



# **Community Topics**

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**Number 1**

## **The Common Market 1960-1**

**Introduction to the Fourth General Report  
of the Commission of the European Economic Community**

**Information Service of the European Communities**

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# **THE COMMON MARKET**

## **1960-1**

Introduction to the Fourth General Report on the activities of the Community published by the Commission of the European Economic Community, June, 1961.

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The twelve months from May 1960 to April 1961 were a period in which it became clear that the Common Market was not only firmly established, but that it was providing for its 170 million inhabitants a major element of rapid yet healthy growth in the already dynamic economy of the six-nation Community. The expansion of trade between member countries continued at a spectacular rate, though without preventing an important expansion in imports from the outside world. The gross national product, industrial production and productivity continued to advance impressively.

The introduction to the Common Market Commission's Fourth General Report, which is reproduced in the following pages, reviews the main developments of a year which included the speeding-up of the Rome Treaty timetable, signature of a draft Agreement of Association between Greece and the Common Market, progress in the formulation of common policies, a new approach to the Community's links with the associated countries in Africa and elsewhere, and the drafting of proposals for reinforcing the Community's existing institutions and for extending political co-operation between its member countries.

A full English translation of the Report may be purchased in the United Kingdom through H.M. Stationery Office.

# THE COMMON MARKET 1960-I

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In presenting its Third General Report on June 9, 1960, the European Commission noted that during the period covered (March 1959 – May 1960), the Community had asserted its reality both within and without its borders and had consolidated its institutions.

This assertion of the Community's strength had assumed tangible form in a number of rather spectacular measures or decisions culminating in the speed-up decision taken on May 12, 1960, by the Government representatives meeting in the Council.

## **A year of consolidation**

The period covered by the Fourth General Report has been mainly one of consolidation; expansion in intra-Community trade has continued and the first measures have been taken to give effect to decisions already adopted or intentions previously expressed: effective implementation of the speed-up of the Treaty, conclusion of the negotiations for an association agreement with Greece, continuation of the 're-negotiations' within GATT on the common customs tariff.

In comparison with these achievements, the progress made on the road to economic union may seem modest. However, the scope of the first decisions on the common agricultural policy taken by the Council in its meeting of December 20, 1960, is not to be underrated. At that meeting the Council established the principles to be followed in the organization of the European markets for the principal agricultural products. Important decisions were also taken on social policy and notably on the European Social Fund.

The Commission has continued its patient study and preparation of the common policies. It has submitted a first draft regulation on agreements and dominant positions (Articles 85 and 86 of the Treaty), a memorandum suggesting the general lines for the common transport policy and, in agreement with the High Authority and the Euratom Commission, proposals on the first measures to be taken with a view to establishing a common energy policy.

While the success of the Common Market was being confirmed, important political and economic developments, perhaps not uninfluenced by this success, were occurring in the Western world. Fifteen newly independent African states and Madagascar expressed their desire to remain associated with the Community. Relations between the Community, the other European countries and the United States seem to call for re-organization on new foundations. Steps have been taken in the direction of the political unity of Europe.

The present report will give a detailed description of the Community's activities. The European Commission would here like to underline their main features and endeavour to bring out a few lessons drawn from its experience, together with some reflections on the outlook for the Community in the present conjuncture of political events.

## **Integration speeded up**

The year 1960 was dominated by the preparation and the application of the speed-up decision. For industrial products, the first approximation towards the common customs tariff and an additional reduction of 10% in customs duties within the Community took place on January 1, 1961. The speed-up measures for agriculture were also introduced as planned on the same date, after the Council had verified the progress made in that sector.

The political and economic importance of these decisions needs no further explanation. They bear witness to the Member States' determination to speed up their economic integration despite any technical difficulties to which the application of these decisions might give rise. The first approximation towards the common customs tariff, which is both a condition and an instrument of the Community's common commercial policy, has without doubt offered the clearest evidence of this determination.

The measures taken on January 1, 1961, are no more than a first step. The acceleration in the application of the Treaty must be continuous and the Commission considers it necessary that, as planned in the resolution of May 12, 1960, a decision should soon be made on a further additional reduction in duties between the Member States for the end of 1961. This new reduction would bring them down to 50% of their basic level. This measure is desirable for political and psychological reasons, and would also be particularly timely in view of the Community's present economic situation.

