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INFORMATION MEMO

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the Commission to the Council and  
the Member Governments

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INTRODUCTION

1. The success of the European Communities is already an established fact; their influence is worldwide, and they have become the hub of the efforts being made to unite Europe politically. These Communities are called "economic" because they combine the economic and social policies which, if the Communities did not exist, would be handled by the political organs of the individual Member States; but they are already part and parcel of, and not simply a preparatory stage for, "political union". Progress on the road to economic integration increases the "inclination" towards complete political union, and it provides increasingly cogent reasons for establishing such union. If these Communities should fail, the political community would also be lost for our generation. On the other hand, as long as the Communities maintain their dynamism undiminished, there will still be a real chance for complete European federation.
2. The Commission, whilst not wishing to dramatize the present psychological malaise, is certainly inclined to take it seriously. The Commission believes that it can be transformed into a driving force for further European progress. The policy of European integration has overcome greater setbacks than this.
3. Political union" comprises in fact two elements :
  - the extension of the process of European unification beyond the pooling of economic and social policies to cover defence, foreign policy (over and above the part already covered by the economic policies merged under the European Economic Community) and cultural policy. The Commission has insisted on the need for this extension to take place soon. It has urged moreover that what has been achieved so far (the institutional shape and structure of the Communities) should be left intact. It holds in addition that any new elements which are created should also comprise genuine and independent representation of the Community interest;
  - improvement of the constitution of the European Communities (merger of the Community Executives, merger of the Communities themselves, and strengthening of the role of the European Parliament).

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One decisive motive for the efforts made under this last heading is the conviction that the sharing of democratic responsibilities laid down in the Treaty become all the more unsatisfactory the deeper the Community's activity permeates matters hitherto the preserve of national legislatures and the further the budget resources at the disposal of the Community increase, particularly as a result of the establishment of special funds. Within the framework of Treaty law the Commission will in future continue to follow up with the same determination as in the past any possibilities of improvement open to it and to support any similar initiative taken by the Parliament.

The Commission therefore warns against making the further advance of economic integration dependent on the fulfilment of certain demands. Apart from the legal situation, which does not allow of any such conditions, a policy of this kind is dangerous, since its effect on what is immediately necessary - the completion of the Communities - is negative and delaying. It can all too easily become a convenient pretext for putting off necessary decisions.

Apart from the need to keep the longer-term aim always in view, the immediate task of the European Economic Community is to maintain its own vitality and dynamism. The Commission is therefore proposing a number of measures for which the time seems ripe and which it considers would constitute a particularly impressive demonstration of the continuing élan of the Community. This set of proposals is not a package deal; on the contrary, the Commission is of the opinion that each individual suggestion must be examined separately.

In addition to these new proposals there are others which the Commission has already made and on which no action has yet been taken, in particular its demand for the fixing of a common cereals price; these have lost none of their urgency. The fact that the Council has made no decision on this means that there is no common agricultural policy, with serious consequences for the progress of integration and for the clarification of the Community's external relations in the Kennedy Round.

I. Customs union

The Commission considers that the time has now come to fix the date for completing the Customs Union and that this should be January 1, 1967.

The Commission proposes that on January 1, 1965, the Member States should again reduce total customs charges by 15%, in conformity with Article 14(4) of the Treaty. On this date customs duties should be reduced for each product by at least 10% in relation to the basic duty. However the reduction may be limited to 5% in certain special cases.

On January 1, 1966, the Member States would again reduce total customs charges by 15%. Customs duties would again be reduced for each product by at least 10% in relation to the basic duty. On January 1, 1967, any remaining customs duties on industrial products would be abolished.

As regards agricultural products - those which carry customs duties or "fixed components" - the speed-up provides for the abolition of these duties by January 1, 1968.

