff sufficient in quantity and quality to attain the objectives of the Community.

The Assembly took note of the draft supplementary budget drawn up by the Councils of the EEC and Euratom on 11 September 1959 increasing the provisional budget estimate of the Court of Justice for the 1959 financial year by 3,010,000 Bfrs.

At the November session there is to be a "colloquium"

(1) See in Chapter II the Memorandum from the Commission to the Special Committee for the study of problems concerning a European economic association.

in which the Assembly, the Councils and the Executives are to participate.

B. THE COUNCIL

60. On 11 September the Council met for its twenty-third session under the chairmanship of M. Emilio COLOMBO, Minister of Agriculture and Commerce in the Italian Republic; the Commission attended the session.

An exchange of views took place on the request for association put forward by the Turkish Government. Having received the formal approval of the Commission, the Council unanimously decided to give a favourable reception to the request of the Turkish Government (1).

The Councils of the EEC and of Euratom also continued their work on the drawing up of the statute of service for the two Communities.

61. On 13 and 14 September, the Council held its 23rd Session under the chairmanship of M. Giuseppe PELLA, Minister of Foreign Affairs of the Italian Republic and M. Eugène SCHAUS, Minister of Foreign Affairs of the Grand Duchy of Luxembourg; the Commission was represented. The Council heard a report on the status of the exploratory conversations which the Commission has opened with the Greek and Turkish Governments to work out details of the association of these two countries with the European Economic Community.

The Council requested the Commission to continue these exploratory conversations (2).

(1) See also Chapter III, § 3.

(2) See Chapter III, para. 6

The Council discussed with the Commission the main problems to be dealt with at the 15th Session of the Contracting Parties to GATT and drew up the general lines of a position which the Six might adopt on this occasion (1).

After hearing a report by the Commission, the Council discussed the progress of work in connection with the elaboration of the common external tariff, the negotiations on the headings of List G and the problems raised by the addition of further products to List G by the Member States. The Council agreed to deal with the questions arising from the negotiations concerning List G at a later session, to be held during the second half of November.

The Council established the draft budget of the European Economic Community for 1960 (2).

At the session of 13 and 14 October, the Councils of the EEC and the ECSC continued their study of the statute of service of the personnel of the Communities and, in particular, the question of staff salaries (3).

The Councils decided to appoint M. Pietro MERLI-BRANDINI, a Member of the study and research office of the Italian Confederation of Trade Unions, as a member of the Economic and Social Committee to replace M. STORTI, who has resigned. The new appointment is valid for that portion of M. STORTI's tenure of office still to run.

Finally, the Councils agreed to the proposal of the Euratom Commission to set up an Interim Committee, consisting of leading representatives of the Member States, the

(1) See Chapter III, para 8

(2) See Chapter III, para 54

(3) See Chapter III, para 57.

Commissions, and the High Authority of the European Coal and Steel Community, with M. HIRSCH, President of the Euratom Commission, as chairman. This Interim Committee has as first duty the task of studying in its various aspects the establishment of a first European institute of university rank (European University) (1).

62. In addition to their official meetings at the Councils, the Ministers of Foreign Affairs of the six Member States also met under the chairmanship of M. PELLA.

After discussing the question of political consultation between the Six, the Ministers recognized the principle of such consultations to be useful and adopted it. It was agreed to continue these discussions at a further meeting, which would be held towards the end of November.

At a meeting attended by the Presidents of the Commissions of the EEC, Euratom, and the High Authority of ECSC, and the Secretary-General of the Councils of the European Communities, the Ministers also dealt with a certain number of other problems raised in a memorandum submitted by M. WIGNY, the Belgian Minister of Foreign Affairs. In particular, the subject of aid to countries in the course of development was thoroughly discussed. The Ministers and the Presidents of the Executives were unanimous in their wish to emphasize the great importance of the European Community taking steps in this matter. The Ministers agreed to have all aspects of this problem studied by an ad hoc committee, which will also examine the main lines of a programme of action to be applied by the Communities. The Executives of the three Communities will par-

(1) See Chapter III, para 58.

ticipate in the discussions of this committee, which are due to begin in about a month's time.

The Ministers agreed to continue discussions of the other questions raised in M. WIGNY's memorandum at their next meeting in November. These questions concern the functioning of the Institutions of the European Communities, the possibilities of reducing the transition period for the final establishment of the Common Market, closer collaboration between the Member States in financial and currency policy, and the election by universal suffrage of members of the European Parliamentary Assembly.

C. COURT OF JUSTICE

63. Three appeals against decisions taken by the Commission of EEC to dismiss members of the staff have been submitted to the Court.

D. ECONOMIC AND SOCIAL COMMITTEE

64. The Council has requested the Economic and Social Committee for an opinion on the proposals for the elimination of discrimination in transport rates and conditions drafted by the Commission pursuant to Article 79(3), and on the draft rules for the European Social Fund drafted by the Commission pursuant to Article 127 of the Treaty.

The opinions on these two issues must be formulated at the meeting of the Committee on 28, 29 and 30 October.

The opinions of the Committee were drafted at meetings of the transport section (10 September and 7 October) and of the section for social questions (4 September and 8

October). These sections set up ad hoc working parties for the purpose.

65. The agricultural section held its third meeting on 3 September. It heard an address by M. MANSHOLT on the agricultural structures in the Community.

66. At the beginning of November the Commission will place before the Committee proposals on the common agricultural policy which, pursuant to Article 43 (2) of the Treaty, the Commission must submit to the Council before 1 January 1960.

E. THE MONETARY COMMITTEE

67. The Committee met in Brussels on 11 and 12 September. It continued the study of general problems raised by the freeing of the movement of capital between the countries of the Common Market.

It approved a report for submission to the Commission, containing proposals for drawing up the programme for the freeing of the movement of capital; under Article 69 of the Treaty of Rome the Commission must submit this to the Council.