The dynamic momentum of the Community's economy, which had greatly facilitated the first measures to implement the Treaty, persisted throughout 1960 and it is reasonable to expect that it will be maintained in 1961 as well. Industrial production increased in 1960 by 12%, while intra-Community trade grew by 25% over the preceding year. In the two years from 1958 to 1960 the increase in Community trade was 50%. These figures, which indicate the extent of progress made along the road to the Common Market, throw into relief the effects and the expected results of the process of integration along with the benefits from that general economic expansion which the Common Market itself is reinforcing. It is moreover significant that this progress on the Community Market has not harmed trade with the outside world, since Community imports from non-member countries themselves increased by 20% in 1960 over 1959.

## **External relations**

The negotiations between the delegation of the Commission acting on behalf of the Community and the Greek delegation which began in 1959, led to the signature by the two delegations on March 30, 1961 of a protocol marking their agreement on the association treaty. This has been submitted to the responsible authorities of the Community, the Member States, and Greece. The difficulties to be overcome were considerable: there was no precedent for such an agreement, nor for the use of the Community negotiation procedure provided for in the Treaty. The special situation of the Greek economy and the problems peculiar to certain Member States had to be taken into account. The success of the negotiations, due to the determination to reach an agreement manifested by the Community and the Greek Government, and also, it must be said, to the efforts of the Commission's delegation, confirm that the Community is ready and willing to give full play to the opportunities for association that the Treaty offers.

Satisfactory progress has also been made in the tariff negotiations under Article XXIV (6) of GATT. These conversations cannot be other than highly technical, but their results will be of general significance, for they will mark the recognition of the Community's customs tariff by the Contracting Parties to GATT.

## **Free movement of factors of production** ✓

The Community does not limit its aim to the free movement of goods. It also intends to establish free movement of the factors of production, without which measures of customs or quota disarmament run the risk of being soon evaded or rendered inoperative. What has to be ensured is the free movement of workers, the free establishment of individuals or companies and the free movement of capital, and the essential problem is to define common policies on a European scale in order to maintain or even to establish the freedom of all these exchanges. It is for the European Institutions to establish these common policies and to draw up the European legislation which will give expression to them, for the Treaty, in these essential fields of economic activity, confines itself to establishing a general framework which is sometimes very vague. A special responsibility lies with the Commission, which has the initiative in proposing the means to be used and the measures to be undertaken.

# **A year of common policies**

The year 1960-61 has been for the European Commission the year of the common policies. The Commission has devoted a great part of its activity to the preparation or the finalizing of its proposals and to their discussion in the Council. On June 30, 1960, for instance, the Commission, after taking into consideration the opinions of the Economic and Social Committee and the discussions in the Parliament, submitted to the Council in their final form, its proposals for the common agricultural policy. The Commission is aware that the implementation of this common agricultural policy will constitute a test of the Community's success in the field of common policy. Only long and arduous labour will make it possible to lead the agriculture of six countries, closely sustained and supervised by the public authorities, towards a single market. The first decisions which have been taken on the principles of the common policy and on the use of the levy system – the latter is a basic element in a common market organization – are therefore all the more important.

## **Agriculture**

The present organization of member countries' agricultural markets precluded the hope that intra-Community trade in agricultural products might expand at the same pace as trade in industrial products. Certain results have been obtained, but greater efforts are needed. The Commission therefore thinks it right to remind the Governments of the obligation incumbent upon them to fulfil the requirements of the Treaty in the sphere of the common agricultural policy. Any faltering in this field would risk compromising achievements elsewhere, just as it might jeopardize that balanced expansion of the Community economy which the implementation of the Treaty is intended to bring about.