The Commission will also submit in due course, if possible before January 1, 1966, and without prejudice to any other action which it considers appropriate, proposals concerning definition of origin; the application of anti-dumping and compensatory duties; rules for the definition of customs value; the elaboration of common arrangements for processing traffic; the unification of national provisions concerning free entry on economic grounds, bonded warehouses and free ports, the working out of a procedure for operating Community tariff quotas and of rules for the uniform application of the common customs tariff.

The aim is free movement of goods between the Member States beginning 1967. For a large proportion of agricultural products it is the introduction - which in any case can no longer be deferred - of the common cereals price which will permit this free movement, whereas in the industrial sector it will be the elimination of the remaining intra-Community duties. These two operations, which can be planned and executed independently of each other, consequently converge towards the same objective, which is to favour the rapid completion of the Customs Union after the beginning of the third stage of the transitional period thanks to freedom of trade in goods between the Member States.

As to the complete establishment of the common customs tariff with effect from January 1, 1966, it would give not only the European economy but also our partners in non-member countries every certainty as to the shape of the European Customs Union which will confront them. This would in particular be a great advantage for the Kennedy negotiations.

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As it had already pointed out in its Action Programme of October 1962, the Commission considers that the elimination of customs duties should carry with it the abolition of indirect obstacles to the free movement of goods, in particular all controls at internal frontiers.

Not only do these controls prevent the establishment of a true common market, but they also tend to obscure from the citizens of Europe the political significance of the undertaking embarked on by the six Member States. As long as travellers have to pass through customs controls at frontier crossing points between the Member States and lorries have to queue for customs clearance, the citizens of the Community will continue to feel that there has been no decisive change.

Without waiting for solutions which will make possible the simultaneous abolition of all the obstacles referred to, the Commission will propose, after study in conjunction with national customs departments, measures to facilitate frontier crossing to the maximum.

The Commission:

- (a) Proposes that the Council adopt a resolution abolishing by January 1, 1970, at the latest all frontier controls on trade in goods between Member States;
- (b) Will simplify to the maximum degree and as rapidly as possible, in pursuance of Article 10 of the Treaty, the formalities imposed on trade by easing to the fullest extent possible the system introduced six years ago in the field of intra-Community trade;
- (c) Will propose to the Council at an early date a new series of measures which must be taken to attain the objective set out in (a) above;
- (d) Requests the Council to introduce, in advance of the complete establishment of the Customs Union, measures of commercial policy which will make it possible to dispense with procedure under Article 115;
- (e) Recalls the directive which it submitted to the Council on the harmonization of turnover taxes and stresses the importance of its adoption.

## II. Monetary policy

The Commission considers that the aims set out in its Action Programme of October 1962 have become even more pressing and that they should be examined in the light of experience. The interpenetration of markets which has meanwhile come about between the Member States makes progress in the field of monetary policy increasingly urgent.

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The aim of the Community is not merely to expand trade between the Member States; it implies merging the six markets in a single internal market and the establishment of an economic union. It therefore appears indispensable to adapt the monetary policy of the Six to the degree of integration already attained in other fields.

The Commission will submit without delay to the Council proposals for the progressive introduction of a monetary union. The Monetary Committee of the EEC and its Committee of Governors of Central Banks will be consulted in advance on these proposals.

### III. Social policy

In the social field the Commission places the emphasis on two lines of action. As indicated in the Action Programme of October 1962, the Commission has concluded from the experience of the first years "that the Fund should not merely be an organization for refunding Member States' expenditure on retraining schemes, but that it should also be in a position to encourage the various countries to initiate schemes and carry out experiments in this field; in this way the Fund could fully achieve its purpose".

The second line of action is of a more general nature. The Commission wishes to call the attention of Member States to the need to intensify the close collaboration provided for by Article 118 with a view to levelling living and working conditions in an upward direction. The general balance sought by the Treaty makes it indispensable that substantial progress should be made in this field on the lines of the programmes of work submitted by the Commission to the six governments. Such levelling upwards would, moreover, facilitate the attainment of economic union inasmuch as differences between national systems create disparities which affect the terms of competition or set up obstacles to trade.

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