## **Energy**

On account of the rôle played by the price of energy in economic development, the common energy market is a main pillar of the European edifice. With this in mind the Commission, in co-operation with the High Authority of the ECSC and the Euratom Commission, has drawn up proposals for the first measures of a co-ordinated policy on energy. These proposals have been submitted to the Governments. For its own part, the Commission sets the greatest store by the Community having available an instrument which, while taking into account the structural conditions of production in the different Member States, will ensure energy for the economy at the lowest possible price compatible with regular supply and will enable the Community to face the economic and human problems raised by the transformation of the energy market.

## **Transport**

After thorough study, the Commission addressed to the Council of Ministers on April 28, 1961, a memorandum on the orientation which should be given to the common transport policy. This memorandum should permit a wide exchange of views on the basis of which the Commission will formulate the proposals provided for in Articles 74 and 75 of the Treaty.

Already in 1960 the Council had adopted a regulation aimed at eliminating certain cases of discrimination, and the Commission had addressed a first series of recommendations on transport infra-structure to the Governments of the Member States. In this way a further form of common policy called for by the Treaty of Rome is being elaborated. This policy aims at both the elimination of every kind of obstacle which hampers the establishment of the common market in the field of transport, and the organization of this sector, having due regard to its special features, on Community lines and according to Community methods.

## **Rules of competition**

The creation of an economic union demands the elimination of governmental or private practices which engender differing conditions of competition in each country and which involve the risk of perpetuating, in less obvious form, the walling-off of the national markets, and of depriving the

consumer of the advantages to be expected from the establishment of a large market. The Commission is also aware of the political and psychological import of the work to be done in the field of agreements and dominant positions as well as in that of aids granted by the States. It means to establish on the basis of the Treaty provisions a firm and complete set of European rules in these fields. Its proposed regulation on agreements and dominant positions, which the Economic and Social Committee has just finished examining and which has been referred to the Parliament, constitutes a first contribution to these rules.

## **Social policy**

In the field of social policy, several important decisions have been taken by the Council on proposals of the Commission. After approval of the Regulation governing its activities, the European Social Fund is now at work and a large number of dossiers have already been referred to it. The Committee of the European Social Fund has also been set up. The Council should shortly adopt the first Regulation on the Free Movement of Workers, the Commission's draft of which has already been approved by the European Parliament and the Economic and Social Committee. The Community will thus have available more efficient instruments for the development of its social policy.

## **International responsibilities**

In its last Report the Commission emphasized the position of the Community on the international plane and the rôle that it was called upon to play because of its size and vigour. The confirmation of the Community's success during the past year has again increased its scope of action and its international responsibilities: special responsibilities in relation to the young African States and Madagascar associated with it, general responsibilities towards other states of the Western world and – jointly with the latter – towards the developing countries. The political future of the Community will be conditioned by these responsibilities and by the new prospects now opening before it.

## **Overseas associates**

The year 1960 saw most of the African countries associated with the Community and Madagascar achieve national sovereignty. In the few months that followed 15 African States and Madagascar showed their confidence in the association and their desire to maintain and develop the traditional links which their new international status has not broken. The Community immediately effected the first adjustments required by the new status of the associated African States and Madagascar. It must now seek a way of adapting the association to this new political situation and of making it the basis of intimate and lasting co-operation. The renewal, on January 1, 1963, of the first implementing convention attached to the Treaty will provide the opportunity for this adaptation.

Whatever may be the adjustments considered desirable by the African States and Madagascar or by the Member States, the Commission believes that the Community should pursue and extend the generous policy vis-à-vis the independent countries which show their attachment for Europe, initiated when these territories were still dependent. The bonds of mutual confidence established over the last three years, and the obligations incumbent upon the great economic power that is the Community, demand the continuation and expansion of the work begun on the basis of the provisions of the Treaty.

The industrialized countries, and particularly the six countries of the Community, will have to devote a growing share of their resources to the development of the less favoured states. The activities of the Community in Africa and Madagascar should be dovetailed into this overall programme of which they constitute one of the most original aspects. The multilateral character of the Community's activities ensure the better protection of the independence of each of the African States concerned and Madagascar, and are free of the drawbacks sometimes attributed to bilateral aid. At the same time, as Community operations, they establish close liaison between the African States and a European Community which respects the personality of each of its Member States.

The association policy pursued by the Community combines financial and technical aid with forms of commercial and economic co-operation which will become closer as the African and Malagasy economies expand. It may also lead, on the institutional plane, to the development of bonds of personal confidence between governing circles in Africa, Madagascar and Europe, at the parliamentary, ministerial and administrative levels. By the interest they have aroused and the success which has attended them, the steps taken in this sphere by the European Parliament have given an indication of the path to be followed in the future.

In the next few months, the Commission, in close consultation with the African Governments, the Governments of Madagascar, and the Governments of the Member States, plans to work out the basis of a new association conforming to the interests of Africa, of Madagascar and of Europe and acceptable to all concerned.

## **The United States and Europe**

The restoration of Europe, thanks to generous American help and the rapid development of the European economies, and perhaps even more to the formation of this vast integrated whole which is the European Economic Community, led in 1960 to a substantial change in the basic features of international economic co-operation. On December 14, 1960, the Convention establishing the Organisation for Economic Co-operation and Development was signed. The OECD, in which the United States and Canada work alongside European countries, and of which the European Commission is a member, is destined to become one of the linchpins of the economic organization of the free world. It will be the point at which the industrialized countries of Europe and America will co-ordinate their economic and monetary policies and will agree on the help required to avoid setbacks and ensure continuous expansion. The difficulties which the United States, with all its power, has experienced clearly reveal the need and the scope of such co-operation. The OECD will also provide a framework for a liberal commercial policy among its members and towards non-member countries, which is the very policy that the Community intends to apply. It will also lead to intensified and better co-ordinated action by the industrialized countries for the benefit of the developing countries.

The European Commission means to co-operate fully in the attainment of these objectives. It will endeavour to ensure that the European Community speaks with one voice in the OECD, so as to make all its influence felt.

Without excluding the possibility of longer-term solutions, the European Commission has always believed that the problem of intra-European trade could be studied on pragmatical lines with the help of the United States and of Canada. Although the measures to this end taken in the Committee on Trade Problems set up early in 1960 have not yet produced the results that it was reasonable to expect of them, it is comforting to note that intra-European trade has continued to expand as favourably as in the past, so that the problems no longer have the dramatic character which they had been apt to assume previously.

## **Dillon negotiations**

The next tariff conference in GATT, which will begin its work very shortly in conformity with the proposals made in 1959 by M. Dillon, should enable full advantage to be taken of the opportunities for the widest possible liberalization of international trade. This will further facilitate the development of intra-European trade without creating new difficulties for the American economy.

In addition, the European Commission has not ceased to call attention to the principle of the open door which is written into the Treaty of Rome. Any European State may take advantage of Article 237 of the Treaty and ask to become a member of the Community once it accepts the latter's economic and political objectives, which find expression in the provisions of the Treaty or the measures adopted to apply it.

The European Commission is convinced that the facilities offered by the Treaty and the operations planned in OECD and GATT are such as to allow of a constructive solution to the problems of European trade.

## **The aim: political unity**

The extension of the international rôle of the Community, like its internal consolidation, brings it nearer every day to the target that the signatories of the Treaty of Paris set themselves of establishing 'the foundation of a broad and independent community'. In its work the European Commission has never forgotten that the Community is a constituent part of a wider political edifice and that economic unification is only one stage towards the political unification of our continent.

At a time when fresh efforts are being made to advance this political unification, the European Commission owes it to itself to express a judgement on the institutional order in which it has participated. The experience it has acquired since 1958, confirming that of the European Coal and Steel Community, enables it to affirm that this institutional order is well-balanced, that it ensures effective action and that it is contributing to the creation of an ever-deeper European awareness.

It is useful to recall that this institutional order rests in effect – and this is its first main feature – on the permanent co-operation of the Council, in which the six Governments are represented, and the Commission, which is an independent Community organ. The important economic policy decisions lie with the Council but as a rule it cannot act without a proposal from the Commission, that is to say without a Community initiative.

The Council will be more and more led to take majority decisions; this will increase its effectiveness. However, it will be able to take such decisions only on a proposal of the Commission itself, so that its vote will not express a coalition of national interests, but the approval of the Community interest.

Despite the pre-eminent position of the Council, the Commission itself – and this is a second main feature of the system – is not subordinated to the Council. It is to the Parliament, representing the peoples of the Community, that it is responsible. It is the Parliament alone that can oblige it to resign. The exclusive control of the Parliament guarantees the independence of the Commission and forestalls any arbitrary decisions or lack of impartiality on its part. The almost daily contact with the Parliament and its organs keeps the Commission in close and permanent touch with political and human realities.

Lastly, the Court of Justice ensures respect for the law in the interpretation and implementation of the Treaty.

The European Commission considers that it is not possible to serve Europe effectively without guaranteeing respect for this institutional order and its possibilities of development.

## **Direct elections: Fusion**

Various proposals have been put forward to achieve the political 'relance' of which so much is heard. The Commission is aware that elections to the European Parliament by the universal suffrage of all the citizens of Europe would have an almost revolutionary impact. Such a decision, which is expressly provided for in the Treaties of Rome and Paris and would certainly be accompanied by an extension of the powers of the elected Parliament, would strengthen the foundations of the institutional order of the Communities and reinforce their popular basis and the entire European edifice.

A further measure which would increase the efficiency of day-to-day work, would be the fusion of the Executives of the three Communities, that is to say their replacement by a single Executive vested with all the responsibilities and powers flowing from the Treaties of Rome and of Paris. In agreement with the other two Executives, the European Commission reiterates its express approval of such a reform, which has also been recommended by the Parliament.



## **Closer political co-operation**

The Commission took note of the communiqué published in Paris on February 11, 1961, by the six heads of State or of Government. It expressed its satisfaction at the unanimous intention of the signatories to 'seek the methods by which closer political co-operation could be organized'. It noted that the new type of relations which was contemplated in Europe is to be 'based on the development of a single market through the abolition of all customs protection and the harmonization of the economies and also on political co-operation in a spirit of friendship, confidence and equality'. It is the Commission's opinion that if the balance thus established between the maintenance and the development of Community integration on the one hand, and the establishment of political co-operation between the Governments on the other is maintained, it will be possible to reckon on progress towards 'a union which will develop progressively'. In accordance with the wishes of the six heads of State or of Governments, such progress will enable the action of Europe to carry 'more weight in the world, which will be to the advantage of all free countries and will, in particular, lead to closer co-operation with the United States'.

## **The wider objectives**

In this fourth year of its term of office, the European Commission can state that since coming into force the Treaty has, broadly speaking, been correctly applied, that the Institutions have functioned normally and that the relationships established between them by the Treaty have been respected. Thanks to the work of these Institutions and the stability and continuity of their policies, appreciable, and sometimes even impressive, progress has been made towards the economic unification of Europe above and beyond the particular problems of each of the Member States. Though this progress does not yet guarantee that the wider objectives which the architects of this vast movement set themselves will be reached, it does provide a solid basis which is already a token of the determination of the Six Member States to ensure the economic and political integration of Europe.

The Commission does not underestimate the cases of resistance that have appeared as the effects of implementing the Treaty began to make themselves felt in the increasingly clear assertion of the international personality of the Community, the effective elimination of obstacles to trade in all fields or the rapid establishment of common policies. Since most of the decisions to be taken by the Council are still subject to the rule of unanimity, it has sometimes been more difficult or more time-consuming to overcome such resistance.

This is not surprising, since the problems involved in adapting national policies or administrative habits to the European requirements are becoming more apparent. Such problems can only be solved in a Community spirit. The Commission would like at this point to make an appeal to the Member States that they should let themselves be governed by this spirit in their everyday work, so that each country shall be less concerned with its own difficulties than with a better understanding of the difficulties facing its partners, and that each shall seek common solutions to problems which, from now onwards, are common to us all.

The Commission knows such an attitude to be consonant with the cherished hopes of our peoples. It realizes that the European Institutions are strong and determined to remain loyal to the political and institutional principles they must ensure and therefore has the firm hope that whatever the future may hold, the Communities will, in the words of Robert Schuman's declaration of May 9, 1950, be 'the first concrete foundation of the European federation which is indispensable to the preservation of peace'.

